

# ANNUAL REPORT 2022



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**Rang-ayBank**  
Manipud 1956

## Our VISION and MISSION

### Our Vision

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

*Empowering North Luzon with globally competitive banking services.*

*Palakas in ang Hilagang Luzon sa pamamagitan ng pandaigdigang pakikipagtagisan ng kakayahan sa serbisyo ng pagbabangko.*

### Our Mission

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

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

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



# TABLE OF CONTENTS\*

## 1. Corporate Policy

- a. Bank's vision and mission statements 01
- b. Introduction & business model of the Bank 02
- c. Agri-Agra & mSME Compliance

## 2. Financial Highlights

- a. A two (2) year comparative presentation 03

## 3. Financial Condition and Results of Operations

- a. Statement of Condition 04
- b. Proposed Increase of Authorized Capital 05
- c. Proposed Declaration of Stock Dividends
- d. Chairman's Report 06

## 4. Risk Management Framework

- a. Overall risk management culture and philosophy 16
- b. Risk Appetite and strategy 16
- c. Bank-wide risk governance structure and risk management process 19
- d. AML governance and culture and Overall Money Laundering (ML)/ Terrorist Financing (TF) risk management framework 21

## 5. Corporate Governance

- a. Overall corporate governance structure and practices 22
- b. Selection process for the Board and Senior Management 23
- c. Board's overall responsibility 23
- d. Executive, non-executive and independent directors, and of the chairman of the Board 23
- e. Board composition & qualification 24
- f. Board-level committees including membership and function 26
- g. Director's attendance at Board and committee meetings 26
- h. Executive Officers/Senior Management 27
- i. Performance Assessment Program 30
- j. Orientation and Education Program (Trainings & Seminars) 31
- k. Retirement and Succession Policy 32
- l. Remuneration Policy 34
- m. Related Party Transactions 35
  - i. Policies and procedures for related party transactions
  - ii. Material RPTs
- n. Self-Assessment Function 37
  - i. The structure of the internal audit functions
  - ii. The review process adopted by the Board

- o. Dividends Policy 39
- p. Consumer Protection Practices 39

- i. Role and responsibility of the Board and Senior Management
- ii. The consumer protection risk management system of the bank
- iii. The consumer assistance management system of the bank

## 6. Sustainable Finance Framework 45

## 7. Corporate Information

- a. Organizational structure 49
- b. List and description of products and services offered 50
- c. Bank website: www.rangaybank.com
- d. List of banking units 54

## 8. Common & Preferred Stockholders 60

## 9. Statement of Financial Position Statement of Income & Expense 64

## 10. Compliance with Appendix 63c of the MORB-Disclosures in the Annual Reports 66

- a. Capital structure and capital adequacy;
- b. Tier 1 capital and a breakdown of its components;
- c. Tier 2 capital and breakdown of its components;
- d. Deductions from Tier 1 and Tier 2 capital; and
- e. Total qualifying capital.

## 11. Audited Financial Statements (AFS) with Auditors Opinion (Compact disk enclosed in back cover)

\* ANNUAL REPORT ASSESSMENT CHECKLIST, in compliance with  
Subsection 419OQ.5-Disclosure Requirements in the Annual Report

## ABOUT RANG-AY BANK

### Rang-ay Bank (A Rural Bank), Inc.

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

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

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

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

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

## Compliance with Agri-Agra Reform Credit Act of 2009 (R.A No. 10000) as of June 30, 2022

	Universal & Commercial Banks	Thrift Banks	Rural & Cooperative Banks	RANG-AY BANK
<b>Compliance with AGRA</b> (Agrarian Reform Credit) (10% of Loanable Funds Generated)				
Percentage of Compliance with Required 10% for AGRA	0.65%	0.93%	7.01%	11.04%
<b>Compliance with AGRA</b> (Other Agricultural Credit) (15% of Loanable Funds Generated)				
Percentage of Compliance with Required 15% for AGRA	9.66%	5.80%	11.43%	17.67%
<b>TOTAL AGRI AGRA</b>	<b>25%</b>	<b>10.3%</b>	<b>6.73%</b>	<b>18.44%</b>

Source: Department of Supervisory Analytics, Financial Supervision Sector, BSP  
Updated as of 17 August 2022

## Compliance with Magna Carta for Micro, Small and Medium Enterprises under R.A No. 6977 as of September 30, 2022

Compliance with Prescribed Allocation of Loan Portfolio to:	Universal & Commercial Banks	Thrift Banks	Rural & Cooperative Banks	RANG-AY BANK
<b>A. Micro &amp; Small Enterprises</b> (8% of total loan portfolio net of exclusion)				
Percentage of Compliance for mSEs	1.46%	4.38%	20.29%	56.24%
<b>B. Medium Enterprises</b> (2% of total loan portfolio net of exclusion)				
Percentage of Compliance for MEs	2.67%	5.31%	10.74%	15.65%
<b>TOTAL MSME:</b>	<b>10%</b>	<b>4.13%</b>	<b>9.69%</b>	<b>31.03%</b>

Source: Supervisory Data Center, Financial Supervision Sector  
Updated as of 22 December 2022



06 May 2023

## FINANCIAL HIGHLIGHTS

### (Audited Financial Statements)

	2022	2021	Peso Increase (Decrease)	Percentage Increase (Decrease)
<b>Profitability</b>				
Total Net Interest Income	P 148,625,214	P 167,227,444	(18,602,230)	-11.12%
Total Non-Interest Income	66,460,068	48,148,778	18,311,290	38.03%
Total Non-Interest Expenses	147,548,352	150,254,995	(2,706,643)	-1.80%
Pre-provision profit	67,536,930	65,121,227	2,415,703	3.71%
Allowance for Credit Losses	16,427,904	17,098,650	(670,746)	-3.92%
Net Income Before Income Tax	51,109,026	48,022,576	3,086,450	6.43%
Income Tax	4,268,677	5,298,029	(669,352)	12.63%
Net Income After Income Tax	46,480,349	42,724,547	3,755,802	8.79%
<b>Selected Balance Sheet Data</b>				
Liquid Assets	3,564,021,366	3,393,445,481	170,575,885	5.03%
Gross Loans	1,934,093,730	1,964,453,251	(30,359,521)	-1.55%
Total Assets	3,808,665,462	3,604,265,860	204,399,602	5.67%
Deposits	3,063,701,967	2,898,518,643	165,183,324	5.70%
Total Equity	666,740,161	622,470,050	44,270,111	7.11%
<b>Selected Ratios</b>				
Return on average equity	7.21%	7.07%		
Return on average assets	1.25%	1.21%		
Capital Adequacy Ratio	21.61%	20.21%		
<b>Per common share data</b>				
Book Value	87.35	81.48	6	7.20%
<b>Others</b>				
Cash dividends declared	-	8,048,775		
Headcount	222	232	(10)	-4.31%
Officers	62	66	(4)	-6.06%
Staff	160	166	(6)	-3.61%

OUR DEAR STOCKHOLDERS,

The year 2022 has just been concluded and we are glad to inform you of the performance and results of operation of Rang-ay Bank (A Rural Bank), Inc.

## STATEMENT OF CONDITION

Through the years, Rang-ay Bank continues to maintain its status as the biggest bank in its class in the entire Ilocos, Cordillera and Pangasinan provinces despite the obstacles brought upon by the pandemic for the previous years. We are happy to inform you that the bank achieved a milestone accomplishment for having breached P3 Billion in deposits by yearend 2022. The bank's growth in deposits shows the continuing trust and confidence of the depositing public and the quality service we provide to our clients.

This accomplishment proves Rang-ay Bank's strong reputation as one of the top performing rural banks in the country. Likewise, we have consistently grown our total assets and continue to build our capital base.

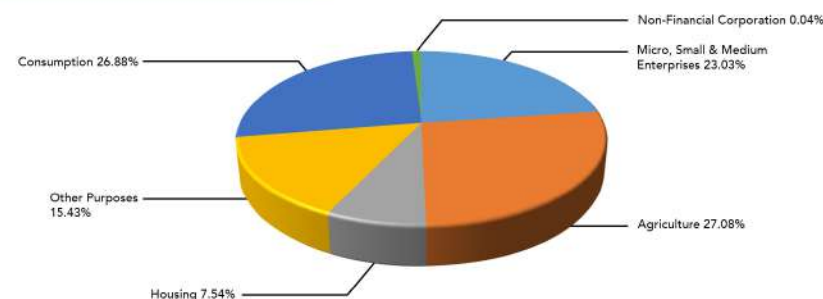
Loans were extended to 4,538 borrowers for the entire year and aggregated more than P3,469,177,597.34. These were granted to the following projects:

Purpose	Number of Accounts	Amount of Loans Granted	%
Micro, Small & Medium Enterprises	1,045	P 2,124,741,262.34	61.25%
Agriculture	1,229	955,137,845.00	27.53%
Housing	342	144,461,120.00	4.16%
Other Purposes*	700	114,303,730.00	3.29%
Consumption**	1,220	80,533,640.00	2.32%
Non-Financial Corporation	2	50,000,000.00	1.44%
<b>TOTAL</b>	<b>4,538</b>	<b>P 3,469,177,597.34</b>	<b>100.00%</b>

\* (92% of which are Salary Loans)

\*\* (77% of which are Pension Loans)

Pie Chart as to number of accounts:





## PROPOSED INCREASED OF AUTHORIZED CAPITAL &amp; DECLARATION OF STOCK DIVIDENDS

<b>I. Authorized Capital (December 31, 2022)</b>	<b>Amount</b>	<b>No. of Shares</b>
A. Common Stock	P 460,000,000.00	9,200,000
B. Private Preferred Stock	20,000,000.00	400,000
C. Government Preferred Stock	20,000,000.00	400,000
<b>TOTAL</b>	<b>P 500,000,000.00</b>	<b>10,000,000</b>
<b>II. Subscribed &amp; Paid-up Capital (December 31, 2022)</b>		
A. Common Stock	P 377,376,400.00	7,547,528
B. Private Preferred Stock	7,470,300.00	149,406
C. Government Preferred Stock	-	-
<b>TOTAL</b>	<b>P 384,846,700.00</b>	<b>7,696,934</b>
<b>III. Proposed Increase in Authorized Capital</b>		
A. Common Stock	P 300,000,000.00	6,000,000
B. Private Preferred Stock	-	-
C. Government Preferred Stock	-	-
<b>TOTAL</b>	<b>P 300,000,000.00</b>	<b>6,000,000</b>
<b>IV. Authorized Capital (After Approval of Capital Increase)</b>		
A. Common Stock	P 760,000,000.00	15,200,000
B. Private Preferred Stock	20,000,000.00	400,000
C. Government Preferred Stock	20,000,000.00	400,000
<b>TOTAL</b>	<b>P 800,000,000.00</b>	<b>16,000,000</b>
<b>V. Proposed 20% Common Stock Dividends (2023)</b>	<b>P 75,475,280.00</b>	<b>1,509,505</b>
To serve as subscription & payment for increase in authorized common stock. Required subscription is 25% of P300,000.00 or P75,000,000.		
<b>VI. Subscribed &amp; Paid-up Capital (After Stock Dividends)</b>		
A. Common Stock	P 452,851,680.00	9,057,033
B. Private Preferred Stock	7,470,300.00	149,406
C. Government Preferred Stock	-	-
<b>TOTAL</b>	<b>P 460,321,980.00</b>	<b>9,206,439</b>

## OPERATIONAL HIGHLIGHTS

## RANG-AY AT 66 AGSERSERBI MANIPUD 1956

"Rang-ay" is the Ilocano word for progress. Since the bank's foundation in 1956, it has remained true to its name. As an institution, Rang-ay Bank serves as a catalyst for development and prosperity within our local communities. The bank aims to empower the rural communities and gain trust of people in depending on the bank to become their primary financial access point.



Rang-ay Bank celebrated its 66 years of countryside banking with a recognition and awarding program participated by its officers, while staff from its 30 branches participated via teleconference due to the ongoing pandemic. The event was held at One Nisce Place (ONP) Events Hall in San Fernando City, La Union last February 19, 2022.

The event started with the opening remarks from Chairman Ives Nisce who shared his story when he took over as the President and became the youngest rural bank chief executive of his time. Featured speaker was Rural Bankers Association of the Philippines (RBAP) President Atty. Albert Flint Concha who delivered his message to Rang-ay Bank virtually. In his message, he congratulated the bank in celebrating its 66 founding anniversary and for being a part of the economic frontliners who continue to provide financial services during the Covid-19 pandemic. The bank also recognized the invaluable contribution of outgoing Director Reynaldo Nisce. Director Nisce was an active and conscientious member of the Board of Directors for 13 years (since 2009), helping Rang-ay Bank to become the leading bank of its class in the Ilocos and Cordillera Regions.

The program is not merely a celebration of the bank's 66 years of success but also a platform to recognize and award the top-performing Branches and Head Office units for the 2nd semester as well as for the whole year of 2021. Rang-ay Bank also organized a pinning ceremony for the newly promoted officers for their continuous dedication in achieving the bank's mission and vision. The anniversary ended with closing remarks from Rang-ay President & CEO Ives Jesus Nisce.

## BSP RENEWS RANG-AY ACCREDITATION

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

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





## CHAIRMAN'S REPORT

Among the accredited banks, Rang-ay Bank is the only bank based in Region 1 and CAR. The Bank provides collateral-free loans to small-scale cultivators, farmers, tenants and lease holders that include backyard poultry projects and livestock raisers. The Bank actively finances agri-business such as rice-millers, vegetable haulers, contract growers, warehousers, agri-suppliers and bamboo growers all over the region. The bank is able to provide additional capital for agricultural projects such as livestock and fishery projects, planting of rice, corn and vegetables and other food crop raisers.

### ➤ BETTER & FASTER PESONET SERVICE IS HERE!

Transfer funds through PESONet and be able to send and receive transactions within a banking day, is now offered by the bank. This new feature enhances the user experience as it allows fast crediting of funds to the recipient's account without amount limit- whether it be a commercial bank, thrift bank or to a rural bank account.



### ➤ BSP CONFIRMS INTERNAL AUDITOR

Ms. Janet Zamoranos was confirmed by Bangko Sentral ng Pilipinas (BSP) as the Internal Audit Head of Rang-ay Bank last April 6, 2022. Circular No. 1141 of BSP states that the internal audit function of a bank shall assess and complement other control initiatives like risk management and compliance. According to the circular, the audit shall ascertain whether the institution's fiduciary business and investment management activities have been administered in accordance with laws, Bangko Sentral rules and regulations, and sound fiduciary principles.



Ms. Janet has been with the bank for more than 20 years. She was hired on June 15, 1998 as Deposit Assistant at the Main Branch and continued to grow with the bank. Since then, she has been promoted to different positions from Branch Manager up to being the Senior Audit Manager of the bank.

### ➤ ONLINE STOCKHOLDERS' MEETING 2022

Rang-ay Bank held its Annual Stockholders' Meeting last April 30, 2022 via videoconference because of the ongoing pandemic. The yearly meeting of the bank's shareholders allows management to report the company's business operations for the calendar year 2021 and to elect the Board of Directors.



## CHAIRMAN'S REPORT

The meeting of the bank's shareholders saw the re-election of the incumbent seven (7) Directors: Ives Nisce, Leticia Asenci, Mario Galvez, Flora Ignacio, Ivy Rose Martinez, Ives Jesus Nisce II and Jose Osias. Chairman Nisce acknowledged the bank's officers and staff for their hard work and dedication as Rang-ay Bank maintained its position as the No. 1 bank in its class in the Ilocos and Cordillera Regions despite the challenges brought about by the pandemic. He also thanked the steadfast support of directors, stockholders and the local communities it serves for their continued trust and support of their local bank.



### ➤ VERY FIRST RANG-AY BANK BRANCH GETS A MAKE OVER

Rang-ay Bank formally inaugurated its newly renovated Tubao (La Union) Branch last September 6, 2022. Rang-ay Bank Tubao Branch first opened its doors in 1982. It is Rang-ay's first branch outside the City of San Fernando, La Union and the first and only bank in the municipality of Tubao, La Union.

The Blessing started with prayers in front of the branch premises officiated by Rev. Father Manuel Laviste of St. Isidore Parish Church. The cutting of the ceremonial ribbon led by Hon. Romeo Garcia, Tubao Vice Mayor and Dr. Rose Canlas-Nisce, former Philippine Regulatory Commission (PRC) Board of Dentistry Chair. The bank turned over the donation of monoblock chairs to the Local Government Unit of Tubao received by Mr. Rufino Alva of the Office of the Mayor.



Tubao (LU) Branch has been serving the municipality of Tubao for the past 40 years. The bank offers safe and secure deposit services, provides affordable loans, international & local remittances, bills payment and SSS pensions, contribution and payouts to the people of Tubao for the last four (4) decades. The office building has a provision for an ATM machine to better serve the people of Tubao.

### ➤ EMPOWERING MICRO, SMALL AND MEDIUM ENTERPRISES

Rang-ay Bank joins Provincial Government of La Union (PGLU) in empowering the micro, Small and Medium Enterprises (mSMEs). Provincial Government of La Union (PGLU) conducted a seminar to enhance the business climate and promote the spirit of La Union Probinsyanihan. The training for mSMEs was held on July 6, 2022 at the 4th Floor La Union Provincial and Administrative Bldg. The seminar aims to ensure that the mSMEs continuously develop, expand their market scope and potentially increase revenue.





## CHAIRMAN'S REPORT

Rang-ay Bank Team led by Area Manager for Central Branches Ms. Thelma Evelyn Tabafunda and Marketing Officer Florence Joy Licudine introduced Rang-ay Bank. They discussed the bank's products and services with emphasis to the mSME Business Loan Program for entrepreneurs. This loan program is available to businessmen or entrepreneurs looking for start-up, additional capital and asset financing. This quick affordable loan program has very flexible terms to accommodate any business or commercial endeavor from start-up capital to revolving inventory loans to revolving credit lines.

### RENEWING LANDBANK OF THE PHILIPPINES PARTNERSHIP

Rang-ay Bank and the Landbank of the Philippines strengthened their many years of partnership with the renewal signing of a Rediscounting Line Agreement last December 23, 2022 at Rang-ay Bank's head office in San Fernando City, La Union. Rang-ay Bank represented by Chairman Ives Nisce, President & CEO Ives Jesus Nisce II, VP for Credit and Remedial Management Units Nina Francisca Palabay and Credit Management Officer Kaye Ann Culbengan renewed its Agreement with Landbank represented by LBP-La Union Ilocos Lending Center (LUILC) Head Myra Myrtha Padolina and Account Officer Janyfi Cisnero.



## INTERACTING WITH THE COMMUNITY

### MSGC SUPPORTS PROVINCIAL GOVERNMENT OF LA UNION

La Union Provincial Governor Francisco Emmanuel "Pacoy" R. Ortega III expressed his appreciation through a Mark of Gratitude to the members of Multi-Sectoral Governance Council (MSGC) for their valuable contribution and support in the Performance Governance System journey of the Provincial Government of La Union (PGLU) during the council's courtesy exit visit on June 20, 2022 at the Office of the Provincial Governor.

Further, Gov. Pacoy also stated that newly elected Governor Ruffy Ortega-David will continue to finish his goal of passing the Institutionalization stage during the Revalida. The MSGC also expressed their commitment to continue supporting the province's new governor. Both the PGLU and the MSGC are partners in fostering plans, insights, advice, and other reviews to amplify substantive working in the implementation of PGLU's strategic initiatives and attainment of set goals.



### DIALOGUE WITH CITY OFFICIALS

The City Government of San Fernando, La Union had a dialogue with the Chamber of Commerce and Industry of La Union (CCI-LU) regarding the current concerns in the city last September 14, 2022 in the Mayor's Conference Room, City of San Fernando, La Union.



## CHAIRMAN'S REPORT

The CCI-LU officers presented the concerns to the City Government headed by City Mayor Hermenegildo A. Gualberto on traffic management, designation of parking areas, compliance of establishments in parking requirements, insufficient lights along the main roads, disturbing sounds from the Night Market and the unscheduled power interruptions in the city. San Fernando City La Union is the hometown of Rang-ay Bank serving the city for more than 66 years.

### RANG-AY PRESIDENT ELECTED AS CORPORATE TREASURER OF CREBA

Rang-ay Bank President & CEO Ives Jesus Nisce II was elected as Corporate Treasurer of Chamber of Real Estate & Builders Association, Inc. (CREBA) La Union Chapter for 2022-2023.

CREBA is a private non-stock non-profit corporation established under Philippine law. CREBA's membership includes developers of land, housing subdivisions, condominiums, industrial estates, resorts, hotels and retirement facilities; home builders; brokers; building contractors; professionals in the fields of urban and environmental planning, architecture, engineering, and real estate management; property appraisers; financial advisors; and suppliers of land development and construction inputs.



## EMPLOYEE ENGAGEMENT

### SUMMER OUTINGS 2022

Rang-ay Bankers from 30 banking offices put down their pens and calculators as they frolicked at different beautiful places of the Philippines as part the bankers' summer activities. Various outings in different batches are scheduled to adhere to covid and safety protocols. A total of 169 bankers had the chance to relax, unwind and have fun while strengthening teamwork resulting to great camaraderie that translate to better work performance.

Officers & Staff of Baguio Cluster enjoyed sightseeing and capturing instagrammable photos in the roman inspired, tranquil and quaint Goshen Resort and Hotel located in Bamban, Tarlac. Laoag staff frolicked in the white beaches of Saud Beach, more popularly known as "Pagudpud Beach" and the "Little Batanes" of the North located at Pagudpud, Ilocos Norte. Vigan, Bangued and Head office visited the cool "Summer Capital of the North" Baguio City, situated 1,500 meters above sea level and is one of the few places in the Philippines with temperate climate.

Narvacan, Central Cluster, Audit department and Compliance enjoyed island hopping, snorkelling & banana boat riding in Hundred Islands. It is a protected area located in Alaminos, Pangasinan. Balaoan experienced the thrilling and exciting rides of Sky Ranch Pampanga. The employees enjoyed the amusement park, riding Ferris wheel, carousel and roller coaster. While Agoo cluster visited Ban-aw Resort & Water Park located in Candon City, Ilocos Sur. With its towering slides, wide spaces and large swimming pool, it is really something that group of friends will definitely enjoy. The Cluster Also visited Candon Eco Park located at brgy. Palacpac, Candon City.





## ➤ A THANKSGIVING

A thanksgiving celebration was held last October 15, 2022 at Rose Bowl Restaurant, Bauang, La Union which coincided with the birthday of the Bank's Chairman. The theme of the celebration is "Yellow & Green Party", the bank's corporate colors. The event was the first large face-to-face program since the pandemic. More than 110 officers and staff of Rang-ay Branches from Ilocos Norte to Pangasinan attended the festivities.



The event was also a chance to recognize the Top Performing Bankers for the 1st semester of 2022. Dagupan Cluster (Dagupan & Rosales Branches) was awarded as the top performing cluster and top loan performer while Office of the Chairman received the President's Award for the best performing support unit for the same period. Also recognized were Balaoan Cluster with three awards (top in CASA, NPA as to Percentage and GS5/SSD/TD), Baguio Cluster (best in NPA), Luna Branch (top in Remittances), Naguilian Branch (top in Remittances), and Santa Cruz Branch (top in Pesonet Transactions). Another highlight of the event was the pinning ceremony of the newly promoted officers.



Balaoan Cluster was adjudged to have the best cheer. The Rookies won the best presentation. Everyone was a winner with prizes such as TV, Air Fryer, Electric Oven, Water Dispenser, Stand Fan, Rice Cooker, Oven Toaster and several cash prizes given to the lucky bankers.



## ➤ CHRISTMAS BALL 2022

Rang-ay Bankers, for the first time since the start of the pandemic, assembled face-to-face as it celebrated its annual year-end gathering last December 17, 2022 with the theme: "Mask-querade Christmas Ball". The party was attended by more than 200 Rang-ay Bank personnel from Ilocos Norte, Ilocos Sur, La Union, Pangasinan, Abra and Benguet.

The programme started with a live Mass celebrated by Mons. Alfonso Ramon Lacsamana to mark the birth of our Lord and a Thanksgiving for the year 2022. A welcome address and Christmas message from the Chairman jumpstarted the event.

One significant part of the program was the recognition of the long serving Rang-ay Bankers with a special Service Achievement for serving their local communities for the past ten (10) years. The milestone awardees were Vigan Senior Branch Manager Rolly Rabanal and HR Training Officer Alexander Ferrer. The bank also handed out special end-of-year awards to the top performing bankers of 2022. The awardees were Renalyn Murao (Female H.O Support Staff of the Year), Jheremy Acosta (Male H.O Support Staff of the Year), Eliza Palabay (Bank Influencer of the Year), Ryan Flores Tibay (Rookie of the Year), Jeffrey Castro (Teller/Cashier of the Year), Lornalyn Tam (Bank Loan Associate of the Year), Jovel Foronda (Bank Deposit Associate of the Year), Juanito Guiron Jr. (Collection Representative) and Mark Deejay Pagdilao (CI/Appraiser). Sinait (IS) Branch led by Maritess Dela Cruz and Aringay (LU) Branch led by Analyn Mendigoria were recognized as the most improved branches of 2022.



Adding fun to the event were the presentation of Tiktok videos of the branches and Head Office Units. Live presentations coming from Narvacan (IS) & Baguio (B) branches and CMU/RMU Department added joy to the festivities. President & CEO Ives Jesus Nisce II, in his closing remarks expressed his warm congratulations to all officers and staff for helping the bank continue its Mission and Vision to hasten progress in the communities of the Ilocos Region and Cordilleras and empowering North Luzon with globally competitive banking services and he looks forward to another successful year in 2023.

## ➤ PERAHUB AWARDS

Rang-ay Bank was also given an award by PERAHUB as the Top 2 Remittance Partner with Most Number of Western Union Transactions in the Regional Category. Luna (LU) Branch headed by Branch Manager Shari Karen Torralba was the Top 4 Perahub Remittance Partner with most number of Western Union Transactions in the Region.



With the bank's 30 branch network, it is now easier for the people in the regions to access remittance, micro insurance, e-money and other banking services. Rang-ay Bank ensures the 100% security and reliability of your domestic and international money transfer thru PERAHUB.

## CORPORATE SOCIAL RESPONSIBILITY (Celebrating 66 years with Local Communities)

### ➤ EDUCATIONAL INSTITUTION

Rang-ay Bank Balaoan (La Union) Branch marked the bank's 66<sup>th</sup> Anniversary and the branch's 16<sup>th</sup> Anniversary with the donation of electric fans to San Nicolas Academy School, Balaoan, La Union last May 12, 2022. San Nicolas Academy is a local Catholic school in the town of Balaoan, La Union catering to students from grade school, high school and senior high school.



### ➤ TRANSPORT COOPERATIVE

Rang-ay Bank Luna (La Union) Branch marked its 10<sup>th</sup> Anniversary by donating retractable foldable tents and monoblock chairs to Luna La Union Transport Cooperative (LLUTC) last June 10, 2022.

The LLUTC is a group of jeepney drivers who provide public transport services to the commuting public of La Union. The coop also engages in allied services or businesses, promoting and advancing the economic and social status of the members and ensuring the viability of cooperatives through the utilization of new technologies.





## CHAIRMAN'S REPORT

### ➤ VEGETABLE VENDORS

Rang-ay Bank Santa Cruz (Ilocos Sur) Branch marked its 19<sup>th</sup> Anniversary with the donation of heavy duty weighing scale to the market vegetable vendors of Santa Cruz, Ilocos Sur last August 26, 2022. The team led by Santa Cruz Branch Manager Jane Castillo and Marketing Head Florence Joy Licudine turned over the heavy duty weighing scale to Santa Cruz Market Vegetable Association. Market Supervisor Joel Lopez and the president of the Association Mrs. Corazon Embanico expressed their appreciation to Rang-ay Bank for supporting their association. Marketing Team also conducted a financial literacy training to educate the members of the said association.



### ➤ TRICYCLE DRIVERS

Rang-ay Bank Magsingal (Ilocos Sur) Branch marked its 14<sup>th</sup> Anniversary with the donation of monoblock bench chairs to the Tricycle Operators and Drivers Association (TODA) of Magsingal, Ilocos Sur last July 26, 2022. Vigan Senior Branch Manager Rolly Rabanal, Magsingal Officer-in-charge Wilma Marzan together with the Marketing team turned over the monoblock bench chairs to Magsingal TODA. Arnold Arellano, the president of the TODA riders expressed his gratitude to Rang-ay Bank in behalf of the association. Marketing Team also conducted a financial literacy training to educate the members of the riders on the importance of saving.



### ➤ LOCAL GOVERNMENT UNIT

Rang-ay Bank Bacnotan (La Union) Branch marked its 16<sup>th</sup> Anniversary with the donation of water dispenser and stand fan to the Treasury and Accounting Departments of the Local Government Unit (LGU) of Bacnotan last July 5, 2022. The Team led by Area Manager for South Branches Winnie Mingaracal, Bacnotan Branch Manager Eden Prime Balongcas together with Marketing Officer Florence Licudine turned over the water dispenser and stand fan to Bacnotan Mayor Hon. Divina Fontanilla.



### ➤ MARKET VENDORS

Rang-ay Bank turned over four (4) Rolling Trash Bins and Heavy-duty Weighing Scale to the Bangui market vendors at the 2nd Floor, Dry Section, Public Market, Bangui, Ilocos Norte on October 27, 2022 to mark the 5th Anniversary of the branch. Area Manager for North Branches Rowena Rosales and Bangui Branch Manager Dolores Jaramilla gave each of the 10 lucky winners of the raffle draw, their own Basic Deposit Accounts which will help them start their savings habit.



## CHAIRMAN'S REPORT

### ➤ "TULONG BARYA PARA SA ESKWELA"

Rang-ay Bank Burgos (Ilocos Sur) Branch headed by Area Manager Rowena Rosales and Branch Manager Grace Cayan celebrated its 18<sup>th</sup> Anniversary by donating Kiddie Savers Account to fifty five (55) learners of Burgos Central School ages 7 to 12 years old last November 11, 2022. The team also conducted Financial Literacy training to educate them on the importance of savings, to understand basic financial concepts and to equip them with the knowledge and skills they need to manage money effectively.



### ➤ TODA

Rang-ay Bank Vigan (Ilocos Sur) Branch marked its 18<sup>th</sup> Anniversary by donating jersey shirts to the Plaza Burgos Tricycle Drivers last September 29, 2022.



### ➤ SENIOR CITIZENS

❖ Rang-ay Bank Aringay (La Union) Branch marked its 2<sup>nd</sup> Anniversary by donating swivel chairs and health kits to Aringay, La Union Office of the Senior Citizens Association last September 14, 2022.



❖ Rang-ay Bank Rosario (La Union) Branch marked its 4th Anniversary with the turnover of Bulletin Boards to the Rosario Office of Senior Citizen Affairs (OSCA) last October 3, 2022.



❖ Rang-ay Bank Bangued (Abra) Branch celebrated its 15th anniversary by donating two (2) Retractable Tents to Senior Citizens Association of Zone 2, Bangued, Abra last December 12, 2022 at the Rang-ay Bank building, Taft Ave. cor. Manzano St., Bangued, Abra.





## DEPRIVED FAMILIES

Rang-ay Bank Baguio (Benguet) Branch marked its 30<sup>th</sup> Anniversary by partnering with the Cordillera Adivay Lions Club. A total of 40 family representatives gathered at Rainbow New Life Mt. Zion Church at the BGH Compound Baguio City last November 25, 2022 and received early Christmas pamasko. Each gift pack included rice, noodle cups, coffee packs and canned goods. The Marketing team together with Rang-ay Bank Baguio Senior Branch Manager Mila Guanzo also conducted Financial Literacy training to the beneficiaries of the Outreach program. The team also conducted blood sugar and blood pressure monitoring as well as feeding program for the kids.



## CONCLUSION

As the economy gradually emerges from the pandemic, we at Rang-ay Bank are most thankful that its clients continue to repose upon us their trust and confidence. Through its 67 years of existence and despite the extremely competitive environment, the bank has consistently adhered to the highest standards of the banking industry and continue to provide modern and globally-competitive products and services designed to empower its clients to achieve their aspirations.

While recovery has started to get a foothold, the national economy continues to struggle with the ill effects of the covid pandemic. In this light, we are glad to report that Rang-ay Bank remains to be the top-performing rural bank in the entire Ilocos, Cordillera and Pangasinan provinces. The bank continues to grow and gear up to its digital transformation as we enhance the bank's digital system and digitalization of its products and services.

The success marked by Rang-ay Bank is due to the sustained support of its stockholders & directors and the consistent efforts of its officers & staff in pursuing the vision of the bank's pioneering founders. In the coming years, we push forward with our efforts of financial inclusion, providing accessible and affordable banking services to the unbanked and underbanked sectors of our society, thus helping achieve a more equitable development in the countryside.

Agbiag ti Rang-ay Bank!

  
IVES Q. NISCE  
Chairman

## RISK MANAGEMENT FRAMEWORK

### RISK MANAGEMENT- GENERAL POLICY

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

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

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

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

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

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

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

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

### RISK APPETITE AND STRATEGY

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

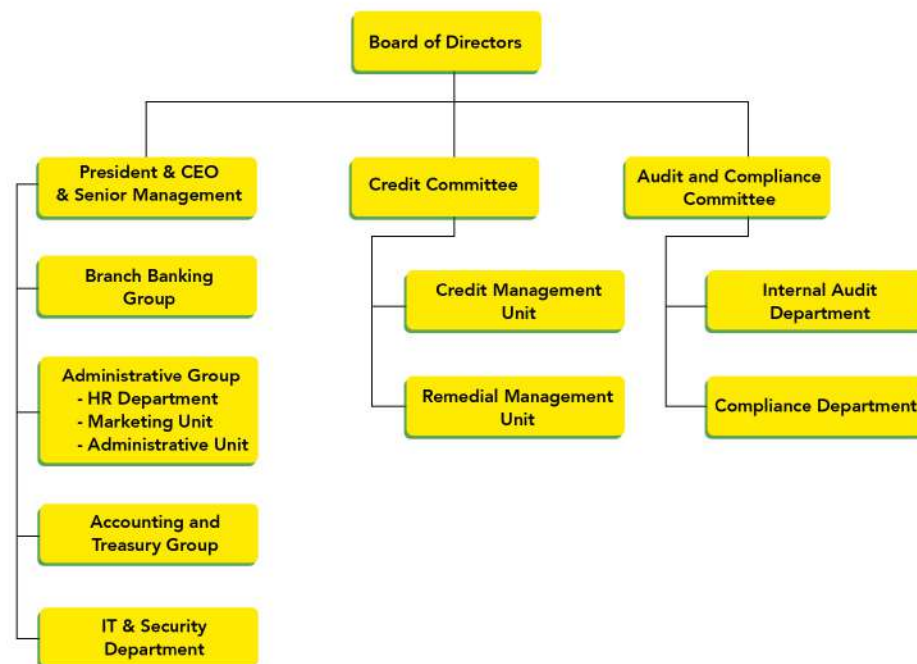


Risk	Description	Department/Unit	Risk Champion
1. Credit Production and Credit Processes	Credit Risk is managed by having clearly defined credit and collection process and procedures. Loan operations are largely traditional with a majority of the bank's loan portfolio covered by mortgages. Most of the bank's loan programs are secured by real estate mortgage. Real estate is unique and always appreciates. This ensure that past due loans can be liquidated in the future. While the bank offers unsecured loans, this is limited with some of its unsecured programs covered by government guarantee programs.	<ul style="list-style-type: none"> <li>► Credit Management Unit</li> <li>► Remedial Management Unit</li> </ul>	Vice President- Credit and Remedial Management Department
2. Operational	Operational Risk is a multi-department concern. This risk area is a result from deficiencies in system design, implementation, or ongoing maintenance of systems or equipment. Operational risk can increase when a bank hires outside contractors to design products, services, delivery channels and processes that do not fit with the bank's system. On one hand, Operational Risk can be seen as a largely people-related risk area. This is how bank officers and staff adhere to internal systems of control and reporting. Human Resources Department ensures that bank staff are sufficiently trained to know the bank's reportorial systems and operational processes. This is further reinforced by the fact that all employees are "home grown" which is also evidence of the bank's conservative nature. On the other hand, operational risk can also be seen as Information Technology Risk by how the management information system of the bank ensures correctness of data and information. The bank is not an IT company and thus relies on the expertise of IT solutions providers. The system is managed primarily by the IT provider. However, the bank employs an IT Department which is the first level support of the bank.	<ul style="list-style-type: none"> <li>► Accounting Department</li> <li>► Information Technology Department</li> <li>► Area Managers</li> <li>Human Resource Training and Assessment Team</li> </ul>	<p>General Bookkeeper</p> <p>Vice President for IT &amp; Security</p> <p>Marketing/CAG Heads</p> <p>Senior Manager, People &amp; Organizations</p>
3. Liquidity	Liquidity Risk is one of the primary risk areas of the bank. The ability to service depositor withdrawals in particular is of the highest priority. Depositor base of the bank is widespread to reduce market risk. A large majority of depositors can be classified as micro-depositors limiting risk of one time big withdrawals. The bank's treasury unit reports to the President & CEO funds of the bank daily. Management maintains a high level of liquidity with most of the bank's funds in easily callable short term placements.	► Treasury Cash Management Unit	Senior Manager; Cash & Remittance Management
4. Compliance	Compliance Risk is the risk to earnings or capital arising from violations of, or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain bank products or activities of the bank's clients may be ambiguous or untested. Compliance risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts. While Compliance Risk encompasses several areas of	► Compliance Department	Acting Chief Compliance Officer

	operations ranging from compliance to labor laws to compliance to the taxation schemes of the Bureau of Internal Revenue, generally, the main compliance area is to the Bangko Sentral ng Pilipinas. The BSP is the main governing body for banks and as such many of its regulations should be strictly studied. The bank's Compliance Department is tasked with not only reviewing and reporting new BSP circulars but also reporting to the board, creating policies for internal compliance and corresponding with the government body. The bank has a strict policy to complying with BSP and all government institutions and laws.		
5. Reputational	Reputational Risk is one of the biggest concerns for any rural bank. Unlike universal and commercial banks owned by conglomerates, government and members of the 1%, rural banks are still part of local communities we operate in. Trust and confidence of the bank's clients are based on their own personal faith in the people who run the bank. Any potential misunderstanding can cause people to lose faith in the bank. As such, the bank gives high priority to client complaints and concerns. Customer care and communication are important skills we convey to everyone. The image of the bank is also highly protected by the board, management and employees of the bank.	<ul style="list-style-type: none"> <li>► Area Managers</li> <li>► Marketing Unit</li> <li>► Business Units</li> </ul>	<p>Customer Assistance Group (CAG) Heads</p> <p>Marketing Officer</p> <p>Senior Branch Managers</p>
6. Business Continuity	Business Continuity risk arises from the failure to undertake appropriate advanced planning related to critical processes to ensure the ability to recover and maintain business operations in the event of a disruption of critical operations due to internal and external threats, which may be natural, man-made or technical in origin.	<ul style="list-style-type: none"> <li>► Accounting Department</li> <li>► Treasury Cash Management Unit</li> <li>► Information Technology Department</li> </ul>	<p>General Bookkeeper</p> <p>Senior Manager; Cash &amp; Remittance Management</p> <p>Vice President- IT &amp; Security</p>
7. Information Technology	IT Management risk arises from failure to prioritize technology initiatives and effectively allocate and direct IT resources in order to achieve the strategic corporate goals and objectives.	► Information Technology Department	Vice President- IT & Security
8. Human Resource Communication	This is the ability/inability to recruit and retain qualified employees to ensure optimal staffing levels in a balanced workforce environment. It also requires the capacity/failure to understand and respond to the needs of employees.	► Human Resource Recruitment & Compensation Unit	Senior Manager, People & Organizations



## RISK GOVERNANCE STRUCTURE



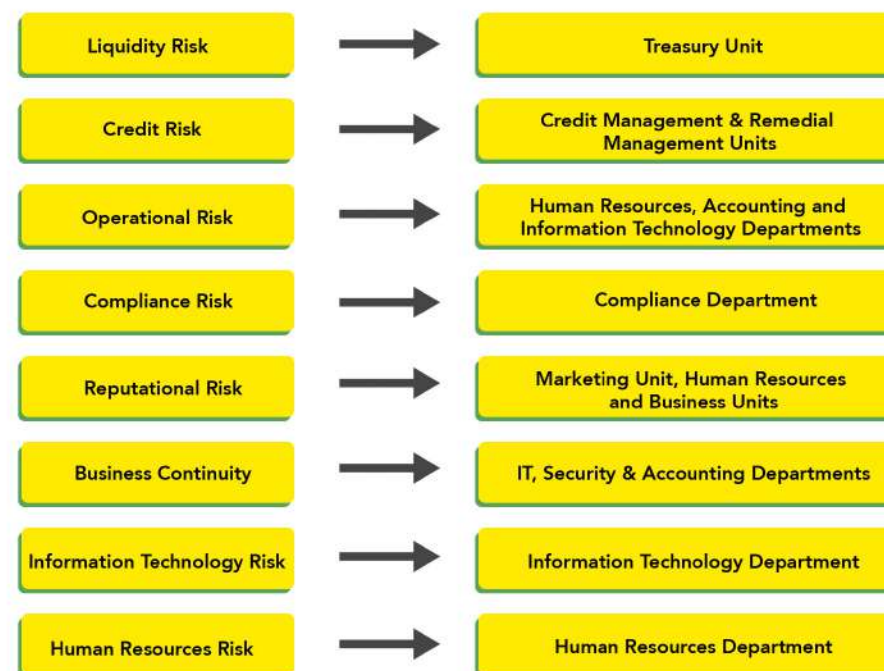
## RISK MANAGEMENT PROCESS

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

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

## RISK AREA

## DEPARTMENT/UNIT



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

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

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



## ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

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

To further strengthen the MLPP, the bank regularly holds trainings and seminars to ensure that each and every employee is aware of Money Laundering and ways to prevent it. All new employees undergo AMLA seminars. The bank also sends its officers and staff to trainings and seminars to further enhance their Anti-Money Laundering skills. Below is the list of AMLA seminars for bank staff for the year 2022.

DATE	SEMINAR/ORIENTATION	CONDUCTED BY	ATTENDEES
14 January 2022	AMLA First-timers/Refreshers Training Session	Petnet Training Center	5
30 March 2022	Virtual Training on AML Rules and Regulations and Risk Rating System	Rural Bankers Research and Development Foundation, Inc.	1
20 May 2022	Virtual Training on AML Rules and Regulations and Risk Rating System	Rural Bankers Research and Development Foundation, Inc.	2
30 July 2022	AMLA Seminar and Orientation	Rang-ay Bank Compliance Department	28
08 September 2022	An Introduction to Anti-Money Laundering Systems in the Philippines	Rural Bankers Research and Development Foundation, Inc.	1
12 October 2022	Virtual Training on AML Rules and Regulations and Risk Rating System	Rural Bankers Research and Development Foundation, Inc.	1
09 December 2022	Virtual Training on AML Rules and Regulations and Risk Rating System	Rural Bankers Research and Development Foundation, Inc.	1
13 December 2022	AMLA First-timers/Refreshers Training Session	Petnet Training Center	17

To ensure that all rules and guidelines with regards to AMLC are complied with, the Compliance Department is an active participant in weekly Management Team Meetings. Relevant information to update the employees on AMLA and other compliance matters are cascaded through these weekly discussions. These are documented in the minutes of each meeting and further emphasized in Compliance Memos. This is on top of the regular visits of the Compliance Department to branch units. Below is the list of Compliance Department Memoranda for 2022.

DATE	SEMINAR/ORIENTATION	ATTENDEES
2022- 01	Risk Ranking Criteria	23 March 2022
2022- 02	Guidelines on Acceptable Identification Cards and Certifications	16 June 2022
2022-03	Amendments to the Alternative Compliance with the Reserve Requirements of Banks	17 October 2022
2022-04	Minimum Mandatory Data In the Customer Information File (CIF) in the NextBank System Deposit Accounts -Individual	25 October 2022

2022- 05	Minimum Mandatory Data In the Customer Information File (CIF) in the NextBank System Deposit Accounts - Juridical	25 October 2022
2022- 06	Minimum Mandatory Data In the Customer Information File (CIF) in the NextBank System Loan Account -Individual	25 October 2022
2022-07	Minimum Mandatory Data In the Customer Information File (CIF) in the NextBank System Loan Account -Juridical	25 October 2022
2022-08	Libya Sanction List	08 November 2022
2022-09	Democratic People's Republic of Korea (DPRK), Iran and Myanmar Sanctions List	08 November 2022
2022-10	Imposition of Penalties for Non-compliance of Proper Filling-up of Customer Account Record Form (CARF)	23 November 2022

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

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

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

## CORPORATE GOVERNANCE STRUCTURE

### ➤ OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

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

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



## ► SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

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

The Senior Management includes the President and CEO, the 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. They must have undergone various trainings/seminars and possess competencies relevant to the function such as knowledge and experience, skills and diligence. Senior Management members are also subject to hiring standards of the bank and on the regulations set by BSP.

## ► BOARD'S OVERALL RESPONSIBILITY

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

## ► CHAIRMAN OF THE BOARD

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

## ► EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS

The Executive Director is involved in day-to-day operations of the bank. On the other hand, non-executive directors, which shall include the Independent Director, are those who are not part of day-to-day management operations. Rang-ay Bank board is composed of seven (7) members, six (6) of whom are non-executive including one (1) Independent Director. The Bank promotes independent oversight function over management through committees such Audit and Credit. The Bank's Independent Director possesses a level of integrity and broad range of expertise that is valuable in sustaining and upholding good corporate governance practices. The Independent Director acts in a prudent manner and exercises independent judgment while encouraging transparency and accountability.

## ► BOARD LEVEL COMMITTEES

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

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

# BOARD OF DIRECTORS



**IVES O. NISCE**  
Chairman

Board Position:	Director since August 15, 1973 and Chairman of the Board since August 13, 2008 to the present
No. & Percentage of Shares:	Common: 2,197,136 (29.1107%) Preferred: 52,460 (35.1124%)
Board Committee:	Chairman of the Board of Directors
Current Positions:	Chairman of Eso-Nice Realty Dev't, Inc.; President of Nisce Northern Ventures Corp., Niscan Foods Inc. and Niscan Development Corporation. Trustee of St. Louis College & Trustee of the Rotary PDG Rudy Nisce Foundation, Inc. Member of La Union Multi-Sectoral Governance Council and the City of San Fernando Smart City Council. Board Member of the Regional Tripartite Wages & Productivity Board (RTWPB-1) representing the Employer's Sector
Age & Nationality:	69 years old; Filipino



**MARIO P. GALVEZ**  
Director (Independent)

Board Position:	Independent Director since June 2019 to present
No. & Percentage of Shares:	Common: 1 (negligible)
Board Committee:	Chairman of the Audit Committee
Past Positions:	Rang-ay Bank Vice President for Finance Group (April 2010-October 2010), Senior Manager for Finance Group (2008-2010), Senior Manager for Operations (2004-2008), Operations Manager (2000-2004), Department Head-Legal & Collection (1998-2000), Accountant/Legal/Special Projects (1994-1997), Special Financing Officer (1991-1993), Accounting Clerk (1988-1990), Branch Bookkeeper (1986-1987), Collection Representative (1985), CI/Appraiser (1984), Accounting Clerk (1982), Accounting Supervisor of The Albatross Inn (January 1982-November 1982), Junior Auditor of R.O. Dyquiangco & Associate (June 1981 - December 1981) and Income Auditor of Nalinac Beach Resort Hotel (October 1980-June 1981)
Age & Nationality:	66 years old; Filipino



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

Board Position:	Non-executive Director since 1995 to present
No. & Percentage of Shares:	Common: 4,446 (0.0589%) Preferred: 125 (0.0837%)
Board Committee:	Chairman of the Credit Committee (February 16, 2022)
Past Positions:	Part Time Faculty Member of Saint Louis College (2015-March 31, 2017), Full time Faculty Member and MBA Coordinator of SLC (2003-March 31, 2010), Alumni and External Affairs Office of SLC (June 2006-2008), MBA Coordinator of SLC (2003-May 31, 2006), SLC Dean of CSA (1994-2003), Director of SLC Employees Credit Cooperative (1994-1996) and Director of Felkris Grade School (1985-1991), Audit Consultant of Rang-ay Bank (2018-2019).
Age & Nationality:	73 years old; Filipino



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

Board Position:	Non-Executive Director since 2014 to present
No. & Percentage of Shares:	Common: 383,836 (5.0856%) Preferred: 2,744 (1.8366%)
Board Committee:	Member of the Audit Committee
Current Positions:	Active Medical Staff of Lorma Medical Center & Bethany Hospital. Fellow, Philippine College of Physicians (PCP) and Fellow, Philippine Society of Endocrinology, Diabetes & Metabolism (PSEDMD). Director of Niscan Development Corporation and Nisce Northern Ventures Inc.
Age & Nationality:	42 years old; Filipino





**IVES JESUS C. NISCE II**  
Director (Executive)

Board Position: Executive Director since February 2007 to present.

No. & Percentage of Shares: Common: 386,120 (5.1158%)  
Preferred: 2,739 (1.8333%)

Board Committee: Member of the Credit Committee

Current Positions: President & CEO since January 1, 2019 to present, Director of Rural Bankers Association of the Philippines (RBAP), Director of Philippine Payment Management Inc.; Treasurer of La Union Chamber of Rural Banks; Chair of IT Steering Committee of RBAP; Director of Niscan Development Corporation; Member Real Estate Brokers Association of the Philippines -La Union Chapter, Member of JCI-San Fernando Saluyot, Treasurer of Rotary Club of San Fernando North and Treasurer of Chamber of Real Estate Builders Associations (CREBA). Licensed Real Estate Appraiser (PRC License No. 0007104) & Licensed Real Estate Broker (PRC License No. 0025366)

Age & Nationality: 40 years old, Filipino



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

Board Position: Non-Executive Director since 1994

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

Board Committee: Member Audit Committee

Current Positions: Convenor of Balik Probinsya Inc., Director of Philippine Craft Distillers, Inc. and Isonym Philippines, Inc., President of Nasyon1 Automation, Inc. and Director of Telenym Philippines, Inc.

Age & Nationality: 76 years old, Filipino



**LETICIA O. ASENCI**  
Director (Non-Executive)

Board Position: Non-Executive Director since February 16, 2022

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

Board Committee: Member Credit Committee

Past Positions: Rang-ay Bank Consultant Finance (February 2010-February 2019), Vice President-Finance Group of Rang-ay Bank (2010-2013), Area Head-Central Branches of Rang-ay Bank (2010-2013), Senior Branch Manager-Main Branch of Rang-ay Bank (2010-2013), Rang-ay Bank Corporate Secretary (2008-2010), Senior Manager-Admin Group of Rang-ay Bank (2008-2010), Senior Manager-Finance Group of Rang-ay Bank (2000-2008), General Cashier of Rang-ay Bank (1995-2000), Marketing Officer of Rang-ay Bank (January –December 1994), Assistant Cashier-HQ of Rang-ay Bank (1988-1993), Cashier/Operations Officer of Rang-ay Bank Tubao Branch (1983-1988), Rang-ay Bank Internal Auditor (1980-1982), Rang-ay Bank Accounting Clerk (1977-1979), Rang-ay Bank Teller (January 1976-December 1976), Drafts and Deposit Check of Rang-ay Bank (1974-1975), Part Time Instructor of Saint Louis College (January 1978-December 1978) and Underwriter of Insular Life Insurance Company (January 1974-December 1974).

Age & Nationality: 71 years old, Filipino

## BOARD-LEVEL COMMITTEES INCLUDING MEMBERSHIP & FUNCTION

### CREDIT COMMITTEE

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

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

(Elected: February 16, 2022)

### AUDIT COMMITTEE

The Audit Committee is composed of three (3) members of the board. The Audit Committee provides oversight to 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. The committee is chaired by the Independent Director.

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

## BOARD & COMMITTEE ATTENDANCE

For the One (1) Year Period: January 01, 2022 to December 31, 2022

NAME OF DIRECTORS	BOARD NUMBER OF MEETINGS		AUDIT COMMITTEE MEETINGS		CREDIT COMMITTEE MEETINGS	
	ATTENDED	%	ATTENDED	%	ATTENDED	%
IVES Q. NISCE	14	100.00%				
LETICIA O. ASENCI*	13*	100.00%			42*	100.00%
MARIO P. GALVEZ	14	100.00%	12	100.00%		
FLORA M. IGNACIO	14	100.00%			48	100.00%
IVY ROSE N. MARTINEZ	12	85.71%	11	91.67%		
IVES JESUS C. NISCE II	14	100.00%			48	100.00%
JOSE Z. OSIAS	13	92.86%	11	91.67%		
<b>Total Number of Meetings Held During the Year</b>	<b>14</b>		<b>12</b>		<b>48</b>	<b>100.00%</b>




(\*Elected February 16, 2022)



## CONTINUING EDUCATION PROGRAM FOR DIRECTORS




	BOARD OF DIRECTORS	MOST RECENT RELEVANT SEMINARS ATTENDED
IVES Q. NISCE	Chairman of the Board Filipino, 69 years old Bachelor of Arts - Economics Management Development Program	Performance Governance System (PGS) Institutionalization Course in Labor Economics Regional Wage Board Onboarding Advanced Corporate Governance Course Corporate Governance and Risk Management
MARIO P. GALVEZ	Director (Independent) Filipino, 66 years old B.S. Commerce/Accounting	Strengthening Internal Controls in Rural Banks AMLA Refresher Corporate Governance and Risk Management for Rural Bank Directors Funds Management Seminar Management Advisory Service Program for Rural Banks
FLORA M. IGNACIO	Director (Non-Executive) Filipino, 73 years old B.S. in Business Administration Certified Public Accountant Master in Business Administration	Strengthening Internal Controls in Rural Banks AMLA Refresher Corporate Governance and Risk Management Corporate Governance and Credit Risk Management for Microfinance Institutions Covid-19 Impact on Internal Audit
IVY ROSE N. MARTINEZ	Director (Non-Executive) Filipino, 42 years old B.S. Biology Doctor of Medicine Diplomate in Endocrinology	Risk-Based Internal Audit Conducting Internal Audit Engagements Basic Corporate Governance for Bank Directors and Officers Strengthening Internal Controls in Rural Banks AMLA Refresher
IVES JESUS C. NISCE II	Director (President & CEO) Filipino, 40 years old Bachelor of Arts - Social Sciences Diploma Course in Banking	ADB Workshop on Risk Management on SME Lending RBAP 67th Charter Anniversary Symposium 69th Annual National Convention and General Membership Meeting Update on MSME Lending: Road to Inclusive Recovery and Growth How Fintech is Shaping the Future of Banking Updates on MSME Lending: Road to Inclusive Recovery and Growth Exploring the FIST Law: How it impacts the bank's management of Non Performing Assets
JOSE Z. OSIAS	Director (Non-Executive) Filipino, 76 years old Bachelor of Arts - Economics Master in Business Management	Introduction to IT Auditing Corporate Governance and Risk Management Advanced Corporate Governance Course AMLA Refresher Customer Service Excellence: Championing the Bank's Clients
LETICIA O. ASENCI	Director (Non-Executive) Filipino, 71 years old B.S. Commerce/Banking & Finance and Accounting	Basic Corporate Governance for Bank Directors & Officers Internal Control for Management Development Program Corporate Governance and Risk Management for Rural Bank Directors Compliance Officer's Development Workshop Branch Banking Operations Seminar

## SENIOR MANAGEMENT

SENIOR MANAGEMENT	CONTINUING EDUCATION PROGRAM (Most Relevant Seminars Attended)
 <b>FRANCIS MICHAEL A. DE LOS SANTOS</b> VP for IT & Security Filipino, 49 years old B.S. Computer Science Bachelor of Laws	<ul style="list-style-type: none"> <li>- Operational Directives on Cybersecurity: Preventing Child Exploitation and Risk of Network Vulnerabilities</li> <li>- Walk-Through Session: Generic Manuals on HR Resource and Disaster Management and Business Continuity</li> <li>- Designing Digital Customer Experience</li> <li>- Digital Banking Walk-Through</li> <li>- Satellite Broadband Technology and Digital Financial Inclusion</li> </ul>
 <b>NINA FRANCISCA T. PALABAY</b> VP for Remedial & Credit Management Filipino, 64 years old B.S. Commerce - Accounting	<ul style="list-style-type: none"> <li>- Basic Corporate Governance for Bank Directors &amp; Officers</li> <li>- Small Claims Case Trainings</li> <li>- Training on Understanding Land Titles and Mortgage Rules</li> <li>- Walk Through: Generic Manual Credit Risk Management Manual</li> <li>- SSS Online Seminar</li> <li>- 2022 Virtual Annual Management Conference "Rural Banks": Facing Challenges and Seizing Opportunities for Growth and Development</li> </ul>
 <b>WINNIE A. MINGARACAL</b> Area Manager, South Branches Filipino, 60 years old B.S. Commerce - Accounting	<ul style="list-style-type: none"> <li>- Training on Understanding Land Titles and Mortgage Rules</li> <li>- Competitive Risk-Based Pricing and Loan Restructuring Webinar</li> <li>- Accelerate Business Growth Wisely by Using TransUnion Credit Report Score</li> <li>- Credit Report 101: Unlocking the Value of your Credit History</li> <li>- ADB Workshop on Risk Management SME Lending</li> <li>- PhilGuarantee 2022 Business Forum</li> <li>- Handling BSP Examination and Enforcement Guidelines</li> </ul>
 <b>ROWENA L. ROSALES</b> Area Manager, North Branches Filipino, 46 years old B.S. Accountancy	<ul style="list-style-type: none"> <li>- Handling BSP Examination and Enforcement Guidelines</li> <li>- Training on Understanding Land Titles and Mortgage Rules</li> <li>- MSME Forum: The Future of Bank Financing</li> <li>- Handling BSP Examination and Enforcement Guidelines</li> <li>- Conducting Internal Audit Engagements</li> </ul>



## SENIOR MANAGEMENT

SENIOR MANAGEMENT	CONTINUING EDUCATION PROGRAM (Most Relevant Seminars Attended)
 <b>THELMA EVELYN A. TABAFUNDA</b> Area Manager, Central Branches Filipino, 61 years old Diploma in Secretarial Science II	<ul style="list-style-type: none"> <li>- Small Claims Case Trainings</li> <li>- Training on Understanding Land Titles and Mortgage Rules</li> <li>- Applying Climate Scenario Analysis</li> <li>- Capacity Building Activities for Sustainable Finance</li> <li>- Understanding Climate-Related Financial Risk</li> </ul>
 <b>JANET B. ZAMORANOS</b> Senior Audit Manager & Acting Chief Compliance Officer Filipino, 48 years old B.S. Accountancy	<ul style="list-style-type: none"> <li>- Internal Audit and Compliance MITP</li> <li>- Nextbank Refresher Course on Deposits</li> <li>- RBAP's 1st Annual Convention of Compliance Officers and Internal Auditors</li> <li>- Common BSP Findings on General Examination of Rural Banks</li> <li>- 2022 Virtual Annual Management Conference "Rural Banks: Facing Challenges and Seizing Opportunities for Growth and Development"</li> </ul>
 <b>MELANIE O. DE LOS SANTOS</b> Senior Manager for People & Organization Filipino, 48 years old B.S. Commerce - Banking & Finance	<ul style="list-style-type: none"> <li>- Walk-Through Session: Generic Manuals-HR Resource and Disaster Management &amp; Business Continuity</li> <li>- Corporate Secretary as Corporate Governance Professional Training Webinar</li> <li>- Rethinking Employee Benefits: A Refresher on Employment Taxes</li> <li>- The Future of Work in the New Normal</li> <li>- EFPs Platforms and Tax Updates</li> </ul>

## PERFORMANCE ASSESSMENT PROGRAM

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

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

A Performance Report is accomplished annually considering the following:

Factors	Officers	Rank & File
a. Job Knowledge	20%	15%
b. Disciplinary Record	15%	20%
c. Work Attitude	15%	20%
d. Audit/Compliance Ratings	20%	20%
e. Job Output	30%	25%
<b>TOTAL:</b>	<b>100%</b>	<b>100%</b>

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 & SEMINARS

### ➤ DEVELOPING HOME GROWN BANKERS

❖ Rural Bankers Association of the Philippines conducted a two day webinar from February 10 to 11, 2022. Attendees were Main Branch Loan Officer Aeri Shambey and Dagupan Branch Operations Officer Carol Ocampo. Among the topics that were discussed during the webinar: Financial Ratios and Financial Forecasting were highlighted and emphasized during discussion by guest speaker Jorge Dioneda.



❖ Marketing Officer Florence Licudine and Marketing Associate Joy Paatan attended the RBAP Strategic Marketing and Basic Branding seminar last February 22 to 23, 2022. The Webinar discussed the basics of branding and strategic marketing. The training set examples on such topic as understanding the needs & wants of your clients, how to create value for customers, forces of market evolution and the golden rule of logo making.



❖ Risk-Based Internal Auditing is a two (2) day webinar by Rural Bankers of the Philippines attended by Audit Associate Florinel Basco & Mary Nessa Saltiban last March 4 to 5, 2022. The Webinar discussed how to identify and develop audit strategies suited for the risk maturity of the organization. The topic was divided into four (4) sessions which are the (a) Conceptual Framework, (b) Overview of Risk-Based Auditing, (c) Implementation of Risk-based Internal Audit and (d) Risk-based Audit Reporting.



### ➤ ORIENTATION AND AMLA SEMINAR FOR NEW HIRES

Rang-ay Bank held an orientation and AMLA Seminar for recently hired employees last July 30, 2022, at the Head Office Conference Room in San Fernando City, La Union with a teleconference for those in the branches. The event was attended by twenty-nine (29) employees from the Head Office and Branches. The orientation aims to instill to this year's new hires the bank's mission "To hasten progress in the communities of the Ilocos Region and Cordillera through accessible and affordable banking services". Bank History, bank guidelines & policies including bank secrecy law, products and services, regulatory issuances, data privacy act, IT, HR, and security policies, Financial Consumer Protection, Consumer Assistance Group (CAG), Financial Literacy and Anti-Money Laundering (AML) were discussed during the training program



### SCHEDULE OF SEMINARS/WEBINARS & TRAININGS:

		No. of Seminars/ Trainings	No. of Officer Attended	No. of Employees Attended	Total
I.	Seminars/Trainings Conducted by RBI (In-house)	7	145	163	308
II.	Conducted by other agencies through Webinars	84	76	50	126
III.	Seminars/Trainings outside La Union	2	4	-	4
	<b>TOTAL</b>	<b>93</b>	<b>225</b>	<b>213</b>	<b>438</b>

## RETIREMENT POLICY

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

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

### POLICY GUIDELINES

#### I. Normal Retirement

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

#### II. Early Retirement

- With the consent of the management, an employee may elect to retire prior to his/her normal retirement date provided he/she has completed at least fifteen (15) years of credited service.
- The employees' Early Retirement Benefit shall be a sum equal to a Percentage of the employees' salary for every year of credited service in accordance with the vesting schedule:

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



### III. Late Retirement

- a. An employee who is allowed by the management to continue to work on a case to case and yearly extension basis beyond his/her normal retirement date up to age sixty-five (65) shall continue to be a member of the plan up to his/her late retirement date. The late retirement date of an employee shall be the first day of any month after attaining his/her normal retirement date.
- b. The employees' late retirement benefit shall be sum equal to 100% of the employees' salary for every year of credited service, including the extension of service.

### IV. Disability Benefit

- a. In the event that an employee is retired by the bank due to permanent total incapacity or disability, as determined by the 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.

### V. Severance Benefit

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

### VI. Dismissal for Cause

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

### VII. Death Benefit

- a. In the event that an employee who has completed at least 10 years of credited service, dies from work-related cause, his beneficiaries shall be entitled to receive a death benefit in a lump sum equal to 100% of employee's salary for every year of credited service.
- b. In the event that an employee who has completed at least 10 years of credited service, dies from other causes except self-inflicted injuries, his beneficiaries shall be entitled to receive a death benefit in a lump sum in accordance with vesting schedule as follows:

<u>Years of Service</u>	<u>Percentage</u>
Less than 10 years	37.50%
10 but less than 15	50.00%
15 but less than 20	60.00%
20 but less than 25	70.00%
25 years and over	100.00%

### VIII. Waiver of Claims

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

## SUCCESSION POLICY

Rang-ay 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 they can no longer fulfill their role as employee. This on the other hand is designed to identify and prepare the candidates to higher positions vacated due to retirement, resignation and even new opportunities.

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

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

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

## REMUNERATION POLICY

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

#### a. Non-Executive Director

Of the seven-man Board of Directors, six (6) are non-executive directors. Said directors do not receive a salary but receive per diems and travelling allowance for attendance to Board meetings.

#### b. Executive Director

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

#### c. Senior Management

Remuneration is provided monetarily to officers with the recommendation of the President and CEO and Board approval.

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

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



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

Job Level	Minimum	Maximum
Officer 4	P 24,000	++++
Officer 3	P 20,000	P 35,000
Officer 2	P 18,000	P 27,500
Officer 1	P 16,500	P 25,000

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

Job Level	Minimum	Maximum
Staff 3	P 14,000	P 17,500
Staff 2	P 12,500	P 15,000
Staff 1	P 11,000	P 14,000

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

## RELATED PARTY TRANSACTIONS POLICY

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

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

The Board of Directors shall have the overall responsibility 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. Subsequently, any approval shall be covered by a board resolution.

## MATERIAL RELATED PARTY TRANSACTIONS

TYPE	RELATED COUNTER PARTY	RELATED COUNTER PARTY	
1. Lease of Rang-ay Bank SFLU Highway Branch	Niscan Development Corp. (Lessor)	P 57,560 per month	2017-2027 (10 years)
2. Lease of Parking Lot	Niscan Development Corp. (Lessor)	P 10,150 per month	2022-2023 (1 year)
3. Lease of Rang-ay Bank Downtown Branch	Ives Q. Nisce (Lessor)	P 23,400 per month	2022-2025 (3 years)
4. Lease of Rang-ay Bank Agoo (LU) Branch	Niscan Development Corp. (Lessor)	With Rental Exchange Agreement	2017-2027 (10 years)
5. Lease of building space	Niscan Development Corp. (Lessee)	With Rental Exchange Agreement	2017-2027 (10 years)
6. Lease of building space	Philippine Seven Corp. (Lessee)	P 60,000 per month	2021-2026 (5 years)
7. Lease of lot	PERF Restaurant, Inc. (Lessee)	P 83,648 per month	2018-2038 (20 years)

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

Nature	No. of Accounts	Term	Original Amount	Outstanding balance
Other Loans- Fringe Benefit Program	13	13 months	694,500.00	288,348.59
	3	18 months	218,000.00	64,653.53
	27	Two (2) years	1,407,000.00	836,662.54
	68	Three (3) years	8,169,500.00	5,901,495.49
<b>Total</b>	<b>111</b>		<b>10,489,000.00</b>	<b>7,091,160.15</b>
Pabahay Loan Program	2	Five (5) years	1,401,000.00	1,244,556.26
	1	Ten (10) years	600,000.00	334,845.35
<b>Total</b>	<b>3</b>		<b>2,001,000.00</b>	<b>1,579,401.61</b>
Motor Vehicle Loan Program	2	Two (2) years	411,200.00	177,592.29
	1	Three (3) years	107,400.00	80,618.35
	2	Four (4) years	578,600.00	516,065.08
	5	Five (5) years	1,778,000.00	1,299,750.02
	7	Ten (10) years	2,348,850.00	1,327,090.91
<b>Total</b>	<b>17</b>		<b>5,224,050.00</b>	<b>3,401,116.65</b>



## SELF-ASSESSMENT FUNCTION

### (Internal Audit and Audit Committee)

#### INTERNAL AUDIT

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

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

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

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

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

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

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

1. Evaluation of the adequacy, efficiency and effectiveness of internal control, risk management and governance systems in the context of current and potential future risks;
2. Review of the reliability, effectiveness and integrity of management and financial information systems, including the electronic information system and electronic banking services;
3. Review of the systems and procedures of safeguarding the bank's physical and information assets;
4. Review of compliance of trading activities with relevant laws, rules and regulations;
5. Review of the compliance system and the implementation of established policies and procedures; and

6. Review of areas of interest to regulators such as, among others monitoring of compliance with relevant laws, rules and regulations, including but not limited to the assessment of the adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

Presently, the Internal Audit Department is composed of the Senior Audit Manager, an Audit Officer and seven (7) Audit Associates. This staffing allows the Department to form three (3) Audit Teams to do the fieldwork. The Senior Audit Manager takes the responsibility of overseeing the Audit Teams. There are now forty three (43) auditable units: thirty (30) branches and thirteen (13) head office support units.

#### AUDIT COMMITTEE

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

Presently, the Audit Committee is composed of the following:

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

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

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

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

## DIVIDENDS POLICY

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

1. Clearing account with the Bangko Sentral is not overdrawn;
2. Liquidity floor requirement for government funds is met;
3. Minimum capitalization requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework; and
4. No unsafe or unsound banking practice.
5. Capital conservation buffer (Effective 2023)
6. Higher loss absorbency requirement (Effective 2023)

The dividends declared by Rang-ay Bank shall in no case exceed the amount of retained earnings and undivided profits of the bank reported in the Financial Reporting Package (FRP) as of the calendar year.

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

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

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

## CONSUMER PROTECTION PRACTICES

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

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

- Detailed procedures of the bank's compliance and implementation of the consumer protection standard, to wit:
  - (a) Disclosure and Transparency
    - Provides up to date information about its products and services that is accessible, clear, accurate, simple to understand, not misleading and include any potential risks for the clients.
  - (b) Protection of Client Information
    - Consumer's financial and personal information disclosed in the course of a transaction is protected through appropriate control and protection mechanisms which define the purposes for which the data may be collected, processed, held, used and disclosed.

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

### (c) Fair Treatment

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

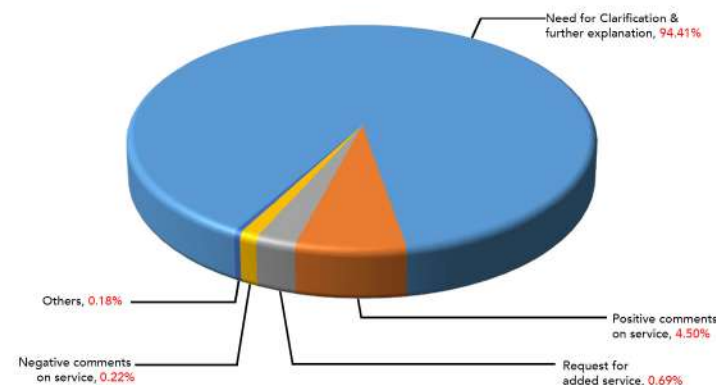
### (d) Financial Education and Awareness

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

- An effective and periodic training program provided to responsible officers and employees, to equip them with knowledge on the structure and implementation of the consumer protection mechanism.
- An internal audit system. The Internal Audit function associated with consumer protection is conducted by qualified personnel who are independent of the office being audited.
- An independent audit program with written scope of audit that ensures the completeness and accuracy of the information given to clients, and the records retained in compliance with Consumer Protection standards as well as adequacy and effectiveness of training program to protect client's right.
- Designation of Consumer Assistance Officer as lead implementer of the program responsible for monitoring of consumer assistance process and reporting to Senior Management.
- A regular conduct of customer satisfaction to determine whether the principles of consumer protection are observed, the clients concerned are appropriately addressed, and problems are resolved in a timely manner.
- Regular and timely updates of the Financial Consumer Protection Manual to incorporate changes in policies and procedures and latest pertinent BSP issuances.

## CONSUMER ASSISTANCE REPORT

Period Covered: January 1 - December 31, 2022





## PROCESS FLOW OF CONSUMER ASSISTANCE MANAGEMENT SYSTEM

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



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

## GUIDELINES/PROCEDURES IN CUSTOMER COMPLAINTS HANDLING

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

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

#### 1.1 Client/Customer

- Shall visit the Branch/Head Office and fill-out the Feedback Form.
- Complete details of the complaint shall be provided in the form.

#### 1.2 Officers and staff

- Shall validate the complaint received from the client/customer.
- If the complaint can be resolved immediately/upfront, explains to the client the resolution of the complaint.
- Report details of complaint to Office of the President & CEO through incident report.

#### 1.3 Office of the President/Operation Risk Management

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

#### 1.4 Support Unit

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

#### 1.5 Consumer Assistance Group

- Shall monitor and evaluate customer complaints handling process.
- Analyses the nature of the complaints and recommended solutions to avoid recurrence.
- Extracts generated complaints report monthly except if urgent, to be submitted and reviewed by the Office of the President.
- 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

- For actual loss of P50,000 or potential loss of P100,000, Internal Audit shall conduct an investigation.
- 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.
- Audit Committee Chair will report to Board of Directors.

#### 1.7 Compliance Department

- Checks and updates on regulatory issuances.
- Checks for compliance of quarterly reporting of Consumer Assistance Group to BSP.

## 2. TELEPHONE

### 2.1 Client/Customer

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

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

### 2.2 Officers and staff

- Shall acknowledge and validate the complaint received.
- Details of the complaint shall be recorded and reported through incident report.
- 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

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

## 3. E-MAIL

### 3.1 Client/Customer

- May send their complaints/concerns through the Customer Complaint E-mail address: Customersupport@rangaybank.com / marketing@rangaybank.com.
- 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 to 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 need 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 care 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 P50,000 to P100,000 potential loss, incident report will be forwarded to the Internal Audit for investigation. Examined report will then be forwarded to the Audit Committee same as the Audit Committee will report it to the Board of Directors.

## ROLES AND RESPONSIBILITIES

### A. BOARD OF DIRECTORS

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

### B. OFFICE OF THE PRESIDENT/OPERATION RISK MANAGEMENT

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

### C. CONSUMER ASSISTANCE GROUP

The Board of Directors after careful evaluation approved the reorganization of the Consumer Assistance Group in conformity with BSP Circular no.857 Series of 2014.

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

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

### D. MARKETING UNIT

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

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

### E. OFFICERS AND STAFF

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

### F. COMPLIANCE PROGRAM

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

### G. INTERNAL AUDIT

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

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

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



## SUSTAINABLE FINANCE FRAMEWORK

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

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

### I. INTRODUCTION

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

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

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

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

### II. ROLES AND RESPONSIBILITIES

#### A. BOARD OF DIRECTORS

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

#### B. MANAGEMENT

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

### III. SUSTAINABILITY & RISK MANAGEMENT

#### A. CREDIT MANAGEMENT

##### CREDIT POLICIES

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

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

#### ENHANCING CREDIT PROCESSES

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

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

#### SPECIAL PROGRAMS TO FINANCE

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

#### B. SOCIAL SUSTAINABILITY

The Bank develops leaders in the sustainability movement. It aims to grow a "can lead" workforce that adapts a sustainability mindset and thrives with innovative thinking and a customer-focused attitude.

- ✓ The bank identifies risk to its Officers & Staff caused by climate change or adverse weather condition  
The bank actively works for employees' well-being and safe working environment
- ✓ Safe and sound working environment | a strong focus on occupational health and safety and a pronounced culture of continuous improvements
- ✓ Stimulating good health and good work-life balance | Strive to minimize the sick leave
- ✓ Zero workplace accidents | a strong risk awareness and structured work with safety work
- ✓ Invests in office/indoor plant | reduces stress and anxiety and helps increase productivity and replenishes focus  
The bank encourages employees to reduce the use of single-use plastic
- ✓ Reusable bags | Use of cloth bag, eco bag or tote bag instead of single-use plastic bags
- ✓ Reusable containers | Instead of plastic sandwich bags or Styrofoam for packed lunch or snacks
- ✓ "NO" to single-use straws | use a reusable, sturdy and dishwasher-safe straw
- ✓ Use water dispenser or reusable bottle or insulated mug instead of single-use plastic bottle or disposable cups
- ✓ Reusable plates, cups mugs, containers and other utensils.

### C. ENVIRONMENTAL SUSTAINABILITY

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

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

### D. CORPORATE SOCIAL RESPONSIBILITY

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

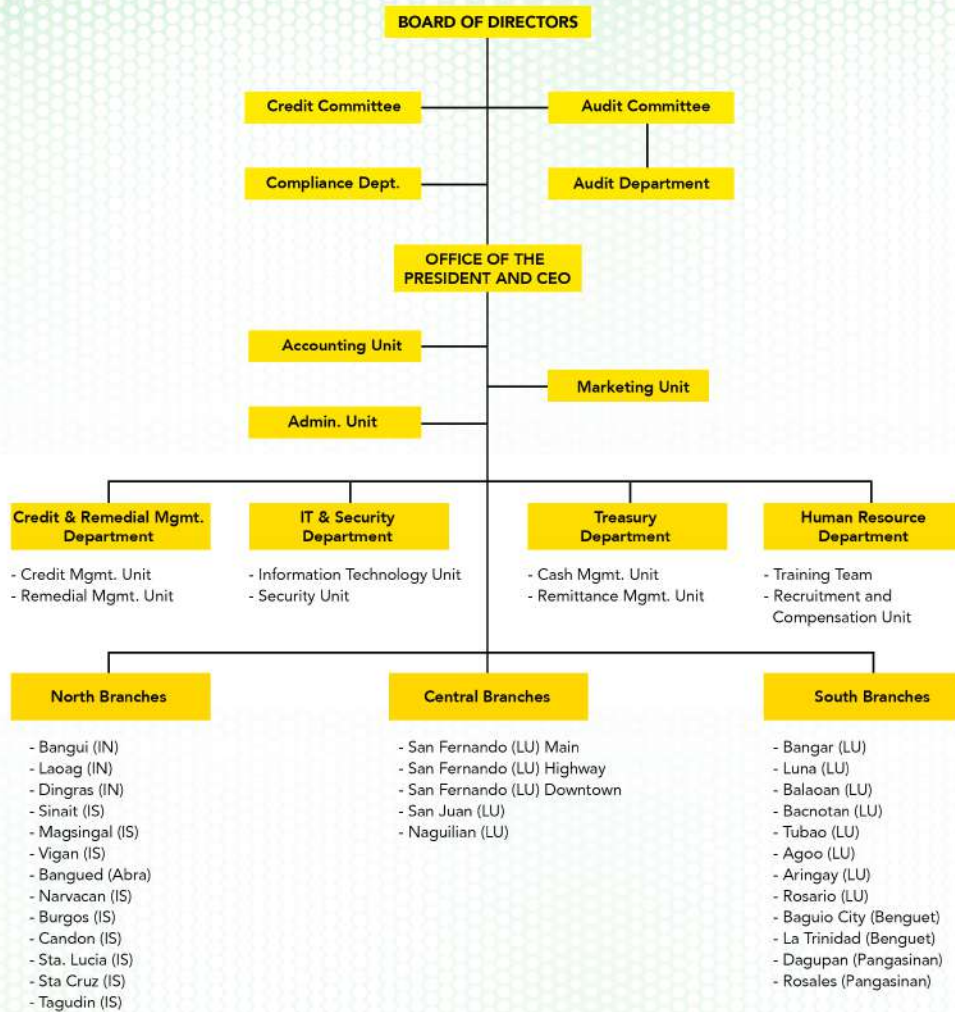
## IV. SUSTAINABILITY DEVELOPMENT TIMELINE

2022	<ul style="list-style-type: none"> <li>• Adoption of Sustainable practices in Credit Management Process</li> <li>• Proper waste disposal</li> </ul>
2023	<ul style="list-style-type: none"> <li>• Use of sustainable materials, supplies &amp; equipment</li> <li>• Reduction of use of single-use plastics</li> <li>• Promotion of Climate Change Awareness</li> <li>• Identifies risk to Bank officers &amp; staff</li> </ul>
2024	<ul style="list-style-type: none"> <li>• Replacement of light energy to LED for 5 branches</li> <li>• To have indoor plants at 3 banking offices</li> </ul>
2025	<ul style="list-style-type: none"> <li>• To have indoor plants at 3 banking offices</li> <li>• Phase out use of leaded gasoline</li> <li>• Phase out lending to high polluting &amp; destructive industry projects</li> <li>• Develop Programs to finance Sustainability Development Projects</li> <li>• Solar Panel Financing</li> <li>• Require DENR ECC Clearance for high pollution or environmental detrimental projects</li> </ul>
2026	<ul style="list-style-type: none"> <li>• Replacement of light energy to LED for 5 branches</li> <li>• To have indoor plants at 3 banking offices</li> <li>• Pilot Program for Solar Panels at Agoo Branch</li> <li>• Partnering with local environmental groups to promote Sustainable Development in the community</li> <li>• 70th CSR anniversary <ul style="list-style-type: none"> <li>&gt; Tree planting</li> <li>&gt; Support LGU conservation initiatives</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>&gt; Environmental Campaign drives</li> <li>&gt; Eco-Friendly Giveaways</li> </ul>
2027	<ul style="list-style-type: none"> <li>• Replacement of light energy to LED for 5 branches</li> <li>• To have indoor plants at 3 banking offices</li> <li>• Install Solar Panels at Candon Branch</li> <li>• Pilot Paperless Accounting system at Head Office</li> <li>• Use of Unleaded gasoline for all bank vehicles</li> </ul>
2028	<ul style="list-style-type: none"> <li>• Replacement of light energy to LED for 5 branches</li> <li>• To have indoor plants at 3 banking offices</li> <li>• Install Solar Panels at Naguilian Branch</li> <li>• Paperless Accounting system for 4 branches</li> </ul>
2029	<ul style="list-style-type: none"> <li>• Replacement of light energy to LED for 5 branches</li> <li>• To have indoor plants at 5 banking offices</li> <li>• Install Solar Panels at Bangued Branch</li> <li>• Paperless Accounting system for 5 branches</li> </ul>
2030	<ul style="list-style-type: none"> <li>• All branches use energy efficient light bulbs or LED</li> <li>• To have indoor plants at 5 banking offices</li> <li>• Install Solar Panels at Rosario Branch</li> <li>• Paperless Accounting system for 10 branches</li> <li>• Develop Programs to finance Sustainability Development Projects <ul style="list-style-type: none"> <li>&gt; Electric Vehicles</li> <li>&gt; Green Buildings</li> </ul> </li> </ul>
2031	<ul style="list-style-type: none"> <li>• All branches have indoor plants</li> <li>• Paperless Accounting system for 10 branches</li> <li>• Install Solar Panels at Tagudin Branch</li> <li>• Partnering with local environmental groups to promote Sustainable Development in the community</li> <li>• 75th CSR Anniversary <ul style="list-style-type: none"> <li>&gt; To plant 75 Trees per banking offices</li> <li>&gt; Support conservation initiatives of LGUs</li> <li>&gt; Environmental campaign drives</li> <li>&gt; Eco-Friendly Giveaways</li> </ul> </li> <li>• All branches have indoor plants</li> </ul>
2032	<ul style="list-style-type: none"> <li>• Install Solar Panels at Head Office</li> <li>• Majority of all bank-owned building use Solar panels</li> <li>• All banking offices practice paperless accounting system</li> </ul>



## ORGANIZATIONAL STRUCTURE



## PRODUCTS AND SERVICES

### DEPOSIT SERVICES



**SAVINGS DEPOSIT**

- Ordinary Savings
- Corporate Savings
- SSS Pensioners
- Basic Deposit
- Kiddie Savers



**TIME DEPOSIT**

- Special Savings Deposit
- Ordinary Time Deposit
- Juridical Time Deposit
- Gold Saver 5



**DEMAND ACCOUNT**

- Individual
- Joint
- Corporate

### LOAN PRODUCTS



**MICRO, SMALL & MEDIUM ENTERPRISE BUSINESS LOAN**



**AGRICULTURAL & AGRI-BUSINESS LOANS**



**UNSECURED FARMERS LOAN**



**INSTANT SALARY LOANS**



**DepEd TEACHERS LOANS**



**BARANGAY & MICRO-BUSINESS ENTERPRISE PROGRAM**



**SSS PENSIONER LOANS**



**OFW PROGRAMS**



**PABAHAY & HOME RENOVATION**



**MOTOR VEHICLE ACQUISITION**



**MULTI-PURPOSE LOANS**

### REMITTANCES



### ATM



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



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

### OTHER SERVICES



**CB KALINGA MICROINSURANCE**



**BILLS PAYMENT SERVICES**



**SSS e-COLLECTION SERVICES**

## PRODUCTS AND SERVICES DESCRIPTION

### DEPOSITS

#### 1. DEMAND DEPOSIT

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

#### 2. 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. **CORPORATE SAVINGS ACCOUNT** - Also known as business account, refers to a bank account that a business uses to hold its money. Businesses and organizations use corporate accounts for investment and savings purposes and their day-to-day banking needs.
- 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. **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 banking hours.
- E. **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. Helps educate children on the benefits of saving for the future

#### 3. TERM DEPOSIT

- A. **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 720 days or two (2) years.
- B. **REGULAR TIME DEPOSIT** - is an interest-bearing bank deposit account that has a specified date of maturity, such as savings account or certificate of deposit (CTD). The funds in these accounts must be held for a fixed term include the understanding that the depositor can make a withdrawal only by giving notice.
- C. **JURIDICAL TIME DEPOSIT** - is a deposit account for corporate clients which generates competitive interest rates which are paid to the account upon agreed term. Juridical Time Deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a savings account or certificate of deposit (CTD). The funds in these accounts must be held for a fixed term which include the understanding that the depositor can make a withdrawal only by giving notice.
- D. **GOLD SAVER 5** - is a term deposit evidenced by a Certificate of Time Deposit. An interest bearing bank deposit account that has a specified date of maturity and has a term of five (5) years and one (1) day or 1,827 days. This kind of term deposit is tax free if not preterminated within the specified period.

### LOAN PRODUCTS

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



## REMITTANCES

1. **Pera Hub** – is the country's foremost urgent transaction center with over 3,000 locations nationwide which provides its customers with a comprehensive scope of reliable financial services in one location.
2. **Western Union** – an American worldwide financial services and communications company, providing remittance services worldwide.
3. **Transfast** – is an international company owned by Mastercard whose services are money transfer and cross-border payments network provider committed to making money transfer.
4. **Remitly** – is an online remittance service based in Seattle, United States that offers international money transfers to over 135 countries.
5. **Cebuana** – is a non-banking financial institution offering services such as pawn-broking, money remittance, insurance, bills payment, remit-to-account, corporate payout, collections, and e-loading.
6. **Metrobank** – is the fourth largest bank in the Philippines. It offers various financial services, from regular banking to insurance. It is the commercial and retail banking arm of GT Capital Holdings Inc.
7. **USSC** – is a homegrown, all-Filipino corporation that aims to serve our countrymen, one person at a time wherever in the world they may be. USSC is the number one agent of Western Union in the Philippines.
8. **GCash** – is a leading mobile wallet in the Philippines that you can download and install on your smartphone so you can perform digital transactions, like fund transfers, bills payments, shopping, investing, and more.
9. **Paymaya** – is a digital money transfer service that is created to help Filipino workers send money to their loved ones in the Philippines with ease and convenience.
10. **BDO Remit** – a remittance services of Banco De Oro (BDO) that has expansive network of partners which allows accessible and convenient sending of money from anywhere in the world.
11. **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.

## BILLS PAYMENT

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

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

## OTHER BANKING SERVICES

1. Sales of Manager's and Gift Checks
2. CB Kalinga Micro Insurance
  - a Country Bankers Microinsurance product for every Juan dela Cruz and his family.
3. SSS e-Collection Services

## BRANCH OFFICERS AND DIRECTORY

### North Branches



**JOAN MAE A. ASIA**  
Senior Branch Manager

2F Laoag Commercial Complex, J.P. Rizal St.  
Laoag, Ilocos Norte  
Telefax No. (77) 770-3808  
Mobile No. 0936-527-3206

#### LAOAG BRANCH



**KATRINE FAYE M. DE LEON**  
Branch Manager

Brgy. Albano, Dingras, Ilocos Norte  
Telefax No. (77) 600-0001  
Mobile No. 0917-870-2959 or 0935-420-3951

#### DINGRAS BRANCH



**DOLORES J. JANDOC**  
Branch Manager

Tiendaa ti Bangui, San Lorenzo, Ilocos Norte  
Telefax No. (77) 600-2591  
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#### BANGUI BRANCH



**BRENDA FRANCE R. GONZALES**  
Senior Branch Manager

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Telefax No. (74) 752-7554  
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#### BANGUED BRANCH



**ROLLY L. RABANAL**  
Senior Branch Manager

Florentino St., Plaza Burgos, Vigan, Ilocos Sur  
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Mobile No. 0917-802-7990

#### VIGAN BRANCH





**MARITESS P. DELA CRUZ**  
Branch Manager

📍 G/F Public Market, Macabig, Sinit, Ilocos Sur  
📞 Telefax No. (77) 674-1965  
📱 Mobile No. 0995-550-8966 or 0915-816-0374

**SINIT BRANCH**



**WILMA S. MARZAN**  
Branch Manager

📍 New Public Market, Brgy. San Lucas, Magsingal, Ilocos Sur  
📞 Telefax No. (77) 674-1994  
📱 Mobile No. 0917-802-5689 or 0955-642-4629

**MAGSINGAL BRANCH**



**DENNIS O. DOSONO**  
Senior Branch Manager

📍 G/F Narvacan Mall, Sitio Limmansangan, Narvacan, Ilocos Sur  
📞 Telefax No. (77) 732-5869  
📱 Mobile No. 0917-870-1151

**NARVACAN BRANCH**



**GRACE V. CAYAN**  
Branch Manager

📍 National Highway, Poblacion Norte, Burgos, Ilocos Sur  
📞 Telefax No. (77) 674-8394  
📱 Mobile No. 0917-564-2007

**BURGOS BRANCH**



**JANE S. CASTILLO**  
Branch Manager

📍 Rang-ay Bank Bldg., National Highway cor. Pascoe St., Candon, Ilocos Sur  
📞 Telefax No. (77) 674-8394  
📱 Mobile No. 0917-802-7986 or 0915-856-2611

**CANDON BRANCH**



**CYNTHIA G. ACOSTA**  
Branch Manager

📍 National Highway, Brgy. Barangobong, Sta. Lucia, Ilocos Sur  
📞 Telefax No. (77) 632-7668  
📱 Mobile No. 0917-870-2958 or 0915-802-7945

**STA. LUCIA BRANCH**



**MA. RUBELYN R. HADOC**  
Branch Manager

📍 National Highway, Poblacion Este, Sta. Cruz, Ilocos Sur  
📞 Telefax No. (77) 632-7668  
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**STA. CRUZ BRANCH**



**DARLENE L. FEROLINO**  
Branch Manager

📍 Rang-ay Bank Bldg., Nat'l Highway cor. San Jose St., Tagudin, Ilocos Sur  
📞 Telefax No. (77) 632-5824  
📱 Mobile No. 0917-500-7430 or 0915-238-7787

**TAGUDIN BRANCH**



**South Branches**



**MARLON F. FLORES**  
Branch Manager

📍 G/F TN Bldg., Burgos St., Dagupan City, Pangasinan  
📞 Telefax No. (75) 202-6003  
📱 Mobile No. 0917-897-6099

**DAGUPAN BRANCH**



**ROSSELL ANN D. SUNIO**  
Officer-In-Charge

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

**ROSALES BRANCH**



**MILAGROS AIDA G. GUANZO**  
Senior Branch Manager

📍 G/F Maharlika Complex, Magsaysay Ave., Baguio City  
📞 Telefax No. (74) 442-8142  
📱 Mobile No. 0917-192-5885

**BAGUIO BRANCH**







**ODESSA S. SALDO**  
Officer-In-Charge

📍 Pineshill Business Center, KM. 5, Balili, La Trinidad  
☎️ Telefax No. (74) 422-5536  
📞 Mobile No. 0917-870-0436

**LA TRINIDAD BRANCH**



**JOANNA A. TIMICHAN**  
Senior Branch Manager

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

**AGOO BRANCH**



**MARICHU A. PASAG**  
Branch Manager

📍 Poblacion East, Rosario, La Union  
☎️ Telefax No. (72) 619-4810  
📞 Mobile No. 0917-503-7813 / 0906-524-0816

**ROSARIO BRANCH**



**CHRISTINE JENELIE R. ESTACIO**  
Branch Manager

📍 No. 1 Vercelles St., Poblacion, Tubao, La Union  
☎️ Telefax No. (72) 687-0077  
📞 Mobile No. 0912-950-1777 / 0956-332-1452

**TUBAO BRANCH**



**ANALYN P. MENDIGORIA**  
Branch Manager

📍 New Public Market., San Benito Sur, Aringay, La Union  
☎️ Telefax No. (072) 607-3423  
📞 Mobile No. 0930-1156-906

**ARINGAY BRANCH**



**EDEN PRIME D. BALONGCAS**  
Senior Branch Manager

📍 National Highway, Brgy. Antonino, Balaoan, La Union  
☎️ Telefax No. (72) 607-0017  
📞 Mobile No. 0916-277-1026

**BALAOAN BRANCH**



**CHARMAINE F. ORDILLO**  
Branch Manager

📍 New Public Market, National Highway, Poblacion, Bacnotan, La Union  
☎️ Telefax No. (72) 607-4179  
📞 Mobile No. 0917-870-0430 / 0995-0590-699

**BACNOTAN BRANCH**



**AILEEN O. FRONDA**  
Branch Manager

📍 Corner Bangar Luna Rd., Central East No. 1, Bangar, La Union  
☎️ Telefax No. (72) 607-0006  
📞 Mobile No. 0977-458-0486 / 0950-620-7343

**BANGAR BRANCH**



**SHARI KAREN R. TORRALBA**  
Branch Manager

📍 Luna Sports Center, Brgy. Alcala, Luna, La Union  
☎️ Telefax No. (72) 607-3508  
📞 Mobile No. 0917-501-6399 / 0906-480-9951

**LUNA BRANCH**



**Central Branches**



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

📍 Nisca-Querol Bldg., #64 Gov Luna St., Brgy. IV, City of San Fernando, La Union  
☎️ Telefax No. (72) 242-5661 to 63  
📞 Mobile No. 0917-320-5052

**MAIN BRANCH**



**ELIZA P. PALABAY**  
Branch Manager

📍 North National Highway, Brgy. II, City of San Fernando, La Union  
☎️ Telefax No. (72) 205-0185  
📞 Mobile No. 0927-169-2258

**HIGHWAY BRANCH**





**Sheila Mae G. Liarenas**  
Officer-In-Charge

📍 Rang-ay Bank Bldg., Ortega St., Brgy. III, City of San Fernando, La Union  
☎ Telefax No. (72) 607-8392  
📞 Mobile No. 0917-802-7982 or 0977-695-5974

**DOWNTOWN BRANCH**



**RACHELLE ANN G. ESTEPA**  
Officer-In-Charge

📍 Rang-ay Bank Bldg., #29 Naguilian Rd., Ortiz, Naguilian, La Union  
☎ Telefax No. (72) 609-1199  
📞 Mobile No. 0917-942-0903 or 0917-942-0903

**NAGUILIAN BRANCH**



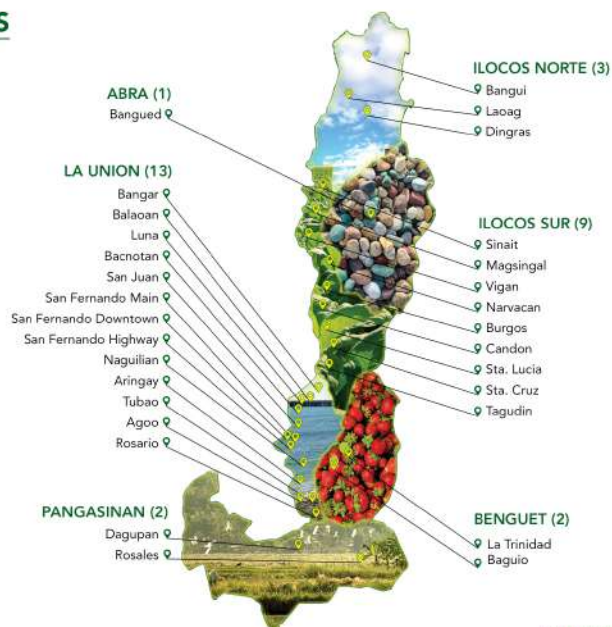
**NOVELYN G. LUEBBEN**  
Branch Manager

📍 G/F Public Market, Ili Sur, San Juan, La Union  
☎ Telefax No. (72) 607-4196  
📞 Mobile No. 0917-870-2960 or 0915-5155-326

**SAN JUAN BRANCH**



**30 BRANCHES**



**COMMON STOCKHOLDERS**

Name of Stockholders	Nationality
1. ABUDA, Nestor Jr. N	Filipino
2. ABUDA, Silvestre N.	Filipino
3. ASENCI, Leticia O.	Filipino
4. ASPIRAS, Amparo M.	Filipino
5. BEJAR, Rafael M.	Filipino
6. BUENAVENTURA, Cristina P.	Filipino
7. BUENAVENTURA, Elisa P.	Filipino
8. ESTEBAR, Rosemarie P.	Filipino
9. FLORENTINO, Ma. Paz Z.	Filipino
10. FLORENTINO, Mediatrix F.	Filipino
11. FLORES, Domiciano O.	Filipino
12. GALVEZ, Mario P.	Filipino
13. GOCHUICO, Reylita K.	Filipino
14. IGNACIO, Flora M.	Filipino
15. KAGAOAN, Elizabeth N.	Filipino
16. KAGAOAN, Flora N.	Filipino
17. KAGAOAN, Teresita N.	Filipino
18. LIGOT, Ma. Rosario K.	Filipino
19. MACEDA, Manuel F. II	Filipino
20. MARQUEZ, Teresita F.	Filipino
21. MARTINEZ, Ivy Rose N.	Filipino
22. Niscan Development Corp.	100% 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 Northern Ventures Corp.	100% Filipino owned
30. NISCE, Pancracio Q.	Filipino
31. NISCE, Ramon M.	Filipino
32. NISCE, Reynaldo Q.	Filipino
33. OSIAS, Jose Z.	Filipino
34. PAGTAKHAN, Ma. Cristina K.	Filipino
35. RETUTA, Romelia P.	Filipino
36. ZANDUETA, Ramon Jr. L	Filipino
37. ZANDUETA, Rene Oscar L.	Filipino

### STOCKHOLDERS OF THE BANK OWNING MORE THAN FOURTEEN PERCENT (14%) OF COMMON STOCKS

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, Ma. Paz Z.	Filipino
10. FLORENTINO, Mediatrix F.	Filipino
11. FLORES, Domiciano O.	Filipino
12. GOCHUICO, Reylita K.	Filipino
13. IGNACIO, Flora M.	Filipino
14. KAGAOAN, Elizabeth N.	Filipino
15. KAGAOAN, Flora N.	Filipino
16. KAGAOAN, Teresita N.	Filipino
17. LIGOT, Ma. Rosario K.	Filipino
18. MACEDA, Manuel F. II	Filipino
19. MARQUEZ, Teresita F.	Filipino
20. MARTINEZ, Ivy Rose N.	Filipino
21. Niscan Development Corp.	100% Filipino owned
22. NISCE, Anna Maria Z.	Filipino
23. NISCE, Augusto Q.	Filipino
24. NISCE, Ives Jesus C. II	Filipino
25. NISCE, Ives Q.	Filipino
26. NISCE, Jose Ma. Q.	Filipino
27. NISCE, Michael Ross C.	Filipino

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Name of Stockholders	Nationality
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31. NISCE, Ramon M.	Filipino
32. NISCE, Reynaldo Q.	Filipino
33. PAGTAKHAN, Ma. Cristina K.	Filipino
34. RETUTA, Romelia P.	Filipino
35. ZANDUETA, Ramon Jr. L	Filipino
36 ZANDUETA, Rene Oscar L.	Filipino

## VOTING RIGHTS

- a. Common Stock is a voting share. Common Stock carries with it the right to vote on business entity matters, such as electing the board of directors, establishing corporate objectives & policy and stock dividends, among others. The voting rights of a shareholder/stockholder can be exercised at the annual general stockholders meetings of the corporation.
- b. Preferred Stock does not carry voting rights, but have superior rights to dividends and assets over common stock.

## STATEMENT OF FINANCIAL POSITION

	2022	December 31, 2021	Increase/ Decrease	Percentage
<b>ASSETS</b>				
Cash and Other Cash Items	58,823,480	29,379,783	29,443,897	100.22%
Due from BSP and Other Banks	1,086,710,179	1,170,814,090	-84,103,911	-7.18%
Loans and Receivables, Net	1,852,509,529	1,882,330,265	-29,820,736	-1.58%
Held to Maturity Investment	565,977,977	310,921,344	255,056,633	82.03%
Bank Premises, Furniture, Fixtures and Equipment (Net)	87,186,351	93,981,176	-6,794,825	-7.23%
Investment Property (Net)	111,862,430	78,943,528	32,918,902	41.70%
Deferred Tax Assets	812,585	615,437	197,148	32.03%
Other Assets	44,782,729	37,280,238	7,502,491	20.12%
<b>TOTAL ASSETS</b>	<b>P 3,808,665,462</b>	<b>P 3,604,265,861</b>	<b>204,399,601</b>	<b>5.67%</b>
<b>LIABILITIES</b>				
Deposit Liabilities	3,063,701,967	2,898,518,643	165,183,324	5.70%
Accrued Interest, Taxes and Other Expenses Payable	6,302,570	5,652,232	650,338	11.51%
Income Tax Payable	21,187	2,439,732	-2,418,545	-99.13%
Treasurer's/Cashier's/Manager's and Gift Checks	32,637	34,617	-1,980	-5.72%
Other Liabilities	71,866,940	75,150,585	-3,283,645	-4.37%
<b>TOTAL LIABILITIES</b>	<b>P 3,141,925,302</b>	<b>P 2,981,795,809</b>	<b>160,129,493</b>	<b>5.37%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital	377,376,400	377,376,400	0	0.00%
Common	7,470,300	7,470,300	0	0.00%
Preferred	85,146,459	85,146,459	0	0.00%
Additional Paid-in Capital	20,000,000	20,000,000	0	0.00%
Surplus	150,074,024	105,803,914	44,270,110	41.84%
Reserve	26,672,978	26,672,978	0	0.00%
Free				
Appraisal Increment Reserve				
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>666,740,161</b>	<b>622,470,051</b>	<b>44,270,110</b>	<b>7.11%</b>
<b>TOTAL LIABILITIES &amp; EQUITY ACCOUNTS</b>	<b>P 3,808,665,463</b>	<b>P 3,604,265,860</b>	<b>204,399,603</b>	<b>5.67%</b>

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



## STATEMENT OF INCOME AND EXPENSE

	Year Ended December 31 2022	Year Ended December 31 2021	Increase/ Decrease	Percentage
<b>INTEREST INCOME</b>				
Loans & Receivables	115,186,142	130,432,389	-15,246,247	-11.69%
Due From Other Banks	34,274,633	43,853,306	-9,578,673	-21.84%
Investments	16,133,097	13,052,133	3,080,964	23.61%
<b>TOTAL INTEREST INCOME</b>	P 165,593,872	P 187,337,828	-21,743,956	-11.61%
<b>INTEREST EXPENSE</b>				
Savings Deposits	6,138,598	7,166,711	-1,028,113	-14.35%
Time Deposits	10,598,664	12,693,557	-2,094,893	-16.50%
Demand Deposits	231,396	215,430	15,966	7.41%
Bills Payable	0	34,686	-34,686	-100.00%
<b>TOTAL INTEREST EXPENSE</b>	16,968,658	20,110,384	-3,141,726	-15.62%
<b>NET INTEREST INCOME</b>	P 148,625,214	P 167,227,444	-18,602,230	-11.12%
<b>PROVISION FOR CREDIT LOSSES</b>				
<b>NET INTEREST INCOME AFTER PROVISION</b>	16,427,904	17,098,650	-670,746	-3.92%
<b>OTHER INCOME</b>	132,197,310	150,128,794	-17,931,484	-11.94%
<b>TOTAL INCOME BEFORE OPERATING EXPENSES</b>	66,460,068	48,148,778	18,311,290	38.03%
<b>OTHER OPERATING EXPENSE</b>	P 198,657,378	P 198,227,572	379,806	0.19%
Compensation & Fringe Benefits	59,673,267	60,734,227	-1,060,960	-1.75%
Other Operating Expenses	60,805,254	51,486,161	9,319,093	18.10%
Taxes & Licenses	3,064,684	3,056,433	8,251	0.27%
Depreciation & Amortization	24,005,148	13,805,548	10,199,600	73.88%
Impairment Losses	0	0	0	0.00%
Bad Debts Written-Off	0	21,172,627	-21,172,627	-100.00%
<b>NET INCOME BEFORE INCOME TAX</b>	147,548,352	150,254,995	-2,706,643	-1.80%
<b>INCOME TAX EXPENSE</b>	51,109,026	48,022,577	3,086,449	6.43%
<b>NET INCOME AFTER INCOME TAX</b>	P 4,628,677	P 5,298,029	-669,352	-12.63%
<b>EARNINGS PER SHARE</b>	P 46,480,349	P 42,724,548	3,755,801	8.79%
	6.16	5.65	0.51	9.03%

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

## CAPITAL STRUCTURE AND ADEQUACY

### PART 1 CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO

ITEM	NATURE OF ITEM	AMOUNT
<b>A.</b>	<b>Calculation of Qualifying Capital</b>	
A.1	Net Tier 1 Capital	Php 631,311,131
A.2	Net Tier 2 Capital	48,554,322
A.3	Total Qualifying Capital [Sum of A.1 and A.2]	679,865,453
<b>B.</b>	<b>Calculation of Risk-Weighted Assets</b>	
B.1	Total Credit Risk-Weighted Assets	2,839,639,044
B.2	Total Operational Risk-Weighted Assets	305,841,735
B.4	Total Risk-Weighted Assets	3,145,480,779
<b>C.</b>	<b>RISK-BASED CAPITAL ADEQUACY RATIO</b>	21.61%

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

### PART 2 QUALIFYING CAPITAL

ITEM	NATURE OF ITEM	AMOUNT
<b>A</b>	<b>Tier 1 (Core plus Hybrid) Capital</b>	
<b>A.1</b>	<b>Core Tier 1 Capital</b>	
[1]	Paid up common stock	Php 377,376,400
[2]	Additional paid-in capital	85,146,459
[3]	Retained earnings	123,593,675
[4]	Undivided profits	46,480,349
[5]	Sub-total	632,596,883
<b>A.2</b>	<b>Deductions from Core Tier 1 Capital</b>	
[1]	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, net of allowance	473,167
[2]	Deferred tax asset, net of deferred tax liability	812,585
[3]	Total Deductions	1,285,752
<b>A.3</b>	<b>Total Core Tier 1 Capital</b>	631,311,131
<b>B</b>	<b>Tier 2 (Supplementary) Capital</b>	
<b>B.1</b>	<b>Upper Tier 2 Capital</b>	
[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]	14,411,044
	Sub-Total	48,554,322
<b>C.</b>	<b>Gross Qualifying Capital</b>	679,865,453
[1]	Total Tier 1 Capital	631,311,131
[2]	Total Tier 2 Capital	48,554,322
	Total Qualifying Capital	Php 679,865,453



Manipud 1956

## AUDITED FINANCIAL STATEMENT

December 31, 2022 and 2021





**HEAD OFFICE:**

C/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-mail : headoffice@rangaybank.com  
website: www.rangaybank.com

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL (SRC RULE 68)**

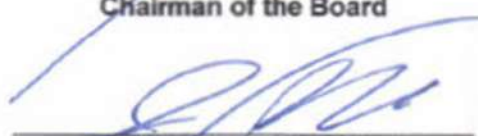
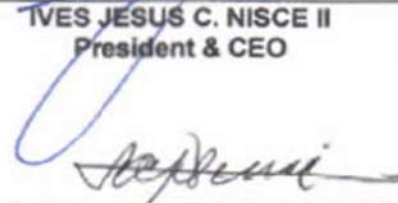
The management of RANG-AY BANK (A RURAL BANK), INC. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the calendar year ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation 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 has no realistic alternative but to do so.

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

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

EDGARDO M. MOLINA, CPA, the independent auditors and appointed by the stockholders for the year ended December 31, 2022 and 2021, respectively, have examined the financial statements of the Bank in accordance with Philippine Standards on Auditing, and its report to the stockholders or members, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
IVES Q. NISCE  
Chairman of the Board  
IVES JESUS C. NISCE II  
President & CEO  
LETICIA O. ASENCI  
Treasurer

Signed this 05<sup>TH</sup> day of April, 2023

**BRANCHES:** LaUnion: San Fernando • Agoo • Tubao • Naguilian • Bacnotan • Balaoan  
★ Ilocos Norte: Laoag ★ Ilocos Sur: Vigan • Candon • Sta. Cruz • Magsingal • Narvacan  
Tagudin ★ Pangasinan: Dagupan • Rosales ★ Benguet: Baguio • La Trinidad ★ Abra: Bangued

## **EDGARDO M. MOLINA, CPA**

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

---

### CERTIFICATION

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

In connection with my audit of the 2022 financial statements **RANG-AY BANK (A RURAL BANK), INC.** and pursuant to Section 174 and Appendix 55 of the Manual of Regulation for Banks (MORB), as amended by Circular No. 1074 dated February 7, 2020 relative to the Bangko Sentral requirements in the submission of audited financial statements, I hereby certify the following:

- 1.) That I have commenced my engagement to audit the financial statements on January 23, 2023, and had finished the audit on April 5, 2023.
- 2.) That the Financial Audit Report and the Certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit of the Bank were submitted to the Board of Directors on April 5, 2023.
- 3.) That I, the auditor-in-charge of the engagement, and the members of our immediate families do not have any direct or indirect financial interests with the bank including its affiliates and subsidiaries and that my independence is not at all impaired under any of the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.
- 4.) That I have read-only access to the BSP report of examination;
- 5.) That the Bank has complied with the disclosure requirement under Section 174 of the MORB, as amended by Circular No. 1074 series of 2020.
- 6.) That I have **none to report** on discovery of material breach of laws and BSP rules and regulations such as on capital adequacy ration and on loans and other risks and classification.
- 7.) That I have **no report** on findings regarding corporate governance issues;
- 8.) That I have **no report** regarding termination and resignation as external auditor
- 9.) That I have **no report** regarding breach or non-compliance on liquidity ratios, material weakness in fair value measurement methodology, significant vulnerabilities to money laundering and combating the financing of terrorism.
- 10.) That I have **none to report** on the following matters under **BSP Circular 1074 series of 2020** except item A and D as disclosed in Note 12 of the AFS;
  - a) Any material finding involving fraud or dishonesty (including cases that were resolved during the audit period);
  - b) Any potential losses, the aggregate of which amounts to at least ten percent (10%) of the consolidated total asset;
  - c) Any findings to the effect that consolidated asset of the Bank, ongoing concern basis, are no longer adequate to cover the total claims of creditor;
  - d) Material internal control weakness which may lead to financial reporting problems.



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

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

  
**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419

BOA/PRC Certificate No. 2577, valid until September 1, 2024

BIR Accreditation No. 08-005012-001-2022, valid until September 27, 2025

BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,  
valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements

CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024

PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 5, 2023

**SUBSCRIBED AND SWORN TO BEFORE ME this** APR 11 2023 **at** City of San Fernando, Pampanga

  
**CARLOTA DELA CRUZ-MANALO**  
Notary Public  
Notarial Commission 26-22  
Until December 31, 2023  
**NOTARY PUBLIC**  
PTR No. PAM-9516647 / 01-03-2023 / Pampanga  
ROA 37808  
MCLE VII-0026698 / 03-02-23  
2nd Floor Jomaler Bldg., Dolores,  
City of San Fernando, Pampanga

Doc. No. 192 :

Page No. 240 :

Book No. 71 :

Series of 2023

**EDGARDO M. MOLINA, CPA**

Blk 10, Lot 26, Kroner Street, Villa Carolina I

Tunasan, Muntinlupa City

Email: [emmolinacoresultancy@gmail.com](mailto:emmolinacoresultancy@gmail.com)

**CERTIFICATION**

The Shareholders and the Board of Directors

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

Nisce-Querol Building, 67 Gov. Luna St.

City of San Fernando, La Union

This is to certify that there is material weakness or breach in the internal control and risk management system was noted in the course of audit of **RANG-AY BANK (A RURAL BANK), INC.**

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

  
**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419

BOA/PRC Certificate No. 2577, valid until September 1, 2024

BIR Accreditation No. 08-005012-001-2022, valid until September 27, 2025

BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,

valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements

CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024

PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 5, 2023

SUBSCRIBED AND SWORN to before me this APR 11 2023 at City of San Fernando, Pampanga

Doc No.: 141

Page No: 40

Book No.: 21

Series of 2023

  
**CARLOTIA DELA CRUZ-MANALO**

Notary Public

Notarial Commission 25-22

Until December 31, 2023

IBP No. 251163 / 01-03-2023 / Pampanga

PTR No. PAM-5516647 / 01-03-2023 / Pampanga

ROA 37898

MCLE VII-0026698 / 03-02-23

2nd Floor Jomater Bldg., Dolores,  
City of San Fernando, Pampanga



**EDGARDO M. MOLINA, CPA**

*Bk 10, Lot 26, Kroner Street, Villa Carolina I*

Tunasan, Muntinlupa City


Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)

**CERTIFICATION**

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

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

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

  
**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419

BCA/PRC Certificate No. 2577, valid until September 1, 2024

BIR-Accreditation No. 08-005012-001-2022, valid until September 27, 2025

BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,

Valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements

CDA Accreditation No. AN-CEA-463, valid until April 7, 2024

PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 5, 2023

SUBSCRIBED AND SWORN to before me this APR 11 2023 at City of San Fernando, Pampanga

Doc No.: 146  
Page No.: 39  
Book No.: 71  
Series of 2023

  
**CARLOTA DELA CRUZ-MANALO**

Notary Public

Notarial Commission 26-22

Until December 31, 2023

ISP No. 251163 / 01-03-2023 / Pampanga

PTR No. PAM-9516647 / 01-03-2023 / Pampanga

ROA 37808

MCLE VII-0029699 / 03-02-23

2nd Floor Jomaier Bldg., Dolores,

City of San Fernando, Pampanga

## **EDGARDO M. MOLINA, CPA**

Blk 10, Lot 26, Kroner Street, Villa Carolina I

Tunasan, Muntinlupa City

Email: [eduardomolinaconsultancy@gmail.com](mailto:eduardomolinaconsultancy@gmail.com)

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### **INDEPENDENT AUDITOR'S REPORT**

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

#### Opinion

I have audited the accompanying financial statements of **RANG-AY BANK (A RURAL BANK), INC.** which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statement presents fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### Basis for Opinion

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

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

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

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on other Legal and Regulatory Requirements**

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

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Note 31 to the financial statements is presented for purposes of Circular 1074 as required by Bangko Sentral ng Pilipinas and is not required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in my audits of the basic financial statements. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419

BOA/PRC Certificate No. 2577, valid until September 1, 2024

BIR Accreditation No. 08-005012-001-2022, valid until September 27, 2025

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valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements

CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024

PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 05, 2023





**EDGARDO M. MOLINA, CPA**

*Blk 10, Lot 26, Kroner Street, Villa Carolina I*

*Tunasan, Muntinlupa City*

*Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)*

**INDEPENDENT AUDITOR'S REPORT  
FOR SUPPLEMENTARY INFORMATION**

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

I have audited in accordance with Philippine Standards of Auditing, the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** as at and for the taxable year ended December 31, 2022 on which I issued my report thereon dated April 5, 2023. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness indicators including their definitions, formulas, and calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management.

These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other banks. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2022 and no material exceptions were noted.



**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

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PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 5, 2023

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*Tunasan, Muntinlupa City*

Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)

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**STATEMENT OF REPRESENTATION**

**TO THE SECURITIES AND EXCHANGE COMMISSION**

In connection with my examination on the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** for the year ended December 31, 2022 which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the Accounting Profession and duly registered with the Board of Accountancy (BOA).
2. That the financial statements are presented in conformity with the Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described to the financial statements, in all cases where I shall express an unqualified opinion, except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof and the reasons why compliance with the principles would result in misleading statements, if such is the fact.
3. That I fully met the requirements of independence as provided in the Code of Professional Ethics for CPAs.
4. That in the conduct of such audit, I complied with the Philippine Standard of Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitations in the scope of my examination, I shall indicate the nature of the departure and the extent of limitation, the reasons therefore and the effects thereof on the expression of the my opinion or which may necessitate the negation of the expression of an opinion;
5. That relative to the expression of my opinion, on the financial statements, I shall not commit any act discreditable to the profession as provided under the code of Professional Ethics for CPAs.

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



**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419

BOA/PRC Certificate No. 2577, valid until September 1, 2024

BIR Accreditation No. 08-005012-001-2022, valid until September 27, 2025

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PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 5, 2023



**RANG-AY BANK (A RURAL BANK), INC.****FINANCIAL HIGHLIGHTS**

As of December 31, 2022 and 2021

	2022	2021	Increase (Decrease)
<b>FOR THE YEAR</b>			
TOTAL INCOME	<b>₱ 232,053,940</b>	<b>₱ 235,486,605</b>	<b>₱(3,432,665)</b>
TOTAL EXPENSES	<b>185,573,591</b>	<b>192,762,058</b>	<b>(7,188,466)</b>
NET INCOME	<b>46,480,349</b>	<b>42,724,547</b>	<b>3,755,802</b>
EARNINGS PER SHARE Ordinary Shares	<b>6.16</b>	<b>5.66</b>	<b>0.50</b>
RETURN ON AVERAGE EQUITY	<b>7.21%</b>	<b>7.07%</b>	<b>0.14%</b>
RETURN ON AVERAGE ASSETS	<b>1.25%</b>	<b>1.21%</b>	<b>0.04%</b>
NET INTEREST MARGIN	<b>4.45%</b>	<b>5.19%</b>	<b>-0.74%</b>
<b>AT YEAR END</b>			
TOTAL ASSETS	<b>3,808,665,462</b>	<b>3,604,265,860</b>	<b>204,399,602</b>
LOANS AND RECEIVABLES (NET)	<b>1,852,509,529</b>	<b>1,882,330,265</b>	<b>(29,820,736)</b>
LIQUID ASSETS	<b>3,564,021,366</b>	<b>3,393,445,481</b>	<b>170,575,885</b>
FIXED ASSETS, Net	<b>87,186,351</b>	<b>93,981,176</b>	<b>(6,794,825)</b>
DEPOSIT LIABILITIES	<b>3,063,701,967</b>	<b>2,898,518,643</b>	<b>165,183,325</b>
EQUITY ACCOUNTS	<b>666,740,161</b>	<b>622,470,050</b>	<b>44,270,110</b>
BOOK VALUE PER SHARE Ordinary Shares	<b>87.35</b>	<b>81.48</b>	<b>5.87</b> -
CAPITAL ADEQUACY RATIO	<b>21.61%</b>	<b>20.21%</b>	<b>1.40%</b>
PAST DUE RATIO	<b>4.73%</b>	<b>3.88%</b>	<b>0.85%</b>
RATIO OF LIQUID ASSETS TO DEPOSITS	<b>116.33%</b>	<b>117.08%</b>	<b>-0.74%</b>
DEBT TO EQUITY RATIO	<b>4.71%</b>	<b>4.79%</b>	<b>-0.08%</b>
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	<b>13.08%</b>	<b>15.10%</b>	<b>-2.02%</b>

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

	<b>As at December 31</b>	
	<b>2022</b>	<b>2021 (As Restated)</b>
<b>ASSETS</b>		
Cash and Other Cash Items (Note 7.1)	₱ 58,823,681	₱ 29,379,783
Due from BSP and Other Banks (Note 7.2)	1,086,710,179	1,170,814,090
Debt Securities Measured at Amortized Cost, (net) (Note 8)	565,977,977	310,921,344
Loans and Receivable, Net (Note 9)	1,852,509,529	1,882,330,265
Bank Premises, Furniture, Fixtures and Equipment and Right of Used Assets, Net (Note 10)	87,186,351	93,981,176
Investment Property, Net (Note 11)	111,862,431	78,943,528
Other Assets (Note 12)	44,782,729	37,280,238
Deferred Tax Assets (Note 25)	812,585	615,437
<b>TOTAL ASSETS</b>	<b>₱3,808,665,462</b>	<b>₱ 3,604,265,860</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposit Liabilities (Note 13)	₱3,063,701,967	₱ 2,898,518,643
Accrued Interest, Taxes and Other Expenses Payable (Note 14)	6,302,570	5,652,232
Income Tax Payable (Note 25)	21,187	2,439,732
Treasurer's/Cashier's/Manager's and Gift Checks	32,637	34,617
Other Liabilities (Note 15)	71,866,940	75,150,586
<b>TOTAL LIABILITIES</b>	<b>3,141,925,301</b>	<b>2,981,795,809</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital		
Ordinary (Note 16.1)	377,376,400	377,376,400
Preferred (Note 16.2)	7,470,300	7,470,300
Additional Paid-in Capital	85,146,459	85,146,459
Surplus		
Free (Note 16.3)	150,074,024	105,803,913
Reserve (Note 16.4)	20,000,000	20,000,000
Appraisal Increment Reserve	26,672,978	26,672,978
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>666,740,161</b>	<b>622,470,050</b>
<b>TOTAL LIABILITIES &amp; EQUITY ACCOUNTS</b>	<b>₱3,808,665,462</b>	<b>₱ 3,604,265,860</b>
<b>BOOK VALUE PER SHARE</b>	<b>87.35</b>	<b>81.48</b>

See accompanying Notes to Financial Statements.





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

	For the Years Ended December 31	
	2022	2021
<b>INTEREST INCOME (Note 17)</b>		
Loans & Receivables	P 115,186,142	P 130,432,389
Due from Other Banks	34,274,633	43,853,306
Investments	16,133,097	13,052,133
<b>TOTAL INTEREST INCOME</b>	<b>165,593,872</b>	<b>187,337,827</b>
<b>INTEREST EXPENSE</b>		
Savings Deposits	6,138,598	7,166,711
Time Deposits	10,598,664	12,693,557
Demand Deposit	231,396	215,430
Bills Payable	-	34,686
<b>TOTAL INTEREST EXPENSE</b>	<b>16,968,658</b>	<b>20,110,384</b>
<b>NET INTEREST INCOME</b>	<b>148,625,214</b>	<b>167,227,444</b>
<b>PROVISION FOR CREDIT LOSSES (Note 9 &amp; 12)</b>	<b>16,427,904</b>	<b>17,098,650</b>
<b>NET INTEREST INCOME AFTER PROVISION</b>	<b>132,197,310</b>	<b>150,128,794</b>
<b>OTHER INCOME (Note 18)</b>	<b>66,460,068</b>	<b>48,148,778</b>
<b>TOTAL INCOME BEFORE OPERATING EXPENSES</b>	<b>198,657,378</b>	<b>198,277,571</b>
<b>OTHER OPERATING EXPENSE</b>		
Compensation & Fringe Benefits (Note 19)	59,673,267	60,734,227
Other Operating Expenses (Note 21)	60,805,254	51,486,161
Taxes & Licenses (Note 29)	3,064,684	3,056,433
Depreciation & Amortization (Note 22)	24,005,148	13,805,548
Bad Debts Written-Off	-	21,172,627
	<b>147,548,353</b>	<b>150,254,995</b>
<b>NET INCOME BEFORE INCOME TAX</b>	<b>51,109,025</b>	<b>48,022,576</b>
<b>INCOME TAX EXPENSE (BENEFIT) (Note 25)</b>	<b>4,628,677</b>	<b>5,298,029</b>
<b>NET INCOME AFTER INCOME TAX</b>	<b>P 46,480,349</b>	<b>P 42,724,547</b>
<b>EARNINGS PER SHARE</b>	<b>6.16</b>	<b>5.66</b>

See accompanying Notes to Financial Statements.



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

**STATEMENTS OF COMPREHENSIVE INCOME**

	For the Years Ended December 31	
	2022	2021
PROFIT FOR THE YEAR	₱ 46,480,349	₱ 42,724,547
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Items that may be subsequently reclassified to profit or loss		
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱ 46,480,349</b>	<b>₱ 42,724,547</b>

*See accompanying Notes to Financial Statements.*





**RANG-AY BANK (A RURAL BANK), INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended December 31, 2022 and 2021**

	SHARE CAPITAL - ORDINARY (Note 16.1)	SHARE CAPITAL - PREFERRED (Note 16.2)	ADDITIONAL PAID IN CAPITAL	SURPLUS RESERVE (Note 16.4)	SURPLUS FREE (Note 16.3)	APPRAISAL INCREMENT RESERVE	Total
Balance at January 1, 2022	₱ 377,376,400	₱ 7,470,300	₱ 85,146,459	₱ 20,000,000	₱ 105,803,913	₱ 26,672,978	₱ 622,470,050
Total comprehensive income for the year					46,480,349		46,480,349
Net charges/Prior period adjustments (Note 16.5)					(2,210,238)		(2,210,238)
Balance at December 31, 2022	₱ 377,376,400	₱ 7,470,300	₱ 85,146,459	₱ 20,000,000	₱ 150,074,024	₱ 26,672,978	₱ 666,740,161
Balance at January 1, 2021	₱ 314,480,700	₱ 7,470,300	₱ 85,146,459	₱ 20,000,000	₱ 132,039,584	₱ 26,672,978	₱ 585,810,021
Total comprehensive income for the year					42,724,547		42,724,547
Declaration of dividends	62,895,700				(70,944,915)		(8,049,215)
Net charges/Prior period adjustments (Note 16.5)					1,984,697		1,984,697
Balance at December 31, 2021	₱ 377,376,400	₱ 7,470,300	₱ 85,146,459	₱ 20,000,000	₱ 105,803,913	₱ 26,672,978	₱ 622,470,050

See accompanying Notes to Financial Statements.



**RANG-AY BANK (A RURAL BANK), INC.****STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before tax (IS)	P 51,109,025	P 48,022,576
Adjustments for:		
Net Charges to Surplus/Prior Period Adjustments (Note 16.5)	(2,210,238)	1,984,697
Provision for Credit Losses on Loans and Other Receivables (Note 9)	16,427,904	17,098,650
Depreciation/Amortization (Note 10, 22)	24,005,148	13,805,548
Gain from Sale of Non-Financial Assets (Note 18)	(18,012,874)	(5,266,884)
Interest Income (Note 7, 8, 9 and 17)	(165,593,872)	(187,337,827)
Interest Expense (Note 13)	16,968,658	20,110,384
Accounts Written Off (Note 9)	(12,451,219)	(5,036,173)
Changes in Working Capital:		
Debt Securities Measured at Amortized Cost, (net) (Note 8)	(255,056,633)	(118,759,444)
Loans & Receivables (Note 9)	31,269,613	95,685,531
Other Assets (Note 12)	(8,951,369)	(4,310,113)
Deposit liabilities (Note 13)	165,183,325	128,768,400
Accrued interest, taxes & other liabilities (Note 14)	708,028	(205,000)
Treasurer's/Cashier's/Manager's and Gift Checks	(1,980)	1,980
Other liabilities (Note 15)	(767,918)	1,383,562
Cash Generated from Operations	(157,374,401)	5,945,888
Income Taxes paid/withheld (Note 25)	(8,364,413)	(5,069,297)
Interest received (Note 7, 8, 9 & 17)	165,593,872	187,337,827
Interest paid	(17,026,349)	(21,325,383)
<b>NET CASH PROVIDED (USED IN) BY OPERATING ACTIVITIES</b>	<b>(17,171,291)</b>	<b>166,889,035</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash payments on Investment Properties (Note 11)	(55,037,808)	(66,890,540)
Cash receipts from Investment Properties	29,046,799	8,846,813
Cash payments on Premises, Furniture, & Equipment (Note 10)	(6,753,003)	(2,700,376)
Cash receipts from disposals of Premises, Furniture and Equipment (Note 10 and 18)	674,660	98,959
<b>NET CASH USED INs BY INVESTING ACTIVITIES</b>	<b>(32,069,352)</b>	<b>(60,645,144)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash Receipts from Bills Payable	-	(10,070,000)
Cash Disbursements on Cash Dividends (Note 16.3)	-	(8,049,215)
Movement on leasing liabilities	(5,419,370)	(5,111,904)
<b>NET CASH USED IN BY FINANCING ACTIVITIES</b>	<b>(5,419,370)</b>	<b>(23,231,119)</b>
<b>NET (DECREASE) INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(54,660,013)</b>	<b>83,012,773</b>
<b>CASH &amp; CASH EQUIVALENTS - BEGINNING</b>	<b>1,200,193,873</b>	<b>1,117,181,100</b>
<b>CASH &amp; CASH EQUIVALENTS - ENDING</b>	<b>P 1,145,533,860</b>	<b>P 1,200,193,873</b>

See accompanying Notes to Financial Statements.





**RANG-AY BANK (A RURAL BANK), INC.****NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2022 and 2021

**1. CORPORATE INFORMATION**

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

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

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

Branch	Address
<b>La Union</b>	
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 Highway Central 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 Veroles St. Poblacion, Tubao
Aringay	Aringay Public Market, Aringay, La Union
San Juan	G/F Public Market, Ili Sur, San Juan
<b>Ilocos Sur</b>	
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
<b>Ilocos Norte</b>	
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
<b>Pangasinan</b>	
Dagupan	G/F TN Bldg., Burgos St., Dagupan City
Rosales	Gen. Luna St. Brgy. Zone 3 Rosales
<b>Benguet</b>	
Baguio	G/F Maharlika Livelihood Center, Brgy. Azoko, Baguio City
La Trinidad	Pineshill Business Center FA 146 KM5, Balili, La Trinidad
<b>Abra</b>	
Bangued	Rang-ay Bank Bldg., Taft Ave., Cor. Manzano Zone 5, Bangued

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

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

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

#### ***Approval of Financial Statements***

The accompanying financial statements of the Bank for the year ended December 31, 2022 were authorized for issue by its Board of Directors on April 5, 2023.

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## **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 derivative financial instruments, if any, that have been measured at fair value. The financial statements are presented in Philippine peso ("₱") and all values are rounded to the nearest peso except when otherwise indicated.

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

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

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

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

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

#### ***Statement of Compliance***

The Bank's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the following financial reporting reliefs issued by the Bangko Sentral ng Pilipinas and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic: a. Exclusion of eligible loans from past due and non-performing classification until December 31; b. Provision of Financial Assistance under Section 135, for the grant of loans, advances or other forms of credit accommodations to Officers affected by the COVID-19, even in the absence of BSP approved purposes or not within the scope of existing BSP approved purposes; c. Non-imposition of monetary penalties for delays in the submission of all prudential reports to the BSP for a period of six (6) months. The reliefs cover only current-year transactions/events and do not impact



comparative figures. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretations of the Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC)/International Financial Reporting Interpretations Committee (IFRIC) which have been approved and adopted by the Financial Reporting Standards Council (FRSC), and adopted by the SEC. Also, the Bank adopted the new Financial Reporting Package (FRP) prescribed by the Bangko Sentral ng Pilipinas (BSP) as per BSP Circular No 512 dated February 3, 2006 which is updated as of May 31, 2019.

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

#### ***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.

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### **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, 2022. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated

#### **Amendments, and Interpretations Adopted**

##### Amendments

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

- Amendment to PFRS 16, Leases - COVID-19-Related Rent Concessions beyond June 30, 2021 – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Bank did not apply the practical expedient in its financial statements for the year ended December 31, 2022.

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

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

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

- Amendments to PFRS 3, Business Combinations - Reference to Conceptual Framework – The amendments replaced the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement ensures that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS

3. The amendments also clarify that an acquirer shall not recognize contingent assets acquired in a business combination.
- Amendments to PAS 16, Property, Plant and Equipment - Proceeds Before Intended Use – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.
  - Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
  - Annual Improvements to PFRS 2018 to 2020 Cycle:
    - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendment is permitted.
    - Amendment to PFRS 9, Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.
    - Amendment to PFRS 16, Leases - Lease Incentives – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
    - Amendment to PAS 41, Agriculture - Taxation in Fair Value Measurements – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, Fair Value Measurement. The amendment should be applied prospectively. Earlier application is permitted.

The adoption of the amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

#### New and Amended PFRS and PIC Issuances Issued But Not Yet Effective

Relevant new and amended PFRS and PIC issuances, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting



policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, Revenue from Contracts with Customers, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - Noncurrent Liabilities with Covenants for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

#### Deferred effectivity

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS and PIC issuances is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

#### Fair Value Measurement

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

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

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

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

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

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

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

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

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



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

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

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

### **Financial Instruments**

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

#### ***Initial Recognition and Measurement***

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

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

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

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

### **Financial Assets**

#### ***Classification and Subsequent Measurement***

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

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

#### ***Financial assets at amortized cost (debt instruments)***

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

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

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

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

#### **Cash and Cash Equivalents**

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

##### ***Cash on Hand***

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

##### ***Due from Other Banks***

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

##### ***Due from Bangko Sentral ng Pilipinas***

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

#### **Loans and Receivables**

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

##### ***Loans & Discounts***

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

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

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

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



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

#### **Sales Contract Receivable**

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

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

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

#### **Debt Securities Measured at Amortized Cost**

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

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

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

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

#### **Reclassification**

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

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

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

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

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

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

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

## **Financial Liabilities**

### ***Classification and Measurement***

A financial liability is any liability that is:

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

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

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

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

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

### **Deposit Liabilities**

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



**Accrued Expenses and Other Liabilities**

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

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

*As of December 31, 2022 and 2021, the Bank has not designated any financial liabilities upon initial recognition as at FVTPL.*

**Classification as Debt or Equity Instruments**

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

**Equity Instruments**

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

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

**Compound Instruments**

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

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

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

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

***Other Payables arising from contractual obligations***

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

### ***Borrowing Cost***

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

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

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

### **Derecognition of Financial Instruments**

#### ***Financial Assets***

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

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

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

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

#### ***Financial Liabilities***

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

### **Impairment of Financial Instruments**

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

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

The Bank recognizes in the Statement of Comprehensive Income the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date. Loss allowance for



financial assets at FVOCI is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

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

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

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

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

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

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

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

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

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

#### ***Restructured Loans***

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

#### **Offsetting of Financial Instruments**

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

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

### **Other Assets**

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

### **Premises, Furniture, Fixtures and Equipment's**

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

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

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

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

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

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. Land is not depreciated.

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

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

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

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

### **Building under construction**

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

### **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

### **Investment Properties**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Intangible Assets**

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

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

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

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

#### **Impairment of Non-Financial Assets**

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

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



## **Equity**

### **Share Capital**

Share Capital is measured at par value for all shares issued and outstanding. When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. The subscribed capital stock is reported in equity less the related subscription receivable not currently collectible. Common stock consists of common and preferred. Preferred stocks are (a) cumulative, (b) non-voting, and (c) non-redeemable.

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

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

### **Retained Earning**

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

### **Dividends**

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

### ***Earnings per Share***

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

### ***Book Value per Share***

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

## **Revenue Recognition**

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

The Bank primarily derives its revenue from interest income on loans. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services. The Bank assesses its revenue arrangements against specific criteria in order to determine whether it is acting as principal or as an agent. The Bank is acting principal in its revenue arrangements to its customers, revenue is recognized on a gross basis. However, if the Bank is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

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

### ***Revenue within the scope of PFRS 15:***

#### **Loan Fees and Service Charges**

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

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

## **Revenue outside the scope of PFRS 15:**

### **Interest Income**

#### **Interest on Loans**

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

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

#### **Interest Income on Bank deposits and Debt Securities measured at Amortized Cost**

Interest on bank deposits and debt securities measured at amortized cost are recognized using the accrual method.

### **Rental Income**

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

### **Other Income**

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

## **Cost and Expense Recognition**

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

### **Interest Expense**

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

### **Other Expense**

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

## **Leases**

### **Lease Recognition**

#### **Bank as Lessee**

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.

The Bank adopted PFRS 16 which has no material impact to its financial statements. Its leases are classified under short-term and low-value asset which continues to be reported under PAS 17 as of December 31, 2022 and 2021, respectively.

#### **Bank as Lessor**

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



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

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

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

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

### **Employee Benefits**

#### ***a. Short term benefits***

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

#### ***(b) Post-employment benefits***

Benefits that are payable after the completion of employment.

#### ***(c) Termination Benefits***

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

#### ***(d) Retirement***

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

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

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

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

The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. While the bank believes that the

assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

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

#### **Income Taxes**

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

#### ***Current Income Tax***

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

#### ***Deferred tax***

Deferred tax 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.



### **Related Party Relationships and Transactions**

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

### **Provisions**

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

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

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

In those cases, where the possible outflow of economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence not recognized in the financial assets.

### **Contingencies**

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

### **Events after Reporting Date**

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

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## **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND POLICIES**

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

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

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

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

#### **Judgments**

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

##### **a. Leases**

###### *Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)*

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

###### *Estimating the incremental borrowing rate*

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the stand-alone credit rating, or to reflect the terms and conditions of the lease).

##### **b. Classification of financial instruments**

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

##### **c. Determination of Functional currency**

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

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

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

##### **d. Recognition of Provision and Contingencies**

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

**e. Classification of Acquired Properties and Investment Property**

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

**Estimates**

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

**a. Determination of Fair Values of Financial Assets and Liabilities**

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

**b. Allowance for Credit Losses**

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

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

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

For unsecured loans and credit accommodations:

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

For secured loans and other credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
31 - 90 days*	Substandard	10%	2
91 - 180 days	Substandard (Non-Performing)	10%	3
181 - 365- days	Substandard (Non-Performing)	25%	3
Over 1 year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

\*When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%



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

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

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

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

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

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

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

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

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

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

For unsecured loans and other credit accommodations:

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

For secured loans and other credit accommodations:

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

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

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

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

#### Other Risk Assets

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

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

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

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

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

#### d. Useful life of Depreciable Investment Property

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

*e. Determination of Impairment of Nonfinancial Assets*

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

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

*f. Recognition of Retirement Costs.*

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

*g. Recognition of Deferred Tax Assets*

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

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## **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, through implied or actual contractual agreements.

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

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



The Bank likewise manages risk by setting limits such as:

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

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

The Bank has an internal credit risk rating system for the purpose of measuring, in a consistent manner, credit risk for every exposure. The risk information derived is then used for business and financial decision making. Additionally, the tables on the page show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2022 and 2021:

2022				
	*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	P 119,806,076	P -	P -	P 119,806,076
Agriculture, hunting and forestry	677,662,756	-	-	677,662,756
Financial institutions	-	854,381,127	227,650,000	1,082,031,127
Government	-	232,329,052	345,000,000	577,329,052
Construction	316,511,445	-	-	316,511,445
Manufacturing	13,466,096	-	-	13,466,096
Accommodation and food service activities	156,761,322	-	-	156,761,322
Education	55,276,263	-	-	55,276,263
Transportation and storage	23,246,194	-	-	23,246,194
Real estate activities	268,941,020	-	-	268,941,020
*Activity of households as employers and undifferentiated goods-and-services-producing activities of households for own use	144,250,091	-	-	144,250,091
Electricity, gas and water supply	30,916,909	-	-	30,916,909
Mining and quarrying	8,306,324	-	-	8,306,324
Water supply, Sewerage, Waste management and Remediation Activities	199,856	-	-	199,856
Human health and social work activities	11,749,601	-	-	11,749,601
Financial and Insurance Activities	0	-	-	0
Other service activities	58,135,555	-	-	58,135,555
Loans to Individuals Primarily for Personal Use Purposes	28,206,297	-	-	28,206,297
Less: Allowance for Credit Losses	(65,005,128)	-	-	(65,005,128)
Total	P 1,848,431,877	P 1,086,710,179	P 572,650,000	P 3,507,792,056

\*Amount is net of Unamortized Discount and excludes Sales Contract Receivables

\*\*Amount includes of unamortized Premium/Discount

2021				
	*Loans and Receivables	Due from BSP and Other Banks	**Debt Securities Measure at Amortized Cost	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	P 167,025,680	P -	P -	P 167,025,680
Agriculture, hunting and forestry	667,497,279	-	-	667,497,279
Financial institutions	-	404,846,381	155,000,000	559,846,381
Government	-	765,967,709	155,921,344	921,889,053
Construction	177,503,928	-	-	177,503,928
Manufacturing	12,623,700	-	-	12,623,700
Accommodation and food service activities	210,755,316	-	-	210,755,316
Education	69,399,147	-	-	69,399,147
Transportation and storage	23,208,562	-	-	23,208,562
Real estate activities	371,768,757	-	-	371,768,757
*Activity of households as employers and undifferentiated goods-and-services-producing activities of households for own use	145,715,453	-	-	145,715,453
Electricity, gas and water supply	23,255,873	-	-	23,255,873
Mining and quarrying	7,025,085	-	-	7,025,085
Water supply, Sewerage, Waste management and Remediation Activities	365,989	-	-	365,989
Human health and social work activities	15,226,608	-	-	15,226,608
Financial and Insurance Activities	483,958	-	-	483,958
Other service activities	29,466,544	-	-	29,466,544
Loans to Individuals Primarily for Personal Use Purposes	22,684,287	-	-	22,684,287
Less: Allowance for Credit Losses	(66,494,852)	-	-	(66,494,852)
Total	P 1,877,511,314	P 1,170,814,090	P 310,921,344	P 3,359,246,748

\*Amount is net of Unamortized Discount and excludes Sales Contract Receivables

\*\*Amount includes of unamortized Premium/Discount

### Credit quality per class of financial assets

The tables below show the credit quality per class of financial assets (net of unamortized discounts) as at December 31, 2022 and 2021:

2022					
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	P 99,315,998	P -	P -	P -	P 99,315,998
Due from other banks	987,394,181	-	-	-	987,394,181
Debt Securities Measured At Amortized Cost	565,977,977	-	-	-	565,977,977
Receivable from customers:					
Microfinance loans	2,629,484	137,711.33	301,578	37,092.08	3,105,866
Other loans	1,776,761,219	60,595,114	43,271,802	29,703,004	1,910,331,139
Other receivables:					
Sales Contract Receivable	4,051,534	26,118	-	-	4,077,652
Accounts receivable	20,981,671	-	-	2,105,064	23,082,735
	P 3,457,112,065	P 60,758,943	P 43,573,381	P 31,845,160	P 3,593,285,549

2021					
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	P 96,826,870	P -	P -	P -	P 96,826,870
Due from other banks	1,073,987,219	-	-	-	1,073,987,219
Debt Securities Measured At Amortized Cost	310,921,344	-	-	-	310,921,344
Receivable from customers:					
Microfinance loans	3,618,325	-	331,579	118,356	4,068,259
Other loans	1,772,380,047	59,684,568	92,136,383	15,756,909	1,939,937,907
Other receivables:					
Sales Contract Receivable	4,525,254	293,696	-	-	4,818,950
Accounts receivable	13,402,331	-	-	652,186	14,054,518
	P 3,296,088,476	P 59,978,264	92,467,961	16,527,452	3,444,615,089

### 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.

### Impaired Loans and receivable and investment securities

Impaired loans and receivables and investment securities are which the Bank determines that it 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, 2022 and 2021.

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

### Aging analysis of past due but not impaired loans and receivables

The following tables show the total aggregate amount of loans and receivables that are contractually past due but not considered as impaired per delinquency bucket as at December 31, 2022 and 2021.

2022					
	Less than 30 Days	31 to 60 Days	61 to 90 Days	Total	
Receivable from customers:					
Microfinance loans	P -	P -	P 301,578	P 301,578	
Other loans	-	-	43,271,802	43,271,802	
	P -	P -	P 43,573,381	P 43,573,381	

	2021				Total
	Less than 30 Days	31 to 60 Days	61 to 90 Days		
Receivable from customers:					
Microfinance loans	P -	P -	P 331,579		P 331,579
Other loans	-	-	92,136,383		92,136,383
	P -	P -	P 92,467,961		P 92,467,961

#### **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.

#### **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, 2022 and 2021, 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. ₱49.98 and ₱58.61 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, 2022 and 2021, the Bank's exposure to interest rate risk is minimal.

The Bank's receivables earn interest rates ranging from 5.50% to 14.00% in 2022 and 2021. The shortest term of loan is one month while the longest term is ten years.

For the year 2022 and 2021, demand deposit carries interest rates ranging from 0.10% to 0.15% and 0.10% to 0.15%, respectively, while savings deposit carries an interest rate ranging from 0.10% to 0.20% and 0.10% to 0.20%, respectively. The Bank's special savings or time deposit carries interest rate ranging from 0.20% to 2.75% and 0.25% to 1.20%, for the year 2022 and 2021, respectively, while its gold saver 5 carries interest rate ranging from 1.40% to 3.50% and 1.50% to 2.00%, respectively.

#### **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 generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. It may result from either inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

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:

- Funding Liquidity Risk
- 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:

	2022				
	0 - 3 mos	3 - 6 mos	6 - 12 mos	Beyond 1 year	Total
<b>Financial Liabilities</b>					
Deposit liabilities	P 2,685,397,973	P 174,939,610	P 76,661,548	P 126,702,837	P 3,063,701,967
Other liabilities:					
Accrued interest payable	2,087,425	1,228,671	990,577	1,287,870	5,594,542
Accounts payable	32,663,812	-	-	-	32,663,812
Lease Liabilities	-	-	161,864	32,488,163	32,650,028
<b>Total Financial Liabilities</b>	<b>P 2,720,149,210</b>	<b>P 176,168,281</b>	<b>P 77,813,989</b>	<b>P 160,478,870</b>	<b>P 3,134,610,349</b>
<b>Financial Assets</b>					
Cash and other cash items	P 58,823,680	-	-	-	P 58,823,680
Due from BSP	99,315,998	-	-	-	99,315,998
Due from other banks	620,879,749	296,010,380	70,504,089	-	987,394,217
*Debt Securities At Amortized Cost	113,897,547	153,410,658	57,998,459	240,671,313	565,977,977
*Loans and receivable	610,294,141	193,419,577	267,890,122	791,239,080	1,862,842,921
Sales Contract Receivable	-	141,926	640,911	3,294,816	4,077,652
Accounts receivable	23,082,735	-	-	-	23,082,735
<b>Total Financial Assets</b>	<b>P 1,526,293,852</b>	<b>P 642,982,540</b>	<b>P 397,033,581</b>	<b>P 1,035,205,209</b>	<b>P 3,601,515,182</b>
<b>Liquidity Position (Gap)</b>	<b>P 1,193,855,358</b>	<b>P 466,814,260</b>	<b>P 319,219,592</b>	<b>P 874,726,339</b>	<b>P 466,904,833</b>

\*Amount is net of Unamortized Discount and Unearned Income

	2021				
	0 - 3 mos	3 - 6 mos	6 - 12 mos	Beyond 1 year	Total
<b>Financial Liabilities</b>					
Deposit liabilities	P 2,425,364,977	P 173,407,604	P 104,509,537	P 195,216,525	P 2,898,518,643
Other liabilities:					
Accrued interest payable	2,152,518	796,335	563,295	2,140,084	5,652,232
Accounts payable	32,377,775	-	-	-	32,377,775
Lease Liabilities	-	-	385,761	34,779,994	35,165,755
<b>Total Financial Liabilities</b>	<b>P 2,459,915,270</b>	<b>P 174,203,939</b>	<b>P 105,458,593</b>	<b>P 232,136,603</b>	<b>P 2,971,714,405</b>
<b>Financial Assets</b>					
Cash and other cash items	P 29,379,783	-	-	-	P 29,379,783
Due from BSP	96,826,870	-	-	-	96,826,870
Due from other banks	583,467,219	455,000,000	35,500,000	0	1,073,967,219
*Debt Securities At Amortized Cost	44,624,707	54,432,351	101,597,096	110,267,190	310,921,344
*Loans and receivable	638,806,451	266,687,236	248,687,522	739,956,168	1,894,137,377
Sales Contract Receivable	293,696	42,820	712,980	3,769,454	4,818,950
Accounts receivable	14,054,518	-	-	-	14,054,518
<b>Total Financial Assets</b>	<b>P 1,407,473,245</b>	<b>P 776,162,407</b>	<b>P 386,497,598</b>	<b>P 853,992,812</b>	<b>P 3,424,126,061</b>
<b>Liquidity Position (Gap)</b>	<b>P 1,052,442,025</b>	<b>P 601,958,468</b>	<b>P 281,039,004</b>	<b>P 625,309,478</b>	<b>P 452,411,556</b>

\*Amount is net of Unamortized Discount and Unearned Income

### Operational Risks

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the Bank's involvement in financial instruments, personnel, technology and infrastructure and external factors other than market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. The Bank's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

## **Risk Management Plan**

### **Governance Framework**

The primary objective of governance framework is to establish a risk management function with clear terms of reference and with the responsibility of developing policies on risk management. It also supports the effective implementation of the policies. The policies define the Bank's identification of risks and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

### **Minimum Liquidity Ratio (MLR)**

Minimum Liquidity Ratio (MLR) for Stand-Alone TBs, RBs and Coop Banks. To promote short-term resilience to liquidity shocks, banks shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. The prudential MLR requirement applies to all TBs, RBs and Coop Banks and QBs that are not subsidiaries of UBs/KBs.

A prudential MLR Minimum requirement of twenty percent (20%) shall apply to banks on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of a bank's eligible stock of liquid assets to its total qualifying liabilities in accordance with MORB Section 145.

Due to current pandemic the BSP issued on March 26, 2020, the Monetary Board in its Resolution No. 427.B issues the Memorandum No. M-2020-020 reducing the MLR from twenty percent (20%) to sixteen percent (16%) to address the increasing liquidity risk exposure of the Banks arising from higher demands for funds by depositors, borrowers or both brought by the COVID-19 outbreak the implementation of community quarantine until December 31, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the reducing of MLR of stand-alone thrift, rural, and cooperative banks until the end of December 31, 2022.

### **LIQUIDITY RATIO as of December 31, 2022**

#### **Part 1. Minimum Liquidity Ratio (MLR)**

A. Stock of Liquid Assets	P1,677,190,969
B. Qualifying Liabilities	2,328,801,302
<b>Liquidity Ratio</b>	<b>72.02%</b>

	Amount
<b>Part II. Stock of Liquid Assets</b>	
Cash on Hand	₱ 24,502,813
Bank Reserves in the BSP	99,315,998
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP	565,977,977
Deposits in Other Banks	987,394,181
	<b>₱ 1,677,190,969</b>

	Amount	Converted Amount
<b>Part III. Qualifying Liabilities</b>		
<b>A. Qualifying Liabilities</b>		
1 Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below (50%)	₱ 1,626,248,001	₱ 813,124,001
2. Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar days (0%)	-	-
2. Obligations arising from operational expenses	664,951	-
3. Total on Balance Sheet Liabilities	3,141,925,302	
4. Deduct: (Sum of A1 to A2)	1,515,677,301	
B. Other non-balance sheet liabilities (Item A.3 less A.4)		1,515,677,301
C. Irrevocable obligations under off-balance sheet items		
D. Total (Sum of Adjusted Amount of Item A(1),A(2),B and C)		<b>₱ 2,328,801,302</b>

## **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, 2022 and 2021:

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets:</b>				
Cash and Cash Equivalents	P 1,145,533,860	P 1,145,533,860	P 1,200,193,873	P 1,200,193,873
Debt Securities Measured at Amortized Cost, net	565,977,977	565,977,977	310,921,344	310,921,344
Loans and Receivable, net	1,852,509,529	1,852,509,529	1,882,330,285	1,882,330,285
Accounts Receivable, net	20,981,671	20,981,671	13,402,331	13,402,331
<b>Total Financial Assets</b>	<b>P 3,585,003,038</b>	<b>P 3,585,003,038</b>	<b>P 3,406,847,813</b>	<b>P 3,406,847,813</b>
<b>Financial Liabilities:</b>				
Deposit Liabilities	P 3,063,701,967	P 3,063,701,967	P 2,898,518,643	P 2,898,518,643
Accrued interest & other expense	6,302,570	6,302,570	5,652,232	5,652,232
Other Liabilities*	32,663,812	32,663,812	32,377,775	32,377,775
<b>Total</b>	<b>P 3,102,668,350</b>	<b>P 3,102,668,350</b>	<b>P 2,936,548,650</b>	<b>P 2,936,548,650</b>

The fair value for financial instruments traded active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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

*Cash and other cash items, due from BSP and other banks* – carrying amount approximates fair value due to either the demand nature or the relatively short-term nature of the accounts.

*Debt Securities Measured at Amortized Cost* – fair values are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the bank obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. As of December 31, 2022 and 2021, the bank has no investment in available-for-sale securities.

*Loans and receivables* – fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of loans and receivables.

*Other receivables - Accounts receivable and accrued interest receivable*  
Carrying amounts approximate fair values given their short-term nature.

#### *Investment properties*

Fair value of investment properties is determined by independent or in-house appraisers using the market data approach. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

*Deposits, accounts payable and accrued expenses* – carrying amounts approximate fair values due to either the demand nature or the relatively short-term nature of the accounts.

The following table shows the analysis of financial instruments of the Bank recorded at fair value by level of the fair value hierarchy:

	2022			
	Carrying Value	Level 1	Level 2	Level 3
<b>Financial Assets:</b>				



Cash and Cash Equivalents	P1,145,533,860	P	-	P	-	P 1,145,533,860
Debt Securities Measured at Amortized Cost, net	565,977,977	-	-	565,977,977	-	-
Loans and Receivable, net	1,852,509,529	-	-	-	-	1,852,509,529
Accounts Receivable, net	20,981,671	-	-	-	-	20,981,671
<b>Total</b>	<b>P3,585,003,038</b>	<b>P</b>	<b>-</b>	<b>P 565,977,977</b>	<b>P</b>	<b>3,019,025,060</b>
<b>Financial Liabilities:</b>						
Deposit Liabilities	P3,063,701,967	P	-	P	-	P 3,063,701,967
Accrued interest & other expense	6,302,570	-	-	-	-	6,302,570
Other Liabilities*	32,663,812	-	-	-	-	32,663,812
<b>Total</b>	<b>P3,102,668,350</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>-</b>	<b>P 3,102,668,350</b>

2021						
	Carrying Value	Level 1	Level 2	Level 3		
<b>Financial Assets:</b>						
Cash and Cash Equivalents	P1,200,193,873	P	-	P	-	P 1,200,193,873
Debt Securities Measured at Amortized Cost, net	310,921,344	-	310,921,344	-	-	-
Loans and Receivable, net	1,882,330,265	-	-	-	-	1,882,330,265
Accounts Receivable, net	13,402,331	-	-	-	-	13,402,331
<b>Total</b>	<b>P3,406,847,813</b>	<b>P</b>	<b>-</b>	<b>P 310,921,344</b>	<b>P</b>	<b>3,095,926,469</b>
<b>Financial Liabilities:</b>						
Deposit Liabilities	P2,898,518,643	P	-	P	-	P 2,898,518,643
Accrued interest & other expense	5,652,232	-	-	-	-	5,652,232
Other Liabilities*	32,377,775	-	-	-	-	32,377,775
<b>Total</b>	<b>P2,936,548,650</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>-</b>	<b>P 2,936,548,650</b>

## 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:

	2022	2021
<b>7.1. Cash and Other Cash items</b>		
Cash on Hand and in Vault	P 24,502,813	P 19,508,492
Cash and Other Cash Items	34,320,867	9,871,290
<b>Total cash and other cash items</b>	<b>P 58,823,680</b>	<b>P 29,379,783</b>
<b>7.2. Due from BSP and other Banks</b>		
Due from Bangko Sentral ng Pilipinas	P 99,315,998	P 96,826,870
Due from Other Banks	987,394,181	1,073,987,219
<b>Total due from BSP and other banks</b>	<b>P1,086,710,179</b>	<b>P1,170,814,090</b>
<b>Total Cash and Cash Equivalent</b>	<b>P1,145,533,860</b>	<b>P1,200,193,873</b>

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	2022	%	2021	%
Land Bank of the Philippines	₱ 40,537,691	4.11%	₱ 134,201,622	12.50%
Banco De Oro	112,628,307	11.41%	118,918,042	11.07%
Philippine National Bank	75,000,000	7.60%	70,000,000	6.52%
China Banking Corporation	103,529,120	10.49%	75,035,031	6.99%
Bank of Commerce	50,000,000	5.06%	25,000,000	2.33%
Bank of the Philippine Islands	100,000,000	10.13%	85,000,000	7.91%
BPI Family Savings Bank	-	0.00%	50,000,000	4.66%
Development Bank of the Philippines	87,475,399	8.86%	148,817,889	13.86%
Asia United Bank	55,000,000	5.57%	25,000,000	2.33%
Bank of Makati	500,000	0.05%	-	0.00%
PBCOM	10,000,000	1.01%	10,000,000	0.93%
Eastwest Bank	50,000,000	5.06%	50,000,000	4.66%
Philtrust Bank	25,000,000	2.53%	25,000,000	2.33%
PS BANK	50,000,000	5.06%	75,000,000	6.98%
Security Bank Corporation	75,000,000	7.60%	75,000,000	6.98%
United Coconut Planters Bank	5,000,000	0.51%	25,000,000	2.33%
Unionbank of the Philippines	35,674,618	3.61%	79,982,615	7.45%
Metro Bank	60,010,025	6.08%	10,004	0.00%
Producers Savings Bank Corp	504,053	0.05%	500,000	0.05%
Philippine Business Bank - La Trinidad	1,010,380	0.10%	1,001,517	0.09%
Malayan Bank Head Office	504,089	0.05%	500,000	0.05%
Rizal Commercial Banking Corporation	50,020,500	5.07%	20,500	0.00%
<b>Total</b>	<b>₱ 987,394,181</b>	<b>100.00%</b>	<b>₱ 1,073,987,219</b>	<b>100.00%</b>

Under Sec.362g 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 ₱100 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.

On March 19, 2020, the Monetary Board, on its Resolution issued the Memorandum No. M-2020-011 increasing the single borrower's limit (SBL) from 25% to 30% for a period of six (6) months from March 19, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the effectivity of the single borrower's limit for Philippine banks and foreign bank branches until end of December 31, 2022.

As of December 31, 2022, the Bank's SBL was registered at ₱ 166,240,176.

As at December 31, 2022 and 2021, due from other banks includes dollar-denominated deposits amounting to \$149,196 and \$7,509, respectively.

Cash in bank represents current account in local bank, savings account, and time deposits. Current account and savings account earn interest at 0.01% to 0.25%. Also, time deposits earn interest at 0.30% to 1.125% in 2022 and 0.30% to 2.50% in 2021.

Interest income from bank accounts and short-term cash deposits amounted ₱ 34,274,608 and ₱ 43,853,306 in 2022 and 2021, respectively.

The Bank holds no cash and cash equivalents in 2022 and 2021 which are not available for use by Bank.

## **8. DEBT SECURITIES MEASURED AT AMORTIZED COST**

This account is consisting of:

	2022	2021
Book Value	₱ 572,650,000	₱ 312,080,000
Less: Unamortized Discount/Premium	(6,672,023)	(1,158,656)
<b>Total</b>	<b>₱ 565,977,977</b>	<b>₱ 310,921,344</b>

The following are the breakdown of the debt securities measured at amortized cost:

2022					
Issuer/Obligor	Interest Rate	Date Issued	Maturity Date	Face Value	Book Value
LBP - RTB 3-11	2.375%	26/02/2021	09/03/2024	P 15,000,000	P 15,000,000
LBP - RTB 3-11	2.348%	01/07/2021	09/03/2024	10,000,000	10,000,000
LBP - FXTN 05-77	3.670%	26/10/2021	08/04/2026	10,000,000	10,000,000
LBP - FXTN 07-65	4.425%	26/10/2021	12/08/2028	10,000,000	10,000,000
LBP - RTB 5-14	4.625%	26/11/2021	02/06/2027	10,000,000	10,000,000
LBP - TB	1.450%	17/01/2022	04/01/2023	5,000,000	5,000,000
LBP - TB	1.445%	17/01/2023	11/01/2023	5,000,000	5,000,000
LBP - TB	1.410%	25/01/2022	18/01/2023	10,000,000	10,000,000
LBP - TB	1.405%	07/02/2022	25/01/2023	10,000,000	10,000,000
LBP - TB	1.400%	07/02/2022	18/01/2023	10,000,000	10,000,000
LBP - TB	1.405%	07/02/2022	01/02/2023	10,000,000	10,000,000
LBP - FXTN 10-60	3.350%	09/02/2022	09/09/2025	10,000,000	10,000,000
LBP - FXTN 05-77	3.955%	09/02/2022	08/04/2026	10,000,000	10,000,000
LBP - RTB 5-15	4.875%	04/03/2022	04/03/2027	10,000,000	10,000,000
LBP - TB	1.650%	28/03/2022	15/03/2023	10,000,000	10,000,000
LBP - TB	1.718%	28/03/2022	22/03/2023	10,000,000	10,000,000
LBP - TB	2.160%	20/06/2022	07/06/2023	10,000,000	10,000,000
LBP - TB	2.188%	20/06/2022	14/06/2023	10,000,000	10,000,000
LBP - TB	2.335%	24/06/2022	21/06/2023	10,000,000	10,000,000
LBP - TB	2.645%	04/07/2022	28/06/2023	10,000,000	10,000,000
LBP - FXTN 3-27	4.775%	07/07/2022	07/04/2025	10,000,000	10,000,000
LBP - FXTN 7-62	5.863%	21/07/2022	14/02/2026	10,000,000	10,000,000
LBP - RTB 5-14	5.500%	27/07/2022	07/04/2025	10,000,000	10,000,000
LBP - RTB 5-16	5.750%	09/09/2022	07/03/2028	10,000,000	10,000,000
LBP - RTB 5-16	5.750%	27/10/2020	11/02/2023	10,000,000	10,000,000
LBP - TB	4.825%	21/12/2022	07/06/2023	20,000,000	20,000,000
LBP - TB	4.500%	21/12/2022	14/06/2023	20,000,000	20,000,000
LBP - TB	4.825%	21/12/2022	21/06/2023	20,000,000	20,000,000
LBP - TB	4.903%	21/12/2022	25/10/2023	20,000,000	20,000,000
LBP - TB	4.903%	21/12/2022	08/11/2023	20,000,000	20,000,000
Chinabank - FXTN 7-58	1.624%	29/07/2020	21/04/2023	10,000,000	10,000,000
Chinabank - RTB 5-13	2.625%	13/08/2020	12/08/2025	5,000,000	5,000,000
Chinabank - RTB 5-13	2.625%	13/08/2020	12/08/2025	5,000,000	5,000,000
Chinabank - RDB\$100K	1.375%	08/10/2021	08/10/2026	5,080,000	5,080,000
Chinabank - TB	1.580%	05/01/2022	04/01/2023	5,000,000	5,000,000
Chinabank - TB	1.450%	12/01/2022	11/01/2023	5,000,000	5,000,000
Chinabank - TB	1.405%	26/01/2022	25/01/2023	5,000,000	5,000,000
Chinabank - TB	1.407%	10/02/2022	08/02/2023	10,000,000	10,000,000
Chinabank - TB	1.455%	17/02/2022	15/02/2023	5,000,000	5,000,000
Chinabank - RTB 5-15	4.875%	04/03/2022	04/03/2027	10,000,000	10,000,000
Chinabank - TB	1.575%	10/03/2022	22/02/2023	5,000,000	5,000,000
Chinabank - TB	1.820%	07/04/2022	05/04/2023	5,000,000	5,000,000
Chinabank - TB	1.850%	20/04/2022	19/04/2023	5,000,000	5,000,000
Chinabank - RTB 5-12	3.100%	22/04/2022	12/03/2024	10,000,000	10,000,000
Chinabank - FXTN 3-25	2.900%	22/04/2022	22/04/2023	10,000,000	10,000,000
Chinabank - FXTN 10-60	3.625%	22/04/2022	09/09/2025	10,000,000	10,000,000
Chinabank - TB	1.935%	12/05/2022	03/05/2023	5,000,000	5,000,000
Chinabank - TB	2.050%	08/06/2022	07/06/2023	10,000,000	10,000,000
Chinabank - RTB 10-5	5.000%	07/07/2022	20/09/2026	10,000,000	10,000,000
Chinabank - RTB 5-14	5.600%	07/07/2022	02/06/2027	10,000,000	10,000,000
Chinabank - RTB 3-11	4.100%	14/07/2022	09/03/2024	5,000,000	5,000,000
Chinabank - RDB\$100K	4.046%	30/07/2022	08/10/2026	5,570,000	5,570,000
Chinabank - FXTN 3-1	5.125%	09/08/2022	04/02/2026	10,000,000	10,000,000
Chinabank - FXTN 3-27	4.650%	17/08/2022	07/04/2025	5,000,000	5,000,000
Chinabank - RTB 5-16	5.750%	09/09/2022	07/03/2028	5,000,000	5,000,000
Chinabank - RTB 5-16	5.750%	09/09/2022	07/03/2028	7,000,000	7,000,000
Chinabank - TB	4.825%	07/11/2022	25/10/2023	5,000,000	5,000,000
Chinabank - TB	4.900%	14/11/2022	08/10/2023	10,000,000	10,000,000
Chinabank - TB	5.100%	06/12/2022	29/11/2023	5,000,000	5,000,000
Chinabank - TB	4.850%	22/12/2022	28/06/2023	10,000,000	10,000,000
Metro Bank/ROP (RTB 20-1)	5.937%	06/01/2012	03/01/2032	15,000,000	15,000,000
<b>Total</b>					<b>P 572,650,000</b>

2021					
Issuer/Obligor	Interest Rate	Date Issued	Maturity Date	Face Value	Book Value
LBP - RTB 5-11	2.050%	27/10/2020	04/12/2022	P 10,000,000	P 10,000,000
LBP - RTB 3-10	2.075%	27/10/2020	11/02/2023	10,000,000	10,000,000
LBP - RTB 3-11	2.375%	26/02/2021	09/03/2024	15,000,000	15,000,000
LBP - RTB 3-11	2.348%	01/07/2021	09/03/2024	10,000,000	10,000,000
LBP - TB	1.390%	17/08/2021	26/01/2022	10,000,000	10,000,000
LBP - TB	1.550%	17/08/2021	29/01/2022	10,000,000	10,000,000
LBP - TB	1.575%	18/08/2021	13/07/2022	10,000,000	10,000,000
LBP - TB	1.540%	01/09/2021	15/06/2022	10,000,000	10,000,000
LBP - TB	1.575%	01/09/2021	22/06/2022	10,000,000	10,000,000
LBP - TB	1.595%	01/09/2021	20/07/2022	10,000,000	10,000,000
LBP - FXTN 05-77	3.670%	26/10/2021	08/04/2026	10,000,000	10,000,000
LBP - FXTN 07-65	4.425%	26/10/2021	12/08/2028	10,000,000	10,000,000



LBP - RTB 5-14	4.625%	26/11/2021	02/06/2027	10,000,000	10,000,000
China Bank - RTB 3-10	4.375%	11/02/2020	11/02/2023	5,000,000	5,000,000
China Bank - RTB	1.600%	29/07/2020	04/12/2022	7,000,000	7,000,000
China Bank - FXTN 7-58	1.624%	29/07/2020	21/04/2023	10,000,000	10,000,000
China Bank - RTB 5-13	2.625%	13/08/2020	12/08/2025	5,000,000	5,000,000
China Bank - RTB 5-13	2.625%	13/08/2020	12/08/2025	5,000,000	5,000,000
China Bank - TB	1.590%	07/01/2021	05/01/2022	5,000,000	5,000,000
China Bank - TB	1.593%	14/01/2021	12/01/2022	5,000,000	5,000,000
China Bank - TB	1.490%	27/01/2021	26/01/2022	5,000,000	5,000,000
China Bank - TB	1.406%	17/02/2021	16/02/2022	5,000,000	5,000,000
China Bank - TB	1.825%	11/03/2021	09/03/2022	5,000,000	5,000,000
China Bank - TB	1.898%	08/04/2021	12/04/2022	5,000,000	5,000,000
China Bank - TB	1.875%	29/04/2021	22/04/2022	5,000,000	5,000,000
China Bank - TB	1.800%	17/05/2021	11/05/2022	5,000,000	5,000,000
China Bank - TB	1.590%	14/07/2021	13/07/2022	5,000,000	5,000,000
China Bank - TB	1.615%	05/08/2021	03/08/2022	5,000,000	5,000,000
China Bank - TB	1.400%	17/08/2021	09/02/2022	10,000,000	10,000,000
China Bank - TB	1.525%	17/08/2021	08/06/2022	10,000,000	10,000,000
China Bank - TB	1.615%	18/08/2021	03/08/2022	5,000,000	5,000,000
China Bank - TB	1.595%	01/09/2021	17/08/2022	5,000,000	5,000,000
China Bank - RDB\$100K	1.375%	08/10/2021	08/10/2026	5,080,000	5,080,000
China Bank - TB	1.590%	21/10/2021	05/10/2022	5,000,000	5,000,000
China Bank - TB	1.605%	10/11/2021	02/11/2022	5,000,000	5,000,000
China Bank - TB	1.610%	10/11/2021	09/11/2022	10,000,000	10,000,000
China Bank - TB	1.615%	03/12/2021	29/11/2022	5,000,000	5,000,000
Metro Bank/ROP (RTB)	5.937%	06/01/2012	03/01/2032	15,000,000	15,000,000
Development Bank of the Phil.	4.625%	12/04/2017	12/04/2022	10,000,000	10,000,000
Development Bank of the Phil.	2.500%	12/21/2020	12/11/2022	10,000,000	10,000,000
<b>Total</b>					<b>₱312,080,000</b>

Debt Securities Measured at Amortized Cost earn interest income amounting to ₱ 16,133,097 and ₱13,052,133 for 2022 and 2021.

## 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:

	2022	%	2021	%
Current Loans	₱ 1,800,047,428	93.07%	₱1,796,425,457	91.45%
Past Due Loans - Performing	60,732,826	3.14%	59,684,568	3.04%
Past Due Loans - Non-Performing	43,573,381	2.25%	92,467,961	4.71%
Items in Litigation	29,740,096	1.54%	15,875,265	0.81%
<b>Total</b>	<b>1,934,093,730</b>	<b>100.00%</b>	<b>1,964,453,251</b>	<b>100.00%</b>
Less: Unamortized Discounts	20,656,725		20,447,085	
<b>Total, net of discount</b>	<b>1,913,437,005</b>		<b>1,944,006,166</b>	
Less: Allowance for Credit Losses				
Specific	50,594,084		49,868,790	
General	14,411,044		16,626,062	
<b>Total Carrying Amount</b>	<b>1,848,431,877</b>		<b>1,877,511,314</b>	
Add: Sales Contract Receivables, net	4,077,652		4,818,951	
<b>Total Loans and Receivables-net</b>	<b>₱ 1,852,509,529</b>		<b>₱1,882,330,265</b>	

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 5.50% to 14.00% in 2022 and 2021. Total earned interest amounts to ₱115,186,142 and ₱130,432,389 for 2022 and 2021.

The bank's loan accounts are stated at the outstanding balance, reduce by estimated allowance for probable losses and unearned interest and discounts.

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets.

As at December 31, 2022 and 2021, there are no receivables were used as collateral.

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

	2022	2021
Balance at beginning of year	₱ 66,494,852	₱ 54,432,375
Provision for credit losses	14,979,026	17,098,650
Write-Off	(12,451,219)	
Other Credits	(4,017,531)	(5,036,173)
Balance at end of year	₱ 65,005,128	₱ 66,494,852

The total Allowance for Credit Losses of ₱65,005,128 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:**

	2022	%	2021	%
Due within one (1) year	₱ 1,084,643,664	57%	₱1,145,117,952	59%
Due beyond one (1) year to five (5) years	737,904,764	38%	681,046,079	35%
Due beyond five (5) years	90,888,577	5%	117,842,135	6%
<b>Total Loan Portfolio</b>	<b>₱ 1,913,437,005</b>	<b>100%</b>	<b>₱1,944,006,166</b>	<b>100%</b>

Sales Contract Receivable

This account consists of:

	2022	2021
Performing	₱ 4,051,534	₱ 8,163,962
Non- performing	26,118	293,696
Total	4,077,652	8,457,658
Less: Allowance for Credit Losses	-	-
Unearned Income	-	3,638,708
<b>Sales Contract Receivable-net</b>	<b>₱ 4,077,652</b>	<b>₱ 4,818,950</b>

#### 10. Bank Premises, Furniture, Fixtures and Equipment

This account consists of:

	Land	Building	Furniture, Fixtures and Equipment	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Right of Used Assets	Total
December 31, 2022								
Cost	₱ 17,181,230	₱ 36,460,134	₱ 51,333,979	₱ 26,672,978	₱ 28,321,548	₱ 22,449,277	₱ 52,652,642	₱ 235,071,789
Accumulated Depreciation and Amortization	-	22,066,076	48,179,270	11,824,177	23,978,160	18,584,800	23,252,955	147,885,438
Net carrying amount	₱ 17,181,230	₱ 14,394,059	₱ 3,154,709	₱ 14,848,801	₱ 4,343,388	₱ 3,864,477	₱ 29,399,687	₱ 87,186,351
December 31, 2021								
Cost	₱ 17,181,230	₱ 36,460,134	₱ 50,198,902	₱ 26,672,978	₱ 29,237,548	₱ 21,370,094	₱ 49,749,000	₱ 230,869,886
Accumulated Depreciation and Amortization	-	20,851,003	46,208,113	11,824,177	23,895,566	17,264,858	17,044,993	136,888,710
Net carrying amount	₱ 17,181,230	₱ 15,609,131	₱ 3,990,789	₱ 14,848,801	₱ 5,341,982	₱ 4,105,236	₱ 32,704,007	₱ 93,981,176



A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2022 and 2021 is shown below:

2022								
	Land	Building	Furniture, Fixtures and Equipment	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Right of Used Assets	Total
<b>Cost</b>								
Balance at beginning of year	P 17,181,230	P 36,460,134	P 50,198,902	P 26,672,978	P 29,237,548	P 21,370,094	P 49,749,000	P 230,869,886
Additions	-	-	1,549,177	-	1,221,000	1,079,184	2,903,642	6,753,003
Disposals	-	-	(414,100)	-	(2,137,000)	-	-	(2,551,100)
Balance at end of year	P 17,181,230	P 36,460,134	P 51,333,979	P 26,672,978	P 28,321,548	P 22,449,277	P 52,652,642	P 235,071,789
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	P -	P 20,651,003	P 46,208,113	P 11,824,177	P 23,895,566	P 17,264,858	P 17,044,993	P 136,888,710
Depreciation and amortization	-	1,415,072	2,385,215	-	2,219,591	1,319,942	6,207,962	13,547,782
Disposals	-	-	(414,058)	-	(2,136,997)	-	-	(2,551,055)
Balance at end of year	P -	P 22,066,076	P 48,179,270	P 11,824,177	P 23,978,159	P 18,584,800	P 23,252,955	P 147,885,437
<b>Net Book Value</b>	P 17,181,230	P 14,394,058	P 3,154,709	P 14,848,801	P 4,343,389	P 3,864,477	P 29,399,687	P 87,186,351

2021								
	Land	Building	Furniture, Fixtures and Equipment	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Right of Used Assets - Building	Total
<b>Cost</b>								
Balance at beginning of year	P 17,181,230	P 36,460,134	P 49,390,115	P 26,672,978	P 29,758,048	P 21,370,094	P 48,319,027	P 227,151,826
Additions	-	-	1,540,376	-	1,160,000	-	3,429,973	6,130,349
Disposals	-	-	(731,580)	-	(1,680,500)	-	-	(2,412,080)
Balance at end of year	P 17,181,230	P 36,460,134	P 50,198,902	P 26,672,978	P 29,237,548	P 21,370,094	P 49,749,000	P 230,869,886
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	P -	P 19,462,838	P 43,840,060	P 11,824,177	P 23,189,833	P 15,842,586	P 11,310,952	P 125,470,246
Depreciation and amortization	-	1,188,365	3,000,688	-	2,386,230	1,422,272	5,734,041	13,731,596
Disposals	-	-	(832,835)	-	(1,680,497)	-	-	(2,313,132)
Balance at end of year	P -	P 20,651,003	P 46,208,113	P 11,824,177	P 23,895,566	P 17,264,858	P 17,044,993	P 136,888,710
<b>Net Book Value</b>	P 17,181,230	P 15,809,131	P 3,990,789	P 14,848,801	P 5,341,982	P 4,105,236	P 32,704,007	P 93,981,176

\*The amortization of appraisal increment is charged to Surplus, not in the current operations.

The Bangko ng Sentral ng Pilipinas approved the revaluation of the constituent banks' premises from ₱5,517,000 to ₱32,290,000 as a result of the appraisal conducted by Land Bank of the Philippines and Equitable PCI Bank in accordance with IFRS No. 3 as an incentive for consolidation under Monetary Board Resolution No. 1142 dated August 26, 2005. Revaluation of assets was one of the incentives on consolidation in 2006.

The appraisal increment except on land, is amortized on a straight-line basis over a period of 10 years.

The appraisal increment is accounted for separately from the corresponding appraised assets. The properties and equipment appraised are carried at cost net of accumulated depreciation, and is classified under which the said properties and equipment belong to.

Depreciation amounting to ₱13,547,782 and ₱13,731,596 in 2022 and 2021, 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 ₱674,615 and ₱416,281 during the year 2022 and 2021, respectively.

The value of the Bank premises, furniture, fixtures and equipment of ₱87,186,351, net of accumulated depreciation, as of December 31, 2022 is 13.11% 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, 2022 and 2021 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. 394.2, 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:

	2022	2021
Land	₱ 74,598,583	₱ 78,419,569
Building	45,881,095	1,484,883
Other Properties Acquired	2,360,014	-
Less: Accumulated Depreciation	(10,016,337)	-
Net Amount	112,823,354	79,904,452
Less: Allowance for Credit Losses	960,922	960,922
<b>Net Carrying Amount</b>	<b>₱ 111,862,431</b>	<b>₱ 78,943,528</b>

Details of the Bank's Investment Properties are as follows:

	2022			
	Land	Building	Other Properties	Total
<b>Cost</b>				
Balance, January 1	₱ 78,419,569	₱ -	₱ 1,484,883	₱ 79,904,452
Additions	52,117,082	1,360,413	1,560,314	55,037,808
Disposals	(5,190,170)	(6,227,216)	(685,183)	(12,102,569)
Reclassification	(50,747,897)	50,747,897	-	-
Balance, December 31	₱ 74,598,583	₱ 45,881,095	₱ 2,360,014	₱ 122,839,691
<b>Accumulated Depreciation</b>				
Balance, January 1	₱ -	₱ -	₱ -	₱ -
Depreciation Expense	-	9,270,836	745,501	10,016,337
Disposals	-	-	-	-
Balance, December 31	₱ -	₱ 9,270,836	₱ 745,501	₱ 10,016,337
Carrying Amount	₱ 74,598,583	₱ 36,610,258	₱ 1,614,513	₱ 112,823,354
Allowance for Credit Losses	960,924	-	-	960,924
<b>Net Carrying Amount</b>	<b>₱ 73,637,659</b>	<b>₱ 36,610,258</b>	<b>₱ 1,614,513</b>	<b>₱ 111,862,431</b>

A reconciliation of the carrying amounts of the Bank's investment property at the beginning and end of 2022 and 2021 is shown in below:

	2022	2021
Balance at beginning of year net of accumulated depreciation and Impairment loss	₱ 78,943,528	₱ 15,632,917
Additions	55,037,808	66,890,540
Disposal	(11,708,540)	(3,579,929)
Depreciation	(10,410,365)	-
Balance at end of year net of accumulated depreciation and Impairment loss	₱ 111,862,430	₱ 78,943,528

There is no movement of allowance for credit losses for the December 31, 2021.

The aggregate fair value of the investment property amounted to ₱96,839,529 as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, 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 ₱11,708,540 which resulted to gain on sale of ₱ 15,228,512 for the year ended December 31, 2022. During 2021, the Bank sold investment property (ROPA) with cost of ₱3,579,929 which resulted to gain on sale of ₱ 4,850,803.

## 12. OTHER ASSETS

This account consists of:

	2022	2021
<b>Financial Assets</b>		
Accounts Receivables	₱ 23,082,735	₱ 14,054,518
<b>Non-Financial Assets</b>		
Prepaid Expense	-	240,000
Petty Cash Fund	91,000	90,500
Stationery and Supplies on Hand	2,199,083	1,906,256
Miscellaneous Assets	21,266,256	21,293,256
Documentary Stamps	244,719	347,895
Total	46,883,794	37,932,425
Less: Allowance for Probable Losses	2,101,064	652,186
<b>Net Other Assets</b>	<b>₱ 44,782,729</b>	<b>₱ 37,280,238</b>

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.

On March 01, 2022, the Bank's internal audit department conducted audit confirmation and verification to loan clients of Bangui Branch and noted that there are unlawful activities were also determined by the Audit Team; (i) violation of the Bank's personnel policies; (ii) violation of the bank's credit and operational policies; (iii) violation of the bank's internal control measures and (iv) violation of the bank's security protocols. During May 18, 2022, Bank's internal audit department issues an auditor's report and reported actual loss of ₱1,654,000. As of December 31, 2022, the reported loss due to fraud is amounted to ₱1,899,000.



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

	2022	2021
Balance at beginning of year	₱ 652,186	₱ 652,186
Provision	1,448,878	-
Balance at end of year	₱ 2,101,064	₱ 652,186

### **13. DEPOSITS LIABILITIES**

This account consists of:

	2022	%	2021	%
Saving Deposit	₱2,501,258,967	81.64%	₱2,325,809,241	80.24%
Demand Deposit	184,936,348	6.04%	160,445,292	5.54%
Time Deposit	377,506,651	12.32%	412,264,110	14.22%
<b>Total Deposit Liabilities</b>	<b>₱3,063,701,967</b>	<b>100.00%</b>	<b>₱2,898,518,643</b>	<b>100.00%</b>

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 number 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 ₱ 165,183,325 or 5.70% over the figures of 2021.

For the year 2022 and 2021, demand deposit carries interest rates ranging from 0.10% to 0.15% and 0.10% to 0.15%, respectively, while a savings deposit carries an interest rate ranging from 0.10% to 0.20% and 0.10% to 0.20%, respectively. The bank's special savings or time deposit carries interest rate ranging from 0.20% to 2.75% and 0.25% to 1.20%, for the years 2022 and 2021 respectively, while its gold saver 5 carries interest rate ranging from 1.40% to 3.50% and 1.50% to 2.00%, respectively.

Interest expense on deposit liabilities charged to profit or loss in 2022 and 2021 amounted to ₱16,968,658 and ₱20,075,698, respectively.

On March 23, 2020, the Monetary Board in its Resolution No. 423 approved a reduction of 100 basis points in the reserve requirement (RR) ratios of deposits and deposit substitute liabilities of thrift banks (TBs), rural banks (RBs) and cooperative banks (Coop Banks) decreasing the reserve requirement to two percent (2%). The required reserve as of December 31, 2022 amounted to ₱ 61,274,039 or 2% of the total deposit liabilities. This amount is in the form of deposit with Bangko Sentral ng Pilipinas which has a balance of ₱ 99,315,998 as at December 31, 2022 which is higher than the required reserves for rural banks.

### **14. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE**

This account consists of:

	2022	2021
Accrued Interest Payable	₱ 5,594,542	₱ 5,652,232
Accrued Other Expenses Payable	708,028	-
<b>Total</b>	<b>₱ 6,302,570</b>	<b>₱ 5,652,232</b>

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31, 2022 but subsequently paid in the next accounting period. Accrued other expenses payable are year-end expenses payable on the following year.

## **15. OTHER LIABILITIES**

This account consists of:

	2022	2021
Accounts Payable	₱ 32,663,812	₱ 32,377,775
Withholding Tax Payable	342,690	380,150
SSS, Medicare and Pag-ibig Contribution Payable	1,342,329	2,195,295
Stock Dividends Payable	440	440
Overages	73,968	70,010
Lease Liability	32,650,028	35,165,755
Other Liabilities*	4,793,673	4,961,161
<b>Total</b>	<b>₱ 71,866,940</b>	<b>₱ 75,150,586</b>

\*Other liabilities include the following

	2022	2021
GRT Payable	₱ 2,337,917	₱ 2,315,425
Loans Payable – Others	2,405,084	2,595,064
Special Liability Account	38,915	38,915
Due to the Treasurer of the Philippines	11,757	11,757
<b>Total</b>	<b>₱ 4,793,673</b>	<b>₱ 4,961,161</b>

The above liabilities are settled either by cash or check payments. As December 31, 2022 and 2021, 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, 2023.

## **16. EQUITY**

### **16.1 - Ordinary Shares**

Ordinary shareholders of the bank are given less priority as to assets liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restriction for reserve requirements and preferred dividends, if any.

Authorized ordinary share capital as of December 31, 2022 amounted to ₱460,000,000 or 9,200,000 ordinary shares with a par value of ₱50 each. The total subscribed and paid up ordinary shares amounted to ₱377,376,400 or 7,547,528 shares as of December 31, 2022.

### **16.2 Preference Shares**

The preference shareholders of the Bank are given priority in the distribution of the assets of the corporation in case of liquidation. As to dividends, entitled to receive a dividend during dividends distribution equally to common shares without preference. The amount of any dividends payable to any holder of stock may be applied to the repayment of stockholder's indebtedness to the Bank. Also, shall be cumulative and shall be given preference over common stocks. The preferred stock shall be non-participating and not entitled to participate in any other dividend save those specifically due to these shares. As to voting rights, preference shareholders are not entitled to vote in the normal course of business and decision making of the bank except as those provided in Sec X of the Corporation Code of the Philippines. In the event of any liquidation, dissolution, winding-up or sale or merger of the Company, whether voluntarily or involuntarily, each holder of Preferred Share - Private is entitled to

receive, in preference to the holders of common stock, to the full par value or ratably insofar as the assets of the Bank will permit.

Authorized preference share capital as of December 31, 2022 amounted to ₱40,000,000 or 800,000 preference shares which divided into 400,000 shares of private preferred stock and 400,000 shares of government preferred shares and with par value of ₱50 each. The total subscribed and paid up preference shares amounted to ₱7,470,300 or 149,406 shares as of December 31, 2022.

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

	2022		2021	
	Shares	Amount	Shares	Amount
Common stock – P50 par value, 9,200,000 authorized shares				
Common stock at the beginning of the year	7,547,528	₱ 377,376,400	6,289,614	₱ 314,480,700
Issuance of shares of stocks thru stock dividends declaration	-	-	1,257,914	62,895,700
Preferred stock – P50 par value, 400,000 authorized shares				
Preferred stock at the beginning of the year	149,406	₱ 7,470,300	149,406	₱ 7,470,300
Common stock and Preferred stocks at the end of the year	7,696,934	₱ 384,846,700	7,696,934	₱ 384,846,700
Subscribed Subscription receivable	7,696,934	₱ 384,846,700	7,696,934	₱ 384,846,700

#### 16.3. - Surplus Free

The Bank previously declared a cash dividend amounting to nil and ₱8,049,215, for years 2022 and 2021, respectively. As at December 31, 2021, the Bank issued stock dividend amounting to ₱62,895,700 or 1,257,914 shares. The declaration was made under the Bank's Board Resolution No. 2021-30 and 2021-04 for the year 2021.

The declaration of cash and stock dividend is summarized below:

Type of Dividend	Date of Declaration	Date of Record	Date of Distribution	Amount
Cash	03/15/2021	12/31/2020	04/23/2021	₱ 8,049,215
Stock	04/25/2021	12/31/2020	06/17/2021	₱ 62,895,700
<b>Total</b>				<b>₱ 70,944,915</b>

The reconciliation of surplus during the period is as follows:

	2022	2021
Balance, Beginning	₱ 105,803,914	₱ 132,039,585
Net Income	46,480,349	42,724,547
Provision and Adjustments (Note 16.5.)	(2,210,238)	1,984,697
Dividend Declared during the year	-	(70,944,915)
<b>Balance, Ending</b>	<b>₱ 150,074,024</b>	<b>₱ 105,803,914</b>

#### 16.4. - Surplus Reserve

	2022	2021
Balance, Beginning	₱20,000,000	₱20,000,000
Additions (Usage)		
Adjustments		
<b>Balance, Ending</b>	<b>₱20,000,000</b>	<b>₱20,000,000</b>



Reserves for contingencies	<b>₱10,000,000</b>	<b>₱10,000,000</b>
Other surplus reserves	<b>10,000,000</b>	<b>10,000,000</b>
<b>Total Surplus Reserves</b>	<b>₱20,000,000</b>	<b>₱20,000,000</b>

#### 16.5. - Provision and Adjustments

The following is the components of the provision and adjustments for the year ended December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Prior Period Income	<b>₱(2,392,930)</b>	<b>₱ -</b>
Adjustments on prior years income tax expense due to transitory effect of Create Law	<b>-</b>	<b>1,847,846</b>
Partial payment of Breach of Contract of Employees	<b>182,691</b>	<b>20,100</b>
Rebate from PLDT	<b>-</b>	<b>116,751</b>
	<b>₱(2,210,238)</b>	<b>₱ 1,984,697</b>

#### Capital Management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The Bank maintains sufficient capital necessary to support its primary purpose and/or undertakings which it has initiated and promoted. The Bank management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations of unanticipated events created by consumer behavior or capital market conditions.

The Bank manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

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#### Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

BSP Circular No. 688, Revised Risk-Based Capital Adequacy Framework for stand-alone thrift banks, rural banks and cooperative banks which took effect on January 1, 2012 represents BSP's commitment to align existing prudential regulations with international standards, which is consistent with the BSP's goal of promoting the soundness and stability of individual banks and of the banking system as a whole. BSP Circular No. 688 replaced BSP Circular No. 280 which is primarily based on Basel 1.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;

- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

Under BSP Circular No. 360, effective July 1, 2003, the risk-based capital adequacy ratio (CAR) is to be inclusive of a market risk charge. BSP Circular No. 560 dated January 31, 2007, which took effect on February 22, 2007, requires the deduction of unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates from capital accounts for purposes of computing CAR.

As at December 31, 2022 and 2021, the Bank is in compliant with the minimum capitalization requirement set by the BSP.

The CAR of the Bank as at December 31, 2022 and 2021, as reported to the BSP, is shown in the table below:

	2022	2021
Tier 1 capital	₱ 631,311,131	₱ 587,711,336
Tier 2 capital	48,554,322	50,769,340
<b>Total qualifying capital</b>	<b>₱ 679,865,453</b>	<b>₱ 638,480,676</b>
<b>Risk weighted assets</b>	<b>₱ 3,145,480,779</b>	<b>₱ 3,159,377,645</b>
Tier 1 capital ratio	20.07%	18.60%
Tier 2 capital ratio	1.54%	1.61%
<b>Total CAR</b>	<b>21.61%</b>	<b>20.21%</b>

The Bank's Total Qualifying Capital as at December 31, 2022 and 2021 was computed as follows:

	2022	2021
<b>A. Calculation of Qualifying Capital</b>		
<b>A.1 Tier 1 Capital</b>		
Core Tier 1 Capital		
Paid-Up Capital – Common	₱ 377,376,400	₱ 377,376,400
Paid-Up Capital – Preferred	85,146,459	85,146,459
Retained Earnings	170,074,024	125,803,914
 Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	812,585	615,437
Total Outstanding Unsecured Credit Accommodations	473,167	
<b>Total Tier 1 Capital</b>	<b>₱ 631,311,131</b>	<b>₱ 587,711,336</b>
 <b>A.2 Tier 2 Capital</b>		
General Loan Loss Provisions	₱ 7,470,300	₱ 7,470,300
Appraisal Increment Reserve	26,672,978	26,672,978
General Loan Loss Provisions	14,411,044	16,626,062
<b>Total Upper Tier 2 Capital</b>	<b>₱ 48,554,322</b>	<b>₱ 50,769,340</b>
 <b>TOTAL QUALIFYING CAPITAL</b>	<b>₱ 679,865,453</b>	<b>₱ 638,480,676</b>

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, 2022 and 2021, the Bank was in compliance with CAR requirement.

#### *Financial Performance*

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

	2022	2021
A. Return on average equity	7.21%	7.07%
B. Return on average assets	1.25%	1.21%
C. Net interest margin	4.45%	5.19%
D. Debt Equity Ratio	4.71:1	4.79:1

#### **17. INTEREST INCOME**

This account consists of:

	2022	2021
Income from Loans and Other Receivables (Note 9)	₱115,186,142	₱130,432,389
Income from Due from Other Banks (Note 7)	34,274,633	43,853,306
Income from DSMAC (Note 8)	16,133,097	13,052,133
<b>Total</b>	<b>₱165,593,872</b>	<b>₱187,337,827</b>

#### **18. OTHER INCOME**

This account consists of:

	2022	2021
Fees and Commission	₱ 31,642,814	₱ 28,886,155
Gains/(Losses) from Sale/Derecognition of Non-Financial Assets	18,012,874	5,266,884
Others- Other Income	2,085,793	2,299,139
Fx Profit (Loss)	455,050	389,798
Recovery on Charged-off Assets	14,263,538	11,306,802
<b>Total</b>	<b>₱ 66,460,068</b>	<b>₱ 48,148,778</b>

Other income consists of rent income, filing fee, certification fee, penalties and others.

#### **19. COMPENSATION AND BENEFITS**

This account consists of:

	2022	2021
Salaries and Wages	₱ 41,885,401	₱ 43,996,830
Fringe Benefits-Officers and Employees	10,027,930	7,805,274
Director's Fee	1,097,500	1,402,500
SSS, Philhealth and Employees Compensation Premium and PAGIBIG Fund Contribution	3,422,436	4,289,623
Contribution to Retirement Fund (Note 21)	3,240,000	3,240,000
<b>Total</b>	<b>₱ 59,673,267</b>	<b>₱ 60,734,227</b>

#### **20. RETIREMENT BENEFITS**



The Bank adopted a retirement plan in recognition of the contribution of employees to the success of its operations, and to reward their loyalty and long years of service rendered. This retirement plan was established and was effective on July 1, 2007. The plan shall be noncontributory. The Bank shall contribute on behalf of each participant an amount actuarially determined to provide his benefits under the plan.

The funding of the plan is determined by an actuarial advisor and payment of the benefits there under is provided for through the medium of a fund held by a Board of Trustees under an appropriate trust agreement. The plan was computed under the Accrued Benefit Valuation Method- Projected Unit Credit Method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

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

The balance of the retirement fund amounted to ₱ 28,618,382.52 as of the year ended December 31, 2022. The latest actuarial valuation of the Bank is last July 2007, so the Bank's movement of present value of obligation and fair value of plan assets is not disclosed.

The Bank's retirement plan provides for the basis of the retirement benefits. The projected retirement date shall be at the participants 60<sup>th</sup> birthday. A participant will receive, at retirement, an amount, in lump sum, equal to one hundred percent (100%) of his latest participant's length of service, certain percentages shall be used in computing a participant's retirement benefit.

The Bank's retirement plan provides that the Bank shall have no right, or interest in the contributions made by them to the Trust and no part of the Fund shall revert to the Bank except after satisfaction of all liabilities of the Plan; however, such contributions as may have been made by the Bank as a result of overpayment may revert to the Bank.

A total amount of ₱3,240,000 and ₱3,240,000 was recognized as contribution to retirement fund for the years 2022 and 2021, respectively. Contributions to the plan were treated as outright expense.

## **21. OTHER OPERATING EXPENSE**

This account consists of:

	2022	2021
Rent (Note 24)	₱ 2,600,185	₱ 2,293,172
Advertising & Publicity	4,458,671	5,768,168
Repairs and Maintenance	3,618,877	3,695,214
Security, Clerical, Messengerial & Janitorial Services	5,584,978	4,800,435
Insurance Expenses	6,981,814	6,796,241
Power, Light & Water	6,324,333	4,741,316
Litigation Expenses	8,602,586	5,579,295
Stationeries & Supplies Used	2,965,746	2,401,625
Traveling Expenses	2,075,275	1,635,709
Postage, Telephone, Cables & Telegram	3,868,923	3,698,235
Information Technology Expense	3,592,005	1,730,400
Representation and Entertainment	2,216,294	2,224,568
Fuel & Lubricants	2,738,866	1,669,087
Management and Other Professional Fees	1,282,360	1,194,060
Supervision Fees	594,779	578,928
Donations and Charitable Contributions	25,300	36,850
Documentary Stamp Used	120,102	99,604
Membership Fees & Dues	306,574	188,461

Periodicals and Magazines	5,106	2,925
Fines and Penalties	5,100	1,650
Other Expense*	1,335,597	960,204
Interest Expense	1,501,783	1,390,013
<b>Total</b>	<b>₱ 60,805,254</b>	<b>₱ 51,486,161</b>

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

## **22. DEPRECIATION AND AMORTIZATION EXPENSE**

This account consists of:

	2022	2021
Depreciation Expense – Buildings	₱ 1,415,072	₱ 1,188,365
Depreciation Expense - Furniture and Fixtures	2,385,215	3,000,688
Depreciation Expense - Transportation Equipment	2,219,591	2,386,230
Depreciation Expense - Leasehold Rights and Improvements	1,319,942	1,422,272
Depreciation Expense – Right of Used Assets	6,207,962	5,734,041
Depreciation Expense – ROPA	10,410,365	-
Amortization of Other Intangible Assets	47,000	73,952
<b>Total</b>	<b>₱ 24,005,148</b>	<b>₱ 13,805,548</b>

## **23. LEASES**

### **Bank as Lessee**

#### **a. Short Term and Low- value Lease**

As of December 31, 2022, the Banks has short-term lease on its branch offices rental of printer, amounting to ₱ 968,826.31.

#### **b. Long-term Lease**

The undiscounted maturity analysis of lease liabilities at December 31, 2022 is as follows:

	Minimum Lease Payments			
	Within 1 Year	2-5 Years	6-10 Years	Total
<b>Lease Payments</b>	<b>₱ 3,685,117</b>	<b>₱ 14,919,320</b>	<b>₱ 22,976,756</b>	<b>₱ 41,581,193</b>
<b>Finance Charges</b>	<b>898,822</b>	<b>2,643,284</b>	<b>5,389,059</b>	<b>8,931,165</b>
	<b>₱ 2,786,294</b>	<b>₱ 12,276,046</b>	<b>₱ 17,587,697</b>	<b>₱ 32,650,028</b>

### **Bank as a lessor**

The Bank's premises are being held for lease by other leases for 1 to 10 years and renewable under certain terms and condition. The rent income amounted to ₱1,521,761.48 and ₱1,859,532 in 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the future minimum rentals payable under the operating lease as a lessor are as follows:

	2022	2021
Within one year	₱ 789,458	₱ 789,458
Beyond one year but not beyond five years	105,343	894,801
	<b>₱ 894,801</b>	<b>₱ 1,684,259</b>

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 changes 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

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#### **24. 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 ₱ 29,740,096 as at December 31, 2022.
- 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.

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#### **25. INCOME TAXES**

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

For the year 2020, the Bank used Republic Act No. 9337, An Act Amending National Internal Revenue Code, in computing their income tax which provides that the RCIT rate shall be 30.00%, and deductible interest expense shall be reduced by 33.00% of interest income subjected to final tax. Current tax regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. Further, current tax regulations set a limit for entertainment, amusement and recreation (EAR) expenses that can be deducted for income tax purposes. EAR expenses are limited to 1.00% of net revenue for sellers of services. The Bank recorded EAR expenses amounted to ₱ 2,216,294 and ₱ 2,224,568 in 2022 and 2021, respectively.



Provision for income tax consists of:

	2022	2021
Current	₱ 4,825,825	₱ 5,361,583
Deferred	(197,148)	(63,554)
	₱ 4,628,677	₱ 5,298,029

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

	2022	2021
Statutory income tax	₱ 12,777,256	₱ 12,005,644
Income tax effects of:		
Interest income subject to final tax	(12,601,933)	(14,226,360)
Provision for Credit Losses on Loans and receivables	4,106,976	4,274,662
Payment for Deficiency Tax	-	-
Depreciation Expense – Right of Used Assets	1,551,991	1,433,510
Interest Expense from Leasing Arrangements	298,640	347,503
Income Reported in Retained Earnings	45,673	34,213
Non-deductible expenses (Interest Arbitrage – 20%)	3,150,482	3,556,590
Payment of Lease Liability	(1,354,842)	(767,986)
Interest Income from Housing Loan under HGC	(35,614)	(37,151)
Accounts Written-Off	(3,112,805)	(1,259,043)
Provision for income tax - current	₱ 4,825,825	₱ 5,361,583

Computation of Income Tax Payable:

	2022	2021
Net Income per books	₱ 51,109,025	₱ 48,022,576
Add: Non-deductible Expenses/Taxable Other Income		
Provision for Credit Losses on Loans and Receivables	16,427,904	17,098,650
Taxes and Licenses – Tax Deficiency	-	-
Depreciation Expense - Right of Used Assets	6,207,962	5,734,041
Interest Expense for Leasing Arrangements	1,194,559	1,390,013
Income Reported in Retained Earnings	182,691	136,852
Insurance Expense – Others	-	-
Interest expense reduced by 33% income subject to final tax	12,601,926	14,226,360
Total	87,724,074	86,608,492
Less: Income Subjected to Final Tax and Deductible Expense		
Interest Income Subject to Final Tax	50,407,705	56,905,438
Interest Income from Housing Loan under HGC	142,456	148,605
Payment of Lease Liability	5,419,370	3,071,944
Accounts Written Off	12,451,219	5,036,173
Total	68,420,750	65,162,160
Net Taxable Income (Loss)	19,303,298	21,446,332
Tax Rate	25%	25%
Normal Corporate Income Tax	4,825,825	5,361,583
Minimum Corporate Income Tax**	690,100	802,169
Income Tax Due	4,825,825	5,361,583
Less: Payments/Tax Credits	4,804,637	2,921,851
Income Tax Still Due/(Overpayment)	₱ 21,188	₱ 2,439,732

\*\*Below is the computation of Minimum Corporate Income Tax (MCIT) for the year ended December 31, 2021.

	2022	2021
Revenue	₱ 165,593,872	₱ 187,337,827
Cost of Revenue (Note 27)	112,493,748	98,215,650

Gross Income	53,100,130	89,122,178
Add: Other Income(Note 21)	66,460,068	48,148,778
Less: Interest Income Subjected to Final and Exempt from Tax	(50,550,186)	(57,054,043)
Total Gross Income	69,010,013	80,216,912
MCIT Rate	1%	1%
Minimum Corporate Income Tax**	₱ 690,100	₱ 802,169

#### **Deferred Tax**

	2022	2021
<b>Deferred tax assets</b>		
Beginning Balance	₱ 8,791,439	₱ 11,054,306
Additions on Lease liability	805,442	857,493
Movement on Lease liability	(1,434,373)	(1,277,976)
Re-measurement of deferred tax due to Create Law		(1,842,384)
	₱ 8,162,507	₱ 8,791,439
<b>Deferred tax liabilities</b>		
Beginning Balance	₱ 8,176,002	₱ 10,502,423
Additions on Right of Used Asset	805,442	857,493
Depreciation of RoUA	(1,631,522)	(1,433,510)
Re-measurement of deferred tax due to Create Law		(1,750,404)
	₱ 7,349,922	₱ 8,176,002
<b>Net Deferred Tax Assets</b>	₱ 812,585	₱ 615,437

## **26. 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.

Related party transactions during the year 2022 are summarized as follows:

Category/ Nature	Amount/ Volume	Outstanding Balance	Terms and Conditions
<b>Under Common Control</b>			
<b>Receivable from Related Parties</b>			
Rental Collections	1,723,785	-	These are non-interest bearing, unsecured, collectible in cash and no impairment.
<b>Payable to Related Parties</b>			
Rental payments	1,093,324	-	These are non-interest bearing, unsecured and payable in cash.

#### 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:

	2022	2021
Compensation and benefits	<b>₱2,859,575</b>	<b>₱2,785,500</b>
	<b>₱2,859,575</b>	<b>₱2,785,500</b>

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

#### 27. 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, 2022, follow:

GRT in 2022 consists of taxes on:

Interest income on loans and other related income from lending operations	<b>₱ 8,909,790</b>
Other income	<b>4,504,523</b>
	<b>₱ 13,414,313</b>

#### **Taxes and Licenses**

##### **a. Local**

Business Permit	<b>₱ 1,059,899</b>	
Real Property Tax	<b>199,122</b>	
Others	<b>10,500</b>	<b>₱ 1,269,521</b>

##### **b. National**

Fringe Benefit Tax	<b>₱ 129,231</b>	
Tax Payment on Deficiency	<b>-</b>	
LTO Registration	<b>55,046</b>	
Percentage Tax	<b>1,589,930</b>	
Annual Registration-BIR	<b>16,000</b>	
Others	<b>4,956</b>	<b>1,795,163</b>

<b>Total-Taxes and Licenses</b>		<b>₱ 3,064,684</b>
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Withholding taxes in 2022 are categorized into:

Paid:	
Final withholding tax on interest expense	<b>₱ 1,444,941</b>
Withholding taxes on compensation and benefits	<b>238,279</b>
Fringe benefit tax paid	<b>129,231</b>
Expanded withholding tax	<b>869,122</b>
	<b>₱ 2,681,573</b>

#### Tax Assessments and Cases

As at December 31, 2022, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.



**Revenue Regulation (RR) No 19-2011**

The Bank reported the following schedules and information on taxable income and deductible expenses to be taken in 2022:

**Sale of Services**

The Bank's taxable sale of services amounted to ₱ 179,536,464.6 and income subject to final income tax and are exempt from tax amounted to ₱ 50,407,705 for the year ended December 31, 2022.

**Cost of Services**

	2022	2021
Details of the Bank's tax deductible cost of services accounts are as follows:		
Direct Charges - Salaries and wages	₱ 59,673,267	₱ 60,734,227
Direct Charges - materials, supplies and facilities	13,159,002	10,841,177
Direct Charges - Insurance (PDIC)	5,886,001	5,589,199
Direct Charges - depreciation	17,797,186	8,071,507
Direct Charges - rent expense	8,019,555	5,365,116
Direct Charges - information technology expense	3,592,005	1,730,400
Direct Charges - others (interest expense net of 20% limit)		
Interest expense	16,968,658	20,110,384
Less: Limit (20% of interest income subj. to final tax)	(12,601,933)	(14,226,360)
<b>Total</b>	<b>₱ 112,493,741</b>	<b>₱ 98,215,650</b>

**Itemized Deductions**

	2022	2021
Details of the Bank's itemized deductions are as follows:		
Security, Clerical, Messengerial and Janitorial Services	₱ 5,584,978	₱ 4,800,435
Repairs and Maintenance	3,618,877	3,695,214
Insurance Expense	1,095,813	1,207,042
Advertising and Publicity	4,458,671	5,768,168
Litigation Expenses	8,602,586	5,579,295
Traveling Expense	2,075,275	1,635,709
Representation and Entertainment	2,216,294	2,224,568
Fuel and Lubricants	2,738,866	1,669,087
Bad Debts Written-off	12,451,219	26,208,799
Taxes and Licenses	3,064,684	3,056,433
Impairment Losses	-	3,651,028
Management and Other Professional Fees	1,282,360	1,194,060
Supervision Fees	594,779	578,928
Membership Fees and Dues	306,574	188,461
Donations and Charitable Contributions	25,300	36,850
Periodical and Magazines	5,106	2,925
Fines, Penalties and Other Charges	5,100	1,650
Other Expenses	1,642,821	960,204
Documentary Stamp Used	120,102	99,604
<b>Total</b>	<b>₱ 49,889,405</b>	<b>₱ 58,907,432</b>

Total Deductible Expense	₱ 162,383,153	₱ 157,123,082
Expense Reported in Audited Financial Statements	180,944,915	187,464,029
<b>Difference*</b>	<b>₱ (18,561,768)</b>	<b>₱ (30,340,947)</b>

\*Reconciliation of Difference:

Interest Limit	₱ 12,601,933	₱ 14,226,360
Payment of Deficiency Tax	-	-
Provision for Credit losses	16,427,904	17,098,650

Depreciation Expense - Right of Used Assets	6,207,962	5,734,041
Rent Expense	(5,419,370)	(3,071,944)
Interest Expense for Leasing Arrangements	1,194,559	1,390,013
Accounts Written Off	(12,451,219)	(5,036,173)
	<b>P 18,561,768</b>	<b>P 30,340,947</b>

## **28. OTHER MATTERS**

### **1. Anti-Money Laundering Act (AMLA)**

The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering Act.

### **2. As of December 31, 2021, all of the bank's directors had undergone the requirements for corporate government as confirmed by the Monetary Board as mandated by Section 132 of the MORB.**

## **29. RECLASSIFICATION OF ACCOUNTS**

Accounts	As previously reported	Adjustments	Adjusted December 31, 2020
Bank Premises, Furniture, Fixtures and Equipment, Net	P61,277,168	P 32,704,007	P93,981,175
Right of Used Assets	-	32,704,007	32,704,007
Right of Used Assets, net	P32,704,007	P (32,704,007)	P -

Certain prior year amounts have been reclassified to align with the current year's presentation. These reclassifications had no effect on the reported results of operations. Adjustments have been made to the Statements of Financial Position and Statements of Cash Flows for the fiscal year ended December 31, 2022. These changes in classification do not affect previously reported financial statements

## **30. FINANCIAL STATEMENT PRESENTATION**

Due to adoption of PAS 1 Presentation of financial statement (revised 2007) that became effective on January 1, 2009, the Bank is required to present a statement of comprehensive income showing the total comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, which are not recognized in profit or loss as required or permitted by other PFRSs. As of 2021 and 2020, the Bank does not have assets and liabilities nor had transactions that would result in other comprehensive income.

## **31. SUPPLEMENTARY INFORMATION REQUIRED BY APPENDIX 55 OF BSP CIRCULAR NO. 1074 series of 2020.**

### **1. The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2022 and 2021 was computed as follows:**

#### ***Return on average equity (ROE)***

Formula:  $ROE = \text{Net Income after Tax} / \text{Average Capital}$

	2022	2021
Net Income	P 44,696,867	P 42,724,547
Shareholders' Equity		
2022	P 666,740,161	

2021	622,470,051	
2021		₱ 622,470,051
2020		585,810,022
Total	₱1,289,210,211	₱1,208,280,072
Average Equity	₱ 644,605,106	₱ 604,140,036
Return on Average Equity	7.21%	7.07%

#### Return on average assets (ROA)

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

	2022	2021
Net Income	₱ 44,696,867	₱ 42,724,547
Assets		
2022	₱3,808,665,462	
2021	3,604,265,860	
2021		₱3,604,265,860
2020		3,450,257,581
Total	₱7,412,931,323	₱7,054,523,441
Average Assets	₱3,706,465,661	₱3,527,261,721
Return on Average Assets	1.25%	1.21%

#### 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

	2022	2021
Net Interest Income	₱ 167,227,444	₱ 167,227,444
Interest Earnings		
Assets		
2022	₱3,405,881,688	
2021	3,267,238,828	
2021		₱3,267,238,828
2020		3,172,630,158
Total	₱6,673,120,516	₱6,439,868,986
Average Interest Earning Assets	₱3,336,560,258	₱3,219,934,493
Net Interest Margin	4.45%	5.19%

## 2. Capital Instrument Issued

As at December 31, 2022, the Bank share capital consist of:

	Shares*	Amount
Ordinary Share - ₱50 par value	□	□
Authorized	9,200,000	₱ 460,000,000
Issued and outstanding		
Balance at the beginning of the year	7,547,528	₱ 377,376,400
Issuances of shares thru Stock Dividend	-	-
Balance at the ending of the year	7,547,528	₱ 377,376,400

\*Absolute number of shares

	Shares*	Amount
Preference Share - ₱50 par value	□	□
Authorized	800,000	₱ 40,000,000
Issued and outstanding		



Balance at the beginning and end of the year	149,406	₱ 7,470,300
*Absolute number of shares	□	□

As at December 31, 2021 the company issued ordinary shares by way of stock dividend amounting to ₱ 62,895,700.

### 3. Significant Credit Exposure

#### As to Concentration of Credits to Certain Industry/Economic Sector:

##### Percentage per total loan portfolio

	2022	%	2021	%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	₱ 119,806,076	6%	₱ 167,025,880	9%
Agriculture, forestry and fishing	677,662,756	35%	887,497,279	34%
Construction	316,511,445	17%	177,503,928	9%
Manufacturing	13,466,096	1%	12,823,700	1%
Accommodation and food service activities	156,761,922	8%	210,755,318	11%
Education	55,276,263	3%	89,399,147	4%
Transportation and storage	23,246,194	1%	23,208,562	1%
Real estate activities	268,941,020	14%	371,768,757	19%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	144,250,091	8%	145,715,453	7%
Electricity, gas, steam and air-conditioning supply	30,916,909	2%	23,255,873	1%
Mining and quarrying	8,306,924	0%	7,025,085	0%
Water supply, Sewerage, Waste Management and Remediation Activities	199,856	0%	365,989	0%
Human Health and Social Work Activities	11,749,601	1%	15,228,808	1%
Financial and Insurance Activities	-	0%	483,958	0%
Arts, Entertainment and Recreation	-	0%	-	0%
Other service activities	58,135,555	3%	29,486,544	2%
Loans to Individuals Primarily for Personal Use Purposes	28,206,297	1%	22,884,287	1%
<b>Total Loan Portfolio</b>	<b>₱1,913,437,005</b>	<b>100%</b>	<b>₱1,944,008,168</b>	<b>100%</b>

##### Percentage per tier 1 capital

	2022	%	2021	%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	₱ 119,806,076	19%	₱ 167,025,880	28%
Agriculture, forestry and fishing	677,662,756	108%	887,497,279	113%
Construction	316,511,445	50%	177,503,928	30%
Manufacturing	13,466,096	2%	12,823,700	2%
Accommodation and food service activities	156,761,922	25%	210,755,318	36%
Education	55,276,263	9%	89,399,147	12%
Transportation and storage	23,246,194	4%	23,208,562	4%
Real estate activities	268,941,020	43%	371,768,757	63%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	144,250,091	23%	145,715,453	25%
Electricity, gas, steam and air-conditioning supply	30,916,909	5%	23,255,873	4%
Mining and quarrying	8,306,924	1%	7,025,085	1%
Water supply, Sewerage, Waste Management and Remediation Activities	199,856	0%	365,989	0%
Human Health and Social Work Activities	11,749,601	2%	15,228,808	3%
Financial and Insurance Activities	-	0%	483,958	0%
Arts, Entertainment and Recreation	-	0%	-	0%
Other service activities	58,135,555	9%	29,486,544	5%
Loans to Individuals Primarily for Personal Use Purposes	28,206,297	4%	22,884,287	4%
<b>Total Loan Portfolio</b>	<b>₱1,913,437,005</b>	<b>304%</b>	<b>₱1,944,008,168</b>	<b>330%</b>

The BSP considers that significant credit exposures exist when total loan to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital. As at December 31, 2022, one (1) industry exceeding 30.0 percent of the total loan portfolio and six (6) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

### 4. Breakdown of Total Loans

#### As to Security:

2022	%	2021	%
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Real Estate Mortgage	₱1,688,921,700	88.27%	₱1,686,358,577	86.49%
Other Collateral	39,435,149	2.06%	37,755,902	1.93%
*Unsecured	185,080,156	9.67%	219,891,686	11.57%
<b>Total Loan Portfolio</b>	<b>₱1,913,437,005</b>	<b>100.00%</b>	<b>₱1,944,006,166</b>	<b>100.00%</b>

\*Unsecured small farmer's loans amounting to ₱32,830,942 (17.64% of total unsecured loans) are guaranteed by Agricultural Guarantee Fund Pool (AGFP)

#### As to Status:

Product Line	2022		
	Performing	Non-Performing	Total
Agrarian Reform loans	₱ 208,083,226	₱ 29,527,152	₱ 237,610,378
Other Agricultural Credit Loans	420,865,065	19,187,313	440,052,378
Microfinance Loans	2,767,196	338,670	3,105,866
Small Scale Enterprise Loans	691,400,642	13,086,161	704,486,803
Medium Scale Enterprise Loans	190,794,447	-	190,794,447
Loans to private corporations – Non-Financial	47,537,917	-	47,537,917
Loans to Individual for Housing	115,726,279	1,666,550	117,392,829
Salary-Based General-Purpose Consumption Loans	18,505,865	441,394	18,947,259
Loans to Individual for Primarily for Personal use purposes - Others	9,259,038	-	9,259,038
Loans to Individuals for Other Purposes	135,183,854	9,066,236	144,250,091
<b>Total</b>	<b>₱1,840,123,529</b>	<b>₱ 73,313,476</b>	<b>₱ 1,913,437,005</b>

Product Line	2021		
	Performing	Non-Performing	Total
Agrarian Reform loans	₱ 233,185,097	₱ 24,020,037	₱ 257,205,133
Other Agricultural Credit Loans	355,745,432	54,548,714	410,292,146
Microfinance Loans	3,618,325	449,935	4,068,259
Small Scale Enterprise Loans	723,584,149	18,225,491	741,789,641
Medium Scale Enterprise Loans	223,381,664	-	223,381,664
Loans to Individual for Housing	138,891,288	1,978,295	138,869,584
Salary-Based General-Purpose Consumption Loans	13,242,208	289,131	13,531,339
Loans to Individual for Primarily for Personal use purposes - Others	9,152,948	-	9,152,948
Loans to Individuals for Other Purposes	131,845,655	13,889,798	145,715,453
<b>Total</b>	<b>₱ 1,830,626,765</b>	<b>₱ 113,379,401</b>	<b>₱ 1,944,006,166</b>

#### 5. Information on related party loans

##### Regulatory Reporting

As required by BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank.

In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As at December 31, 2022 and 2021, the Bank is in compliance with the regulatory requirements.

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

2022		
Particulars	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	₱ 34,554,239	₱ 34,554,239
Percent of DOSRI/Related Party loans to total loan portfolio	1.81%	1.81%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	1.37%	1.37%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	0%	0%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0%	0%
2021		

Particulars	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	₱ 59,453,782	₱ 59,453,782
Percent of DOSRI/Related Party loans to total loan portfolio	3.06%	3.06%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0%	0%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	0%	0%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0%	0%

6. Aggregate amount of secured liabilities and asset pledged as security

As of December 31, 2022, the bank has no secured liabilities. Some of the bank premises are used as pledged as security but no availment as of the reporting period.

7. Off-Balance Sheet Contingencies and Commitments

As of December 31, 2022 and 2021, The Bank has a total of ₱17,169,515 in 2022 and ₱4,486,923 in 2021 for its contingent accounts. This account pertains to bills for collection.

**-END OF REPORT-**