


# ANNUAL REPORT | 2024



 **Fund Transfer**

**Bills Payment**

 **Buy Load**

**Loan Balance Inquiry**

 **View Transactions**

**RANG-AY MOBILE BANKING APP**



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## Our Vision and Mission

### Our Vision

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

*Empowering North Luzon with globally competitive banking services.*

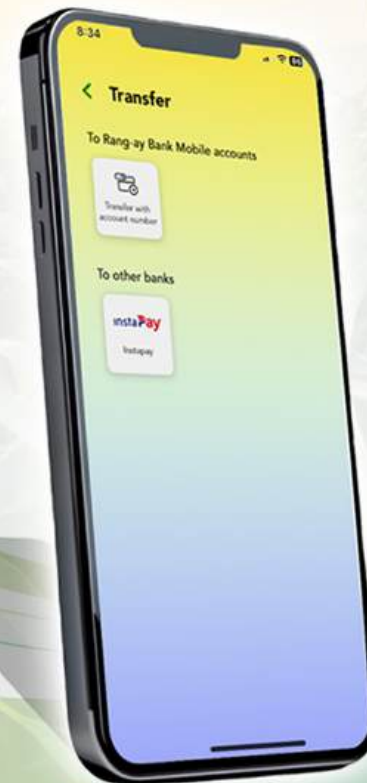
*Palakasin ang Hilagang Luzon sa pamamagitan ng pandaigdigang pakikipagtagisan ng kakayahan sa serbisyo ng pagbabangko.*

### Our Mission

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

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

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





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## ABOUT RANG-AY BANK

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

Established on January 16, 1956, under Republic Act 720 (Rural Bank Act of 1953), Rang-ay Bank was founded by visionary Ilocano leaders Doña Numeriana Tavora-Querol and Don Teofilo A. Nisce. Their mission was to promote comprehensive rural development by providing adequate credit facilities to farmers, fisherfolk, and small to medium-scale enterprises, aiming for equitable distribution of opportunities and an improved quality of life for countryside communities.

Over the years, Rang-ay Bank has grown into the largest bank of its class with 31 branches in the Ilocos and Cordillera regions, playing a vital role in the local economy. The bank consistently offers affordable and accessible credit to the agricultural sector, micro, small, and medium enterprises (MSMEs), and consumer loans. Understanding the unique needs of local businesses and borrowers, Rang-ay Bank provides a transparent application process with competitive interest rates and fees. The bank accepts various forms of collateral, including properties covered by tax declarations, ensuring that more clients have access to financial assistance. With access to specialized funds for agricultural, industrial, and commercial activities, Rang-ay Bank continues to empower clients to achieve their aspirations and contribute to the progress and prosperity of the community.

For clients without collateral, Rang-ay Bank offers several collateral-free loan programs for qualified applicants, including financing options for teachers, pensioners, micro-finance, and micro-agriculture borrowers. The Bank is one of the first Accredited Lending Partners of the Department of Education's Automatic Payroll Deduction System (APDS). For salary, barangay, and pensioner loan programs, loans can be released within one day. In line with its continued innovation, Rang-ay Bank adopted the ISO 20022 system in 2024 through Nextbank's Core Banking System, enhancing transaction efficiency and security. It also partnered with the Agricultural Credit Policy Council (ACPC) to roll out loan programs for young agripreneurs and small agri-fishery enterprises, further supporting inclusive rural development. To provide more accessible services and offer digital banking, the Bank launched the Rang-ay Mobile Banking App, giving clients secure and convenient access to banking anytime, anywhere. To reinforce its digital operations, Rang-ay Bank collaborated with PLDT Enterprise to enhance its cybersecurity infrastructure.

Rang-ay Bank is compliant with Republic Act No.11901 "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022" which mandate all banking institutions, for a period of 10 years from approval of the said Republic Act, or from 18 August 2022 to 27 July 2032 to set aside at least twenty-five percent (25%) of their total loanable funds for AFRD Financing . (Refer to the Chairman's Report in the succeeding 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 Chairman's Report.)

## FINANCIAL HIGHLIGHTS

(Audited Financial Statements)

	2024	2023	Peso Increase (Decrease)	Percentage Increase (Decrease)
<b>Profitability</b>				
Total Net Interest Income	210,153,376	173,827,442	36,325,934	20.90%
Total Non-Interest Income	57,234,833	55,089,142	2,145,691	3.89%
Total Non-Interest Expense	184,192,572	171,055,920	13,136,652	7.68%
Pre-provision Profit	83,195,637	57,860,664	25,334,973	43.79%
Allowance for Credit Losses	30,180,558	4,108,851	26,071,707	634.53%
Net Income Before Income Tax	53,015,079	53,751,813	-736,734	-1.37%
Income Tax Expense	3,776,739	3,245,229	531,510	16.38%
Income Tax Benefit	7,888,615	1,432,934	6,455,681	450.52%
Net Income After Income Tax	57,126,955	51,939,518	5,187,437	9.99%
<b>Selected Balance Sheet Data</b>				
Liquid Asset	1,290,535,145	1,178,206,774	112,328,371	9.53%
Gross Loans	1,938,212,382	1,944,090,119	-5,877,737	-0.30%
Total Assets	4,181,000,113	3,854,550,370	326,449,743	8.47%
Deposits	3,295,855,159	3,041,636,745	254,218,414	8.36%
Total Equity	745,962,094	698,397,012	47,565,082	6.81%
<b>Selected Ratios</b>				
Return on average equity	5.41%	7.61%		
Return on average asset	0.96%	1.36%		
Capital Adequacy Ratio	20.73%	22.02%		
<b>Per common share data</b>				
Book Value	97.85	91.54	6.31	6.89%
<b>Others</b>				
Cash Dividends Declared	11,545,401	9,621,168		
Headcount	238	238		
Officer	57	63	-6	-9.52%
Staff	181	175	6	3.43%



10 May 2025

## DIVIDENDS

The Board of Directors in Resolution 2025-43 declared cash dividends to stockholders on record as of December 31, 2024. The following is a summary of the said declaration:

a. 3% cash dividends to common stockholders (P377,376,400.00 X 0.03)	P 11,321,292.00
b. 3% cash dividends to private preferred stockholders (P7,470,300.00 X 0.03)	224,109.00

**TOTAL Cash Dividends to Private Stockholders P 11,545,401.00**

### Compliance with Magna Carta for Micro, Small, Medium Enterprises under R.A. No. 6977 as of December 31, 2024

Compliance with Prescribe Allocation of Loan Portfolio to:	Universal & Commercial Banks	Thrift Banks	Rural & Cooperative Banks	Digital Banks	RANG-AY BANK
<b>A. Micro &amp; Small Enterprises</b> (8% of total loan portfolio net of exclusion)					
Percentage of Compliance for MSMEs	1.39%	3.79%	17.38%	2.08%	29.33%
<b>B. Medium Enterprises</b> (2% of total loan portfolio net of exclusion)					
Percentage of Compliance for MSMEs	2.39%	5.22%	8.86%	0.22%	46.58%
<b>TOTAL MSME</b>	<b>10%</b>	<b>3.78%</b>	<b>9.01%</b>	<b>26.24%</b>	<b>2.30%</b>

Source: Department of Supervisory Analytics, Financial Supervision Sector (Updated as of 29 November 2024)

### Compliance with Mandatory Agriculture, Fisheries and Rural Development (AFRD) Financing Under R.A. No. 11901 (Amended by BSP Circular No. 1159 and 1174)

	Universal & Commercial Banks	Thrift Banks	Rural & Cooperative Banks	RANG-AY BANK as of Dec. 31, 2024
Percentage of Compliance with Required 25% AFRD Financing	202.5%	154.10%	188.40%	385.43%

Source: Bangko Sentral ng Pilipinas (Report on the Philippine Financial System) (Updated 1st Semester 2024)

## OUR DEAR STOCKHOLDERS,

In 2024, Rang-ay Bank reached a significant milestone, breaching a historic P4 Billion in total resources, an achievement accomplished well before year-end. This landmark not only reflects our strong financial performance but also underscores the unwavering dedication and commitment of our bankers. With a growth rate exceeding 8%, this year marks our most substantial annual increase since the global pandemic in 2020. Through the collective efforts of our team, Rang-ay Bank remains the largest bank in our class across the Ilocos and Cordillera Regions, and continues to stand tall among the top 10 independent rural banks nationwide.

### Strong Public Trust Drives Financial Growth

Our robust growth in 2024 was powered by the continued trust and support of the public, especially within the communities we serve. Deposits surged to nearly P3.5 Billion, representing a year-on-year increase of 8.36%. This notable increase is a clear manifestation of the Ilocano people's enduring confidence in the Rang-ay brand and our capacity to provide dependable, high-quality banking services.

Significantly, all 31 of our branches experienced an increase in the number of depositors, with 22 branches recording growth in total deposits. This reflects not just our reach, but our relevance and reliability as a community-centered banking institution.

### Investing in People and Technology

The funds entrusted to us directly translate into improved earnings for the bank, earnings that we reinvest in our greatest asset: our people. In a competitive labor market, Rang-ay Bank ensures our workforce receives competitive salaries, performance-based incentives, and access to ongoing training and development programs. Our commitment extends beyond compensation, we continue to upgrade our facilities to provide a better working environment.

Moreover, 2024 saw strategic investments in technological advancement. We focused on automating internal processes, enhancing digital security, and integrating smarter systems to create efficiencies across all operational fronts. These initiatives not only benefit our clients through improved service quality but also reduce workload and increase productivity for our frontliners.

### Driving Regional Development Through Credit Extension

True to our mission as a rural bank, we continue to support economic growth in our region by extending credit to local businesses, entrepreneurs, and households. In 2024, we released over P3 Billion in loans, affirming our role as a catalyst for economic activity.

Just as important as loan disbursement is the quality of our loan portfolio. Through the vigilance and commitment of our team, our Past Due and Non-Performing Loan (NPL) ratios remain significantly better than industry averages. We proudly highlight increased loan allocations to vital sectors including: Agriculture, Tourism, Food Services, Real Estate & Construction.

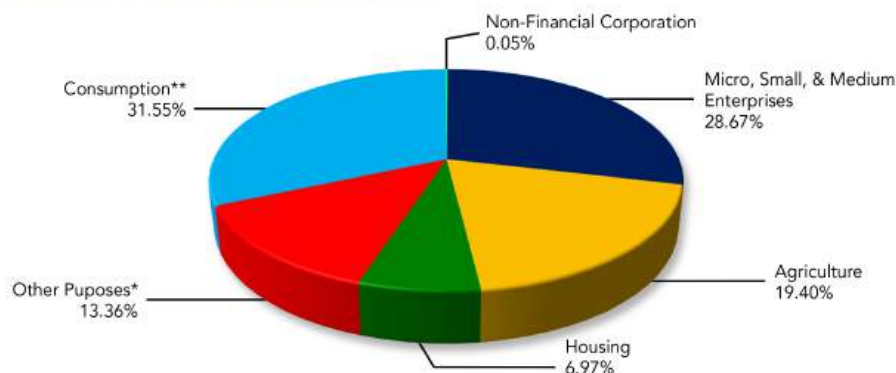


Purpose	Number of Accounts 2024	Amount of Loans Granted 2024	%
Micro, Small & Medium Enterprise	1,086	₱ 1,777,654,240.00	28.67%
Agriculture	735	932,526,191.21	19.40%
Housing	264	108,140,020.00	6.97%
Other Purposes*	506	90,330,670.00	13.36%
Consumption**	1,195	87,979,457.00	31.55%
Non-Financial Corporation	2	43,000,000.00	0.05%
<b>TOTAL</b>	<b>3,788</b>	<b>₱ 3,039,630,578.21</b>	<b>100.00%</b>

\* (63% of which are Salary Loans)

\*\* (43% of which are Pension Loans)

Loan Portfolio Pie Chart (as to number of accounts)



Purpose	Amount of Loans Granted 2024	Amount of Loans Granted 2023	Amount Increase/Decrease	% Increase/ Decrease
Micro, Small & Medium Enterprise	₱ 1,777,654,240.00	₱ 1,515,891,442.00	₱ 261,762,798.00	17.27%
Agriculture	932,526,191.21	1,003,019,545.00	(70,493,353.79)	-7.03%
Housing	108,140,020.00	148,361,895.00	(40,221,875.00)	-27.11%
Other Purposes	90,330,670.00	86,373,170.00	3,957,500.00	4.58%
Consumption	87,979,457.00	82,344,200.00	5,635,257.00	6.84%
Non-Financial Corporation	43,000,000.00	33,000,000.00	10,000,000.00	30.30%
<b>TOTAL</b>	<b>₱ 3,039,630,578.21</b>	<b>₱ 2,868,990,252.00</b>	<b>₱ 170,640,326.21</b>	<b>5.95%</b>

#### A New Digital Era: Mobile Banking and ISO 20022 Integration

Another major highlight of 2024 was our successful entry into the digital banking space. After years of groundwork beginning with our cloud-based Core Banking System (CBS) in 2020, we proudly launched the Rang-ay Bank Mobile App this year. The app's release, along with our integration into InstaPay, has enabled us to provide 24/7 digital banking services, putting us on par with major universal banks and e-wallet platforms such as BDO, LandBank, and GCash.

We are also one of the few banks nationwide that are members of both Pesonet and Instapay, and among the first to comply with the ISO 20022 global standard an achievement unmatched even by the country's largest bank.

To build on this momentum, we are rolling out a quarterly branch incentive program to encourage mobile app onboarding. Our goal is to transition at least 10% of total bank transactions to digital channels by the end of 2025. This digital shift is designed to empower clients with seamless banking while enabling our branches to focus more on customer acquisition and financial advisory services.

#### Gratitude, Legacy, and the Road to 70 Years

As we reflect on a fruitful and transformative 2024, we give thanks to our Lord for all the blessings to our clients for their continued trust, and to the many Rang-ay Bankers — past and present — whose mentorship and leadership have guided us. Some have moved on, some now sit on our board, while many more continue to contribute as consultants and advisers. To all officers & staff, and frontliners, congratulations and thank you for a job well done. Together, we have built a foundation upon which greater success will be built in the coming years.

Next year's theme — "Looking Forward to 70 Years" — heralds a momentous milestone in our journey. As we prepare for our 70th Anniversary in 2026, we will work closely with each branch to highlight and showcase longtime clients, valued partners, and dedicated bankers who have journeyed with us through the decades. This celebration will culminate in January 2026 with a grand thanksgiving luncheon in honor of those who have shaped Rang-ay Bank into what it is today. Few companies — let alone banks — reach 70 years. It is a distinction we wear with pride.

We also welcome newly promoted officers providing fresh leadership, signaling a new era in banking that blends tradition with innovation. As we embrace digital transformation, we reaffirm our mission to deliver accessible, affordable and globally competitive financial services across the Ilocos and Cordillera Regions.

#### Rang-ay Bank: Reflecting on Achievements and Forging Ahead

As Rang-ay Bank approaches the completion of its strategic four-year development plan by 2026, we take pride in reflecting on the remarkable progress made since the approval of this plan in 2023. From staying steadfast in our commitment to provide world-class and affordable banking services to embracing digital transformation, the bank has remained aligned with its original mandate to uplift the lives of people and communities in the Ilocos Region and Cordilleras.

#### Staying True to Our Mission

At the core of Rang-ay Bank's efforts lies its dedication to inclusive and accessible financial services. We have played a crucial role in stimulating regional growth by providing much-needed credit to the agricultural sector as well as micro, small, and medium enterprises (mSMEs). These sectors form the backbone of our regional economy, and by supporting them, we contribute directly to poverty reduction, employment generation, and local development.

We have also made significant strides in modernizing our banking services. The launch of our Mobile Banking App has empowered clients with 24/7 access to their accounts, allowing them to manage finances conveniently and securely from the palm of their hands. In addition, we are actively working towards rolling out ATM services, currently in coordination with BancNet, switch operators, and regulatory agencies to secure the necessary licenses. This will further enhance accessibility and convenience for our clients.

The bank's ongoing digital transformation includes the automation of key internal systems. These initiatives will cover human resource information systems, operations risk management, and fraud prevention solutions—measures that will significantly enhance efficiency, security, and service reliability.



## 2026: A Milestone Year

The year 2026 will mark two significant milestones for Rang-ay Bank: the culmination of our initial four-year strategic plan and the celebration of our 70th Anniversary. To honor this historic occasion, the bank will hold a thanksgiving program with our clients, partners, and community stakeholders who have journeyed with us over the decades.

Following the celebration, we will launch a series of community outreach projects to give back to the towns and cities that have placed their trust in us. These initiatives will include the continuation and expansion of our Financial Literacy Training Programs, and targeted support for senior citizens, local cottage industries, farmers and fisherfolk, students, uniformed personnel, and LGBTQ+ communities. Every branch will collaborate with local organizations to promote both financial inclusion and broader social advocacies, including health, equality, education, and environmental conservation.

## The Next Chapter: 2026 to 2031

Looking beyond our 70th year, Rang-ay Bank is poised to launch a new five-year strategic growth plan. At the heart of this new direction is our cloud-based, API-ready Core Banking System, which opens the door to a wide range of digital financial solutions. We aim to introduce services such as online loan applications, e-KYC (electronic Know Your Customer), Anti-Money Laundering (AML) modules, and other automated middleware systems. These innovations will drastically reduce paperwork and administrative burdens, allowing our staff to focus more on building relationships and servicing client needs.

This increased automation is expected to reduce manpower costs while enhancing consistency and reliability in our processes. By freeing up our bankers from repetitive bureaucratic tasks, we are empowering them to engage in more meaningful and productive work such as onboarding clients and servicing accounts.

## Strategic Expansion

To drive inclusive financial growth, Rang-ay Bank plans to expand its physical footprint by opening new branches and branch-lite units, particularly in underserved areas of Ilocos Norte and Pangasinan. We will focus on applying for licenses in areas where our presence is limited, including the 2nd district of Ilocos Norte and the 1st, 2nd, 3rd, and 5th districts of Pangasinan.

Pangasinan, being one of the most populous provinces in the country and a hub for agriculture and real estate, represents a key growth area for the bank. We also plan to establish a new flagship branch in Baguio City, having recently acquired a property along Legarda Road. This new location will serve as the central office for our Baguio-Benguet operations. Our current site in Maharlika Livelihood Center has served us well but presents limitations in terms of accessibility and space. A dedicated banking facility will allow us to expand our reach and improve client services in this important urban market.

Furthermore, we will continue to strengthen our roots in our home province of La Union by applying for additional branch-lite licenses in several towns. With our brand's strong recognition and trusted legacy in the area, we aim to serve even more clients and businesses in these communities.

## The Future of Rural Banking

Despite an increasingly competitive environment, Rang-ay Bank believes the rural banking model has a promising future. The proliferation of online lenders—many of whom use predatory practices—has made access to fair and secure credit all the more valuable. In contrast, Rang-ay Bank continues to provide affordable, collateral-based loans to mSMEs, agribusinesses, housing, and consumption needs. Our success in doing so stems from the solid trust of our depositors and our prudent credit risk management practices.

As our market continues to shift toward digital platforms, we are committed to promoting and enhancing our Mobile Banking App to both existing and prospective clients. This will strengthen the cycle of deposit growth and affordable credit extension, leading to greater economic activity and development in the Ilocos Region and Cordilleras.

Rang-ay Bank remains steadfast in its commitment to progress, inclusion, and innovation. As we celebrate 70 years of service, we are energized by the opportunity to shape the next chapter of our story — one that is rooted in community, driven by technology, and guided by purpose.

## OPERATIONAL HIGHLIGHTS

## 68TH TAWEN NGA 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 the trust of the people in depending on a bank to become their primary financial access point.

Rang-ay Bank celebrated its 68 Years of Countryside Banking with a recognition and awarding program participated by its officers from 30 banking offices. The event was held at One Nisce Place (ONP) Events Hall in San Fernando City, La Union last January 27, 2024.



The affair started with the opening remarks from Chairman Ives Nisce who recognized the bank's accomplishments for 2023. He also delved into the historical roots that laid the foundation for Rang-ay Bank's success. Chairman Ives also commended the bank's golden generation for their invaluable contributions to the bank's success in his message. President & CEO Ives Jesus Nisce II extended his heartfelt congratulations to the entire Rang-ay Bank family for the success achieved and the accomplished targets in the year 2023. Guest Speakers in the program were Randy Christoph Berner, a Licensed Real Estate Broker and Appraiser, along with Ms. Glynis Salvatera-Balogot. They conducted a short workshop focusing on Sales and Marketing Skills, Techniques & Strategies. Additionally, they facilitated exercises that energized Rang-ay Bankers, fostering a renewed team spirit capable to meet 2024 targets.

## CABA (LA UNION) INAUGURATION &amp; BLESSING

Rang-ay Bank, marked another significant milestone in its journey of financial service expansion with the inauguration and blessing of its 31st branch in the municipality of Caba, La Union. This auspicious occasion not only signifies the bank's commitment to extending its reach to more communities but also underlines its dedication to providing accessible and reliable financial services to the people of La Union.

The Blessing started with prayers in front of the branch premises officiated by Rev. Father Edwin Fontanilla of St. John the Baptist Parish Church. The cutting of the ceremonial ribbon led by Caba Vice Mayor Ronnie Mangaser, former Philippine Regulations Commission (PRC) Board of Dentistry Chair Dr. Rose Canlas-Nisce. Among those invited are depositors and clients of the Agoo cluster as well as supportive partners from SSS, Petnet, LBP, DBP, and Standard Insurance.



## RANG-AY BANK INCREASES AUTHORIZED CAPITAL TO PHP 1 BILLION

In a pivotal move poised to enhance its place in the banking industry, Rang-ay Bank in its annual shareholders meeting on May 4, 2024 approved the increase of its Authorized Capital from Php 500million to a formidable Php 1billion. With this increase in capital, the bank aims to strengthen further its financial capacity and catalyze expansion efforts. This strategic increase signals Rang-ay Bank's commitment to fortifying its position in the ever-evolving landscape of the financial sector. The decision to increase its capital underscores the institution's proactive stance in seizing emerging opportunities and navigating challenges with resilience. It reflects a forward-looking approach geared towards sustaining momentum and





fostering sustainable growth. The meeting served as a platform for shareholders expressing support for the proposed capital enhancement. Their vote of confidence reaffirms Rang-ay Bank's status as a trailblazer in the industry, poised to chart new horizons.

### LAOAG CITY TOP TAXPAYER AWARD

In one of the highlights of this year's Charter Month Celebration of the City Government of Laoag, Rang-ay Bank Laoag Branch has again been recognized as the Top 1 Taxpayer in the Laoag City Public Market & Commercial Complex for the Fiscal Year 2023 in recognition of the company's efforts to make a positive impact in the community. Mayor Michael M. Keon led the awarding at the Laoag City Multipurpose Hall last June 17, 2024, and on hand to receive the recognition are President & CEO Ives Jesus C. Nisce II, Laoag SBM Joan Mae Asia and Laoag Officer Trainee Jan Michael Julian. This award is another testament to Rang-ay Bank's commitment to fulfilling its tax obligations, which has made it a vital contributor to the city's economic growth and progress, thus taking pride in being a responsible corporate citizen. Through its unwavering dedication to upholding the standards of integrity and transparency, Rang-ay Bank has established itself as a trusted partner of the community at large.



### LUNA (LA UNION) BRANCH TOP 3 IN WESTERN UNION REMITTANCE

Rang-ay Bank Luna (La Union) Branch was recognized as the Top Three (3) for the Most Number of Western Union Remittance Transactions (Regional Account) by PERAHUB for the period of January to March 2024 at the PERAHUB Remit Partner 2024 Summit, last May 29, 2024. Awarding was attended virtually by Rang-ay Bank President & CEO, Mr. Ives Jesus C. Nisce II, Treasury Remittance Officer, Ms. Melizza Joyce T. Santos and Luna Branch Manager, Ms. Shari Karen L. Torralba.

PERAHUB Services are offered in all 31 locations of Rang-ay Bank. All offices serve domestic and international remittances like Western Union, Transfast, USSC Padala, Cebuana Pera Padala, Remitly and Metrobank Remittances thru PERAHUB portal. Rang-ay Bank is well known in remittance industry as the bank can service up to Php200,000 amount of payout.



### NARVACAN (ILOCOS SUR) INAUGURATION & BLESSING OF NEW PREMISES

Rang-ay Bank inaugurated its newly relocated Narvacan (Ilocos Sur) Branch last August 22, 2024 at the New Farmers Market, Brgy. San Antonio, Narvacan, Ilocos Sur. The new location, strategically positioned in the heart of Narvacan, promises greater accessibility and enhanced service offerings for its clients and people of the town.

The Blessing started with prayers in front of the branch premises officiated by Rev. Msgr. Samuel Baruela of St. Catherine de Alexandria Parish. The cutting of the ceremonial ribbon was officiated by Narvacan Mayor Atty. Pablito Sanidad Sr., Vice Mayor Carlos Valera, Former Professional Regulation Commission (PRC) Board of Dentistry Chair Dr. Rose Canlas-Nisce. Among the guests



were clients of the Narvacan, Burgos, Candon and Vigan branches as well as partners from SSS Vigan, Petnet-Perahub, BenLife, Standard Insurance, Country Bankers Insurance, MCI Insurance, and Bangko Sentral ng Pilipinas (BSP) San Fernando, La Union Branch.

### LUCRUB AND BSP MEETING

Rang-ay Bank President & CEO & La Union Chamber of Rural Bankers (LUCRUB) President Ives Jesus Nisce II as well as LUCRUB members attended a meeting hosted by the Bangko Sentral ng Pilipinas (BSP) San Fernando, La Union Branch last August 13, 2024. The meeting was initiated by the new area director Dir. Madelyn Lerma Viernes.

The gathering included 11 member banks of LUCRUB and focused on BSP objectives such as Piso Caravan scheduling and briefing about know your money policies. The LUCRUB members discussed the new BSP Circulars and Memoranda. This event served as a platform for deliberation and collaborations within the rural banking sector, fostering a spirit of unity and shared purpose.



### NEW REMITTANCE SERVICES AVAILABLE

Rang-ay Bank launched its new suite of remittance products designed to make sending and receiving money across borders faster, secure, and cost-effective thru PETNET PERAHUB. The bank now offers RIA Money Transfer, Xoom, Pangea Money Transfer which are known in USA, Trangolo in UK and UAE, Al Ansari Exchange in UAE and EMQ Ltd. known globally thru Cebuana International Remittances.

Rang-ay Bank offers these new remittance and fund transfer services across all 31 of its branches located in Ilocos Norte, Abra, Ilocos Sur, La Union, Benguet, and Pangasinan. This expansion ensures that customers in these regions can now access a broad range of reliable international money transfer options close to home. With the introduction of these global partners, Rang-ay Bank reaffirms its commitment to providing accessible and high-quality financial services, making it easier for clients to manage their international transactions with confidence and ease.



### BSP PISO CARAVAN ROLLS OUT TO ALL RANG-AY BRANCHES

The Bangko Sentral ng Pilipinas (BSP) and Rang-ay Bank completed currency exchanges across all branches of Rang-ay Bank. Piso Caravan is an innovative currency exchange initiative that facilitates the replacement of unfit and mutilated bank notes and coins, ensuring the integrity of the currency in circulation. By providing a convenient platform for individuals and businesses, Piso Caravan promotes financial inclusivity and supports the overall health of the economy.

The Piso Caravan has made significant strides, having already taken place in all Rang-ay Bank branches. Each branch has managed the currency exchange activity effectively, ensuring a seamless experience for clients looking to replace unfit and mutilated banknotes and coins.





## 71ST RBAP NATIONAL CONVENTION

Rang-ay Bank participated in the 71st Annual National Convention of the Rural Bankers Association of the Philippines (RBAP) on November 12-13, 2024, at The Manila Hotel. With the theme "Rural Banks: Tayo Na sa Masiglang Pagbabangko!", the convention highlighted the important role of rural banks in driving financial growth and resilience in communities.

Rang-ay Bank congratulates Main Branch Manager Eliza Palabay and Laoag Branch Manager Joan Mae Asia for successfully completing the Specialized Training Program for Rural Banks (STPRB) Pioneer Batch. Their accomplishment reflects the bank's commitment to investing in its officers, ensuring they are equipped to deliver exceptional service and drive positive change in rural communities.

## 67TH RBAP CHARTER ANNIVERSARY SYMPOSIUM

Rang-ay Bank President Ives Jesus Nisce II participated in the 67th Rural Bankers Association of the Philippines (RBAP) Charter Anniversary Symposium held last June 4-5, 2024 at SMX Convention Center Bacolod, Negros Occidental. This year's theme: "Rural Banks: Growing Together and Stronger to a Digital and Sustainable Future" highlighted the importance of technological advancements and sustainability in the banking sector. It encourages rural banks to embrace technological advancements to improve efficiency and customer service while also adopting sustainable practices to ensure long-term resilience and environmental responsibility.



## MOBILE BANKING APP LAUNCHED

Rang-ay Bank continues to innovate and bring modern solutions to meet your banking needs with the launch of the Rang-ay Mobile Banking App. This secure and convenient app empowers you to manage your finances anytime, anywhere. Enjoy features like 24/7 account access, Instapay transfers, hassle-free bills payment via ECPay, and instant mobile load purchases, all designed with your convenience in mind.

The app ensures seamless navigation, advanced security, and up-to-date tools to simplify financial management. Check your transaction history, transfer funds between Rang-ay Bank or other banks, and save or share transaction details as images for easy record-keeping.



Take full control of your finances with ease using the Rang-ay Mobile Banking App, your ultimate partner for smarter banking. Access a complete list of billers and Instapay participants, settle bills seamlessly, or top up your mobile load instantly. With its intuitive design and advanced security, this app brings modern banking to your fingertips. Download the Rang-ay Mobile Banking App today and discover the future of hassle-free financial management!

## PARTNERSHIP WITH ACPC TO SUPPORT FARMERS

Rang-ay Bank partnered with the Agricultural Credit Policy Council (ACPC) to strengthen its commitment to empowering Filipino farmers, fisherfolk, and agripreneurs. With this partnership, Rang-ay Bank reaffirms its dedication to rural development and inclusive economic progress. The partnership signing was held on December 2, 2024 at the Rang-ay Bank Conference Room.



Under this partnership, Rang-ay offers two loan programs for specific beneficiaries. The Young Agripreneurs Loan Program supports individuals aged 18 to 30 years, providing financing for start-ups or existing agribusiness projects of young agripreneurs and agri-fishery graduates. Meanwhile, the Agri-Negosyo Loan Program caters to registered agri-fishery-based micro and small enterprises, individual small farmers and fisherfolk, and their organizations. These programs aim to boost productivity, profitability, and efficiency in the agricultural sector by funding working capital and asset acquisition.



### ▶▶ PAMMADAYAW AWARD FOR BANK CO-FOUNDER

The Municipality of Luna, La Union, recently honored former Mayor Teofilo Nisce with the prestigious Pammadayaw Award for his exceptional leadership, dedication, and significant contributions to the community. Presented during a ceremony on November 27, 2024, at the Luna Sports Center, the award highlights the late Mayor Nisce's achievements during his tenure as Municipal Mayor from 1945 to 1946. A resolution by the Sangguniang Bayan (Resolution No. 332, Series of 2024) commended his exemplary governance, emphasizing the impact of his meaningful programs and projects that continue to inspire future leaders to prioritize accountability and public welfare.

Don Teofilo Nisce, is one of the cofounders of Rang-ay Bank, having served as the bank's Vice Chairman from its establishment in 1956 until 1973. A visionary leader, his commitment to public service left a lasting imprint on Luna's progress. As a Bannuar Awardee, his contributions reflect a deep and lasting commitment to uplifting the community and bringing distinction to Luna.



### ▶▶ BETHANY HOSPITAL HONORS BANK CO-FOUNDER

At its 100th Anniversary celebration last May 11, 2024, Bethany Hospital honored Dr. Antonio Querol, one of the founders of Rang-ay Bank and La Union's pioneer public health doctor. Dr. Querol's contributions to the medical field and community health were recognized as a cornerstone of Bethany Hospital's century-long commitment to healthcare excellence. His legacy continues to inspire the hospital's mission to provide compassionate and innovative medical care to the people of La Union.

The celebration was a memorable occasion, highlighting its commitment to excellent healthcare and honoring contributors to its success. Dr. Antonio Querol, a cofounder of Rang-ay Bank and La Union's pioneering public health doctor, was specially recognized. His life and work continue to inspire, emphasizing the essential link between healthcare and community well-being.



### EMPLOYEE ENGAGEMENT

#### ▶▶ SUMMER OUTING 2024



Rang-ay Bank Officers and Staff, with enthusiasm and camaraderie, conduct a well planned summer outing filled with exciting activities, fostering team spirit and strengthening bonds among colleagues, thereby promoting a vibrant and dynamic work culture within the organization.

Central Branches and Head Office Units composed of five (5) branches and sixteen (16) Head Office Units went to PUGAD Adventure in Pugo, La Union last April 09, 2024. The day began with exploring the expanse of the adventure park, where employees engaged in various team-building activities and swimming while enjoying the serene surroundings. Employees from the South Branches, including ten (10) branches from La Union and four (4) branches from Benguet and Pangasinan, gathered at the Silver Concha Resort in Pangasinan on the same day last April 09, 2024. The day commenced with a hearty meal, followed by everyone enjoying a refreshing swim in the resort's pools. It was a day filled with relaxation and camaraderie, bringing together colleagues from different locations. On April 13th and 14th, 2024, the North Branches, which include three (3) branches from Ilocos Norte, nine (9) from Ilocos Sur, and the Bangued branch, gathered at Coral Gate Beach Resort in Santiago, Ilocos Sur. The event kicked off with team-building activities that fostered camaraderie and cooperation among participants. The day continued with an engaging program where attendees showcased their musical talents by playing various instruments.



### ➤ RANG-AY YOUTH VOLLEYBALL

In celebration of International Youth Day 2024, Rang-ay Bank proudly sponsored a team in a Volleyball League, a two-day event that brought together young athletes from across the city. Held last August 12-13, 2024, the league showcased the talents and sportsmanship of the youth, promoting physical fitness and teamwork. The event, which was a resounding success, underscores Rang-ay Bank's commitment to supporting youth development and community engagement, fostering a spirit of camaraderie and healthy competition among the participants.



### ➤ 1ST SEMESTER 2024 RECOGNITION PROGRAMME

The Performing Rang-ay Bankers of the 1st Semester of 2024 were awarded plaques, certificates and cash incentives.

Narvacan Cluster composed of Narvacan & Burgos Branches was awarded as the over-all outstanding cluster. The cluster is led by Senior Branch Manager Abigail Aragoza, & Branch Manager Grace Cayan. Best performing Head Office Department was Treasury & Remittance Department led by Treasury Manager Ma. Luzviminda Mendoza, and Treasury Remittance Officer Melizza Joyce Santos. Best in reduction of non-performing assets (NPA) as to amount is Narvacan (Ilocos Sur) Branch led by Senior Branch Manager Abigail Aragoza and (NPA) as to percentage is Bangued (Abra) Branch led by Senior Branch Manager Brenda France Gonzales. Best in CASA is Balaoan cluster (Balaoan, Bangar, Luna, & Bacnotan Branches) led by Senior Branch Manager Eden Prime Balongcas, Branch Managers Rochelle Nayal, Shari Karen Torralba, & Charmaigne Ordillo.



### ➤ 41 YEARS OF DEDICATION AT RANG-AY BANK

The Board of Directors and top management of Rang-ay Bank honored outgoing VP for Credit & Remedial Management, Winnie Mingaracal, on her retirement after 41 years of exemplary service. A cornerstone of the bank, Winnie's unwavering loyalty, deep connections with colleagues and clients, and significant contributions have left an enduring legacy. Her dedication and resilience are a true inspiration, reflecting the power of commitment in both career and life. Rang-ay Bank extends heartfelt gratitude and best wishes as she embarks on her well-deserved retirement.



### ➤ DENIM AND DIAMONDS CHRISTMAS

Rang-ay Bank's Annual Christmas Celebration took place last December 14, 2024, at Hotel Ariana in Paringao, Bauang, La Union. This tradition embodies the bank's commitment to fostering unity and a supportive work environment.

The evening began with a Mass officiated by Rev. Fr. Alfonso Lacsamana, followed by Chairman Ives Nisce's inspiring Christmas message. Teams from San Fernando, Main Branch (LU), Agoo Cluster (LU), and Bangued Branch (Abra) performed dynamic dance routines, adding festive energy to the event. Bankers from across Ilocos Norte, Ilocos Sur, Abra, La Union, Benguet, and Pangasinan shared heartfelt holiday greetings. Exciting games and interactive activities brought laughter and camaraderie to the celebration, creating memorable moments for everyone. A highlight of the night was the raffle draw featuring prizes such as home appliances, Rang-ay merchandise and noche buena packages, spreading joy among attendees.

The event was also a time for reflection and thanksgiving, providing an opportunity for the Rang-ay family to celebrate the year's achievements and strengthen bonds. Beyond festivities, it reinforced Rang-ay Bank's core values of unity, gratitude, and community, leaving everyone with cherished memories and renewed motivation for the year ahead.



### ➤ SERVICE ACHIEVEMENT AWARDEES

The bank proudly honors its dedicated and loyal officers whose unwavering commitment has been instrumental to Rang-ay Bank's success! Their outstanding service and excellence have set a benchmark and inspired us all. Congratulations to the recipients of the Service Achievement Awards – a true testament to your hard work and dedication. Milestone awards and gifts were given to Rang-ay Bankers celebrating their 5th, 10th, & 15th year with the bank. Marking their 5th-year milestone, are Juanito Giron Jr. & Joel Corpuz of Balaoan Branch, Benjie Sabado of Candon Branch, Wella Ancheta of Sinait Branch, Romie Juan of Burgos Branch, Cheryl Caluza of Agoo Branch, James Joeffrey Borje of Narvacan Branch, Monica Flores of Naguilian Branch, Jonas Johse Sales of Vigan Branch and Melizza Joyce Santos of Treasury Remittance Unit.

Celebrating their 10th-year milestone are, Shane Aspuria of Compliance Department, Marife Galima of Candon Branch, Joenalyn Battad of Dingras Branch, Shari Karen Torralba of Luna Branch, Maritess Dela Cruz of Sinait Branch and Enolie Tulan of Bangued. Additionally, observing their 15th-year anniversary are Rolly Ballido of Bangued Branch and Butch Ann De Guzman of Office of the Chairman.





## INTERACTING WITH THE COMMUNITY

## GOITER AWARENESS

In line with the Philippine College of Endocrinology Diabetes and Metabolism (PCEDM) Goiter Awareness Week 2024 celebration, Rang-ay Bank Director Dr. Ivy Rose Nisce-Martinez gave a lay lecture January 26, 2024 (Friday) to barangay health workers in Quirino, Bacnotan (LU) and nearby barangays. Much gratitude to the barangay council for the warm welcome and BHWs for the engaging discussion. Rang-ay Bank was more than happy to support this worthwhile health initiative on goiter awareness.



## BANKERS JOINS ZUMBA TO END POLIO

In a vibrant display of community engagement and support for a vital cause, eleven officers and staff from Rang-ay Bank joined forces with the Rotary Club of San Fernando City North for a lively Zumba event aimed at ending polio. The event, held against the scenic backdrop of Baywalk Poro Point in the City of San Fernando, La Union, brought together individuals from diverse backgrounds with a shared commitment to eradicate polio once and for all.



Bankers joined forces with the RC San Fernando City North, they reinforced their dedication to supporting initiatives that promote health, well-being, and sustainable development.

## ROTARY PDG RUDY NISCE FOUNDATION SPONSORS SPARKS OF SKILL

Sparks Of Skill, a four-week training program for welders sponsored by the Rotary PDG Rudy Nisce Foundation and Rotary Club of San Fernando (LU) at TESDA Regional Office I, San Fernando City La Union was launched June 18, 2024.

The Foundation, established by the Rotary Club of SFLU, is named after the very first Rotary District Governor (1966-67) hailing from the Ilocos. Rang-ay Bank is a major supporter of the foundation named after the bank's first president, Atty. Rodolfo Nisce, who served the bank from 1956 to 1993.

The Foundation together with the Rotary Club and TESDA held the "Sparks of Skill" graduation ceremonies at TESDA Regional Office in San Fernando City, La Union. Over the course of four challenging weeks, 18 trainees (out of an initial batch of 26) successfully completed their program, passed the assessment test, and earned their Shielded Metal Arc Welding National Certification I (NC I). This certification equips them with the skills and qualifications needed to secure employment, whether locally or internationally and offers the potential for further training for NC II.



## DIABETES AWARENESS



As part of the nationwide observance of Diabetes Awareness Week 2024 led by the Philippine College of Endocrinology, Diabetes and Metabolism (PCEDM), Rang-ay Bank proudly took part in raising awareness about diabetes and promoting healthier communities.

On July 28, 2024, Rang-ay Bank Director and endocrinologist, Dr. Ivy Rose Nisce-Martinez, delivered a highly informative lecture on diabetes at the Barangay Hall of Poblacion, Bacnotan, La Union. The event brought together barangay health workers (BHWs) and diabetes patients from Poblacion and neighboring barangays for a meaningful and educational session focused on understanding diabetes, its prevention, and effective management. The lecture served as a valuable platform for increasing public awareness, empowering patients, and strengthening the knowledge and capacity of local health workers in addressing one of the country's most prevalent chronic conditions. Dr. Nisce-Martinez emphasized the importance of early detection, proper nutrition, regular exercise, and adherence to treatment plans to help manage diabetes and prevent complications.

Rang-ay Bank extends its heartfelt appreciation to the Barangay Council of Poblacion for their warm hospitality and to the barangay health workers for their enthusiastic participation and insightful questions throughout the session. This initiative is a testament to Rang-ay Bank's commitment not only to financial inclusion but also to the health and well-being of the communities it serves.

## RANG-AY BANKERS JOIN LOCAL FESTIVALS

The Philippines is home to hundreds of festivals celebrated all year round, often rooted in religious devotion, agricultural traditions, or historical events. These festivals not only reflect the creativity and spirit of the Filipino people but also bring communities together in vibrant, meaningful celebrations. As part of its commitment to community involvement, Rang-ay Bank joined in the festivities across municipalities where its branches are located.

On February 23, 2024, the municipality of Bangued, Abra celebrated the *Dapil Festival*. The term Dapil comes from pinagdapil, the traditional process of extracting sugarcane juice to produce local products such as basi wine, vinegar and molasses. To join in the cultural celebration, the bankers of the Bangued Branch, led by Senior Branch Manager Brenda France Gonzales, participated in the grand parade and distributed giveaways and flyers to the locals and visitors.





## CHAIRMAN'S REPORT

On May 1, 2024, the town of San Juan, La Union came alive during the Danggayan Festival. Danggayan is an Ilocano term that means "unity" or "togetherness", reflecting the close-knit spirit of the San Juaneños. Officers and staff of the San Juan Branch, led by Central Marketing Officer Ealiane Joy Borja proudly took part in the grand parade and distributed flyers and tokens to the crowd.

That same day in Agoo, La Union, the town celebrated the 19th Dinengdeng Festival. Dinengdeng, also known as Abraw, is a traditional Ilocano vegetable dish usually served with grilled fish. Officers and staff of the Agoo Branch, headed by Senior Branch Manager Marichu Pasag, joined the grand civic parade and handed out flyers, newsletters, candies and giveaways to the parade-goers.



## CORPORATE SOCIAL RESPONSIBILITY

(Celebrating 69 years with Local Communities)

### FINANCIAL LITERACY FOR ELEMENTARY PUPILS

Rang-ay Bank Bangued (Abra) Branch celebrated its 16th anniversary by donating 32 inches portable speaker to the Grade 4 pupils of Bangued West Central School last January 12, 2024. The bank likewise gave each pupil a Kiddie Savers Deposit Account to start them on their journey of savings.

Area Manager Rowena Rosales, Bangued Senior Branch Manager Brenda France Gonzales, Marketing Officer Zi Dean Tagayuna together with the marketing team also conducted a Financial Literacy training to educate the pupils and their parents on the importance of savings, understand basic financial concepts, and to equip them with knowledge and skills they need to manage money effectively. School Principal expressed her gratitude in behalf of the school and the parents.



### FINANCIAL PLANNING FOR PNP PERSONNEL

Rang-ay Bank was invited to conduct a Financial Literacy training for the PNP personnel of Caba, Aringay, Bauang & Agoo all in La Union, at the Caba Municipal Police Station last January 8, 2024.

Area Manager Joey Dingle, Bacnotan Agoo Senior Branch Manager Marichu Pasag, and Marketing Officer Shakyla Atluna together with the marketing team conducted the training to give the PNP personnel a grasp of basic financial concepts and to equip them with the knowledge and skills they need to manage money effectively.



## CHAIRMAN'S REPORT

### SUPPORTING SENIOR CITIZENS

Rang-ay Bank Dagupan City (Pangasinan) Branch celebrated its 29th anniversary last March 5, 2024 at Brgy. Pogo Grande Senior Citizen Association Office by donating monoblock chairs to the senior citizens of Brgy. Pogo Grande, Dagupan City.

Area Manager Joey Dingle, Dagupan Branch Operations Carol Ocampo and Marketing Officer Shakyla Atluna also conducted a financial literacy training to more than fifty (50) senior citizens to help them grasp of basic financial concepts and to equip them with knowledge and skills they need to manage their funds more effectively.



### INSTILLING THE HABIT OF SAVING

Rang-ay Bank Vigan City (Ilocos Sur) Branch celebrated its 20th anniversary last April 12, 2024 at Camangaan Vigan Ilocos Sur by donating eight (8) pcs. of stand fan to the Grade 5 and 6 pupils of Camangaan Elementary School.

Area Manager Rowena Rosales, Vigan Senior Branch Manager Rolly Rabanal and Marketing Officer Zi Dean Tagayuna also conducted a Financial Literacy training to educate the pupils on the importance of savings, understand basic financial concepts, and to equip them with knowledge and skills they need to manage money effectively. School Principal May Arconado expressed her gratitude in behalf of the school and the parents.



### FINANCIAL LITERACY FOR FARMERS

Rang-ay Bank Sta. Lucia (Ilocos Sur) Branch celebrated its 11th anniversary last April 26, 2024 at Brgy. Ayusan Sta. Lucia, Ilocos Sur by donating thirty five (35) pcs. of printed shirts to the Raniag Sta. Lucia Federated Corn Growers Association Incorporated.

Area Manager Dennis O. Dosono, Candon Senior Branch Manager Jane Castillo and Marketing Officer Zi Dean Tagayuna also conducted a Financial Literacy to help them grasp basic financial concepts and to equip them with knowledge and skills they need to manage their funds more effectively.



### NATIONAL CRIME PREVENTION WEEK

Rang-ay Bank President & CEO Ives Jesus Nisce II took part in the 30th National Crime Prevention Week celebration on September 2, 2024, held at the PRO-1 Auditorium in San Fernando City, La Union. This year's theme is "Kabataan Tara na, sa Crime Prevention Kaisa Ka!" emphasizes the importance of youth empowerment in crime prevention. As part of the launch, participants signed the commitment pledge, signifying their commitment to working together to reduce crime. The event marked the beginning of a week-long series of activities aimed at raising awareness and promoting crime prevention initiatives in the Ilocos region.





## FINANCIAL LITERACY FOR TEACHERS AND STUDENTS

Area Manager Dennis Dosono, Bangui Branch Manager Dolores Jaramilla Jandoc, Marketing Officer Zi Dean Tagayuna, and Marketing Team conducted a Financial Literacy training to educate the teachers and students of Lanao National High School, Bangui, Ilocos Norte on the importance of savings, understand basic financial concepts, and to equip them with knowledge and skills they need to manage money effectively. School Principal Jerome Boado expressed his gratitude in behalf of the school and the parents for the training and the donation of an industrial stand fan for use of the students.



This initiative aimed to help participants understand essential financial concepts, provide them with tools to manage their finances effectively, and introduce them to the range of services available at Rang-ay Bank.

## CONCLUSION

The year 2024 has been a year of progress, resilience, and innovation for Rang-ay Bank. We have strengthened our financial position, enhanced our customer experience, and continued to embrace digital transformation. Our strong governance and strategic direction have positioned us for long-term success. Our strategic initiatives have reinforced our position as a trusted banking partner.

We navigated a complex and evolving financial landscape with discipline, agility, and foresight. Through strategic investments in technology, talent, and sustainability, Rang-ay Bank continues to build a future-ready institution — one that is prepared not only to withstand uncertainty, but to thrive in it. Our financial performance remains solid, our governance principles strong, and our culture deeply rooted in service, responsibility, and innovation.

None of this would have been possible without the dedication of our employees, the loyalty of our customers, the trust of our shareholders, and the support of our regulators and community partners. To each of you, I extend my deepest appreciation. Your confidence in us continues to be the foundation of our progress.

Looking ahead, we are not just preparing for another financial year — we are approaching a significant milestone in our history. In 2026, Rang-ay Bank will celebrate its 70th anniversary. This is far more than a numerical achievement; it is a moment to reflect on our journey, honor those who shaped our legacy, and chart a bold course for the decades to come.

As we move toward this celebration, we remain committed to the principles that have guided us for nearly seven decades — integrity, trust, innovation, and service. We do so with a renewed sense of purpose and a clear vision for a sustainable, inclusive, and digitally empowered future.

On behalf of the Board, I thank our employees, clients, and stakeholders for their unwavering trust. Together, let us continue to build on our proud history and create lasting impact for generations to come.

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.

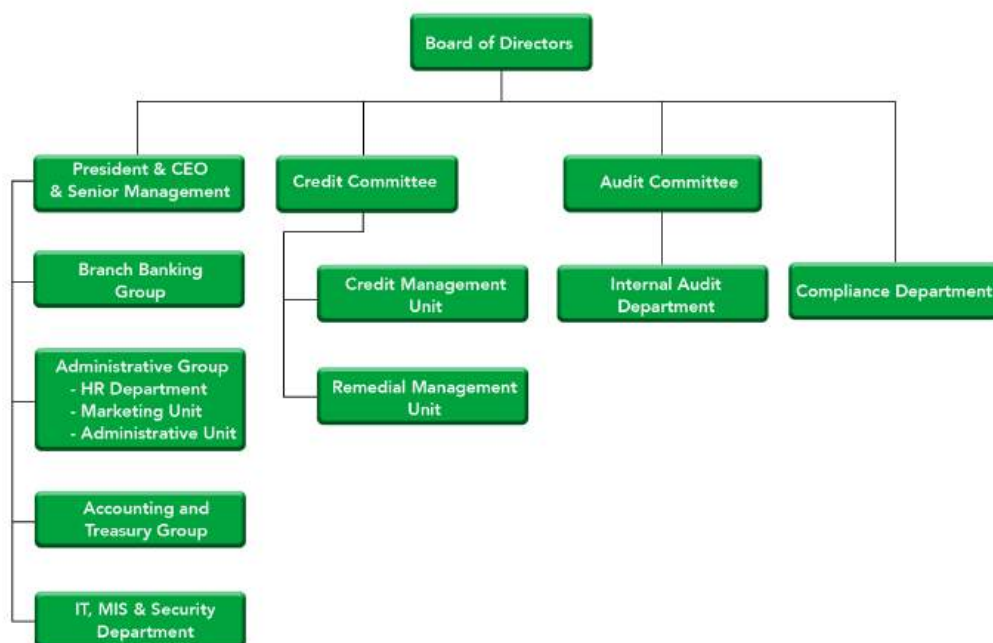


Risk	Description	Department/Unit	Risk Champion
1. Credit Production and Credit Processes	Credit Risk is managed by having clearly defined credit and collection process and procedures. Loan operations are largely traditional with a majority of the bank's loan portfolio covered by mortgages. Most of the bank's loan programs are secured by real estate mortgage. Real estate is unique and always appreciates. This ensures 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>► Management Information System Unit</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>Vice President for IT &amp; Security</p> <p>Marketing/ FCPAM 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 and the Board of Directors

	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>Financial Consumer Protection Assistance Mechanism (FCPAM) 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, multifactorial, the departments or units primarily tasked with monitoring particular risk areas area stated in the next page:

Liquidity Risk	→ Treasury Unit
Credit Risk	→ Credit Management Unit and Remedial Management Unit
Operational Risk	→ Human Resource Department, Accounting Department, Information Technology & MIS Department
Compliance Risk	→ Compliance Department
Reputational Risk	→ Marketing Unit, Human Resources, Business Units
Business Continuity	→ IT, MIS, Security & Accounting Departments
Information Technology Risk	→ Information Technology Department
Human Resource Risk	→ Human Resources Department

Secondary responsibility of monitoring risks are delegated separately. For example, while cash management is a Liquidity Risk, the BSP or other government regulators may mandate or require minimum cash holdings. Compliance Department 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 designated 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 and Terrorist Financing Prevention Program (MTPP) is embodied in the Anti-Money Laundering Manual, Eleventh Edition approved under Board Resolution No. 128 dated September 22, 2023. The AMLA Manual was subsequently enhanced to consider the uniform and consistent adoption of approved risk profiling methodology as presented in Compliance Memo No. 04-2024: Revised AMLA Risk Rating Scorecard issued August 9, 2024.

To further strengthen the MTPP, the bank regularly holds trainings and seminars to ensure that each and every employee is aware of Money Laundering and ways to prevent it. The Compliance Department conducts briefing on AMLA rules and regulations to all new hires before their deployment to their assigned branch or Head Office Department aside from them attending formal 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 2024.



DATE	SEMINAR/ORIENTATION	CONDUCTED BY	ATTENDEES
April 25, 2024	Anti-Money Laundering Training	PETNET Training Center	3
April 27, 2024	AML Seminar for New Hires	Rang-ay Bank Compliance Department	31
July 25, 2024	Anti-Money Laundering Seminar	PETNet Training Center	21
August 31, 2024	AML Seminar for New Hires	Rang-ay Bank Compliance Department	24
December 5, 2024	Training on AMLA: Rules and Regulations and Risk Rating System	Rural Bankers Research and Development Foundation, Inc.	3

To ensure that all rules and regulations with regards to AMLA are complied with, relevant information to update the employees on AMLA and other compliance matters are cascaded through memoranda and discussed in weekly Management Team Meetings. Discussions are documented in the minutes of each meeting as emphasized in the 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 2024.

COMPLIANCE MEMO	DESCRIPTION	DATE
001-2024	2024 Risk Ranking	January 2, 2024
002-2024	Guidelines on Acceptable Identification Cards and Certifications	March 22, 2024
003-2024	Guidelines for the Implementation of Proper KYC for Foreign National Clients	June 10, 2024
004-2024	Revised AMLA Risk Rating Scorecard	August 9, 2024
005-2025	Guidelines on the Conduct of Screening of Clients against Sanctions	August 9, 2024

To improve and effectively monitor the MTPP, 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 MTPP 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 examined 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 and reported to AMLC.
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/STRs.
7. Regular update of the Watchlist Database to ensure onboarding clients are properly screened.
8. The roles of the Internal Audit Department and the Compliance Department are complementary in the MTPP. Internal Audit reports are reviewed by the Compliance Officer whose observations/suggestions are taken up in the Board Audit Committee meetings.

The AMLA Manual Eleventh Edition was approved by the Board of Directors under Board Resolution No. 128 dated September 22, 2023.

## 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 Vice-Presidents, 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: 2,197,135 (29.1107%)  
Preferred: 52,460 (35.1124%)

**Board Committee:** Chairman of the Board of Directors

**Current Positions:** Chairman of Eco-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 Employers' Sector

**Age & Nationality:** 71 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 of the Credit Committee

**Past Positions:** Rang-ay Bank Consultant Finance (2013-2019), 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-HO of Rang-ay Bank (1988-1993), Cashier/Operations Officer of Rang-ay Bank Tubao Branch (1983-1988), Rang-ay Bank Internal Auditor (1980-1982), Rang-ay Bank Accounting Clerk (1977-1979), Rang-ay Bank Teller (January 1976-December 1976), Drafts and Deposit Check of Rang-ay Bank (1974-1975), Part Time Instructor of Saint Louis College (January 1978-December 1978) and Underwriter of Insular Life Insurance Company (January 1974-December 1974).

**Age & Nationality:** 73 years old, Filipino



**MARLYN M. UBALDO**  
Director (Independent)

**Board Position:** Independent Director since May 4, 2024

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

**Board Committee:** Chairman of the Audit Committee

**Past Positions:** Rang-ay Bank Vice President for Accounting-Admin (March 1, 2015 - December 31, 2019), Chief Compliance Officer (May 1, 2014 - February 1, 2015), Senior Manager-Finance Group (January 1, 2013 - June 1, 2013), Senior Manager-Admin Group (October 10, 2010 - December 1, 2012) and Chief Accountant (January 1, 1999 - September 1, 2010)

**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

**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), Chief Compliance Officer (March 2015- September 2017) and Audit Consultant (2018-2019) of Rang-ay Bank.

**Age & Nationality:** 75 years old; Filipino





**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 (PSEDM). Treasurer of the Philippine College of Endocrinology Diabetes and Metabolism (PCEDM) North Luzon Chapter. Director of Niscan Development Corporation and Nisce Northern Ventures Inc.

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

**Age & Nationality:** 44 years old, Filipino



**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, President of La Union Chamber of Rural Banks, Director of Niscan Development Corporation, Treasurer of Chamber of Real Estate Builders Associations (CREBA), Treasurer of Rotary Club of San Fernando North, Member of Real State Broker Association of the Philippines - La Union Chapter, Licensed Real Estate Appraiser (PRC License No. 0007104) & Licensed Real Estate Broker (PRC License No. 0025366)

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

**Age & Nationality:** 42 years old, Filipino



**Board Position:** Non-Executive Director since 1994

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

**Board Committee:** Member of the 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.

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

**Age & Nationality:** 78 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 make a recommendation 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

### 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
MARLYN UBALDO*	Chair
JOSE Z. OSIAS	Member
IVY ROSE N. MARTINEZ	Member

\*(Elected: May 04, 2024)

### BOARD & COMMITTEE ATTENDANCE

For the One (1) Year Period: January 01, 2024 to December 31, 2024

NAME OF DIRECTORS	NUMBER OF BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		CREDIT COMMITTEE MEETINGS	
	ATTENDED	%	ATTENDED	%	ATTENDED	%
IVES Q. NISCE	13	100.00%				
LETICIA O. ASENCI	13	100.00%			48	100.00%
FLORA M. IGNACIO	13	100.00%			48	100.00%
IVY ROSE N. MARTINEZ	12	92.30%	10	83.30%		
IVES JESUS C. NISCE II	13	100.00%			48	100.00%
JOSE Z. OSIAS	9	69.23%	5	41.67%		
MARLYN M. UBALDO	9*	100.00%	8*	100.00%		
<b>Total Number of Meetings Held During the Year</b>	<b>13</b>		<b>12</b>		<b>48</b>	



\* Elected: May 04, 2024



## CONTINUING EDUCATION PROGRAM FOR DIRECTORS




BOARD OF DIRECTORS		MOST RECENT RELEVANT SEMINARS ATTENDED
<b>IVES Q. NISCE</b>	Chairman of the Board Filipino, 71 years old Bachelor of Arts - Economics Management Development Program	Eco-Innovation of Japanese SMEs (ITI & NEDA) DOLE/NNPC Seminar on Living Wage Concept Performance Governance System (PGS) Institutionalization Basic Course in Labor Economics Regional Wage Board Onboarding Advanced Corporate Governance Course Corporate Governance and Risk Management
<b>LETICIA O. ASENCI</b>	Director (Non-Executive) Filipino, 73 years old B.S. Commerce/Banking & Finance	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
<b>FLORA M. IGNACIO</b>	Director (Non-Executive) Filipino, 75 years old B.S. in Business Administration Certified Public Accountant Master in Business Administration	Basic Corporate Governance for Bank Directors & Officers Strengthening Internal Controls in Rural Banks AML/A Refresher Corporate Governance and Risk Management Corporate Governance and Credit Risk Management for Microfinance Institutions COVID-19 Impact on Internal Audit
<b>IVY ROSE N. MARTINEZ</b>	Director (Non-Executive) Filipino, 44 years old B.S. Biology Doctor of Medicine	Risk-Based Internal Audit Conducting Internal Audit Engagements Basic Corporate Governance for Bank Directors and Officers Strengthening Internal Controls in Rural Banks AML/A Refresher
<b>IVES JESUS C. NISCE II</b>	Director (President & CEO) Filipino, 42 years old Bachelor of Arts - Social Sciences Diploma Course in Banking	Basic Corporate Governance for Bank Directors and Officers RBAP's 67th Charter Anniversary Symposium RBAP's 71st Annual Convention & General Membership Meeting Updated on MSME Lending: Road to Inclusive Recovery and Growth How Fintech is Shaping the Future of Banking Exploring the FST Law: How it impacts the bank's management of Non-Performing Assets
<b>JOSE Z. OSIAS</b>	Director (Non-Executive) Filipino, 78 years old Bachelor of Arts - Economics Master in Business Management	Introduction to IT Auditing Corporate Governance and Risk Management Advanced Corporate Governance Course AML/A Refresher Customer Service Excellence: Championing the Bank's Clients
<b>MARLYN M. UBALDO</b>	Director (Independent) Filipino, 66 years old B.S. Commerce-Accounting	Basic Corporate Governance for Bank Directors & Officers ORM Oversight and Risk Control and Self Assessment Process Internal Audit Workshop The 14th Philippine Tax Summit: Everything New on the Tax Menu Closing the Taxable Year - A Comprehensive Seminar on Year-End Tax Requirements and Reconciliation Procedures and How to Survive Bureau of Internal Revenue (BIR) Audit Briefing on Top Withholding Agents and New Revenue Issuances and Tax Updates

## SENIOR MANAGEMENT

SENIOR MANAGEMENT	CONTINUING EDUCATION PROGRAM (Most Recent Relevant Seminars Attended)
 <b>FRANCIS MICHAEL A. DE LOS SANTOS</b> VP for IT & Security Filipino, 51 years old B.S. Computer Science Bachelor of Laws	Unsafe or Unsound Banking in Relation to Bank Failure Institutional Risk Management Circular No. 1158 on the Guidelines on Recovery Plan of Banks Safeguarding Financial Institutions with GenAI Cybersecurity Governance, Risk and Compliance Cloud Privacy - Securing Data on Public Cloud
 <b>ROWENA L. ROSALES</b> VP for Remedial & Credit Management Filipino, 48 years old B.S. Accounting	Accessing Entity Walkthrough Loan Administration and Operations PCIC (Philippine Crop Insurance Corp.) Re-Training How to Reply to BSP Report of Examination Agriculture and Fisheries Finance Policy Forum 2024 CreditInfo 101: Understanding the Importance of Credit Information
 <b>DENNIS O. DOSONO</b> Area Manager, North Branches Filipino, 50 years old B.S. in Commerce	30 Effective Techniques to Improve Sales and Marketing Training on Understanding Land Titles and Mortgage Rules Accounting or Non-Accountants "Understanding the language of Business" Loan Refresher Course Re-Training on Loan Computation Sales and Marketing Seminar Technique Briefing on the First Philippine Banknote Anti-Money Laundering Act (AMLA)



## SENIOR MANAGEMENT

SENIOR MANAGEMENT	CONTINUING EDUCATION PROGRAM (Most Recent Relevant Seminars Attended)
 <b>JOEY B. DINGLE</b> Area Manager, South Branches Filipino, 40 years old B.S Hotel & Restaurant Management	Training on Understanding Land Titles and Mortgage Rules Advance Income Approach to Value 30 Effective Techniques to Improve Sales and Marketing Competitive Risk Based Pricing and Loan Restructuring Seminar Philippine Identification System Information, Education and Communication Campaign Regional Roadshow Phil-Guarantee Re-Orientation BSP's Regional Training on Anti-Money Laundering, Countering Terrorism and Proliferation Financing (AMLCTPF) Training Performance Management, Catalytic Coaching and Competencies Training Sales and Marketing Seminar Empowering and Inspiring Millennials: Strategies for Effective Workplace Engagement Strategic Risk and Strategic Risk Management System
 <b>JANET B. ZAMORANOS</b> Senior Audit Manager/Concurrent Chief Compliance Officer Filipino, 50 years old B.S. Accountancy	Circular No. 1158 on the Guidelines on Recovery Plan for Banks Sales and Marketing Seminar RBAP's 2nd Annual Convention of the Compliance Officers (CO's) and Internal Auditors (IA's) Strategic Risk and Strategic Risk Management System AFASA's Radical Impact on Financial Transaction (Anti Financial Account Scamming Act R.A. 12010) Compliance Officers and Internal Auditors (COI): 3rd Annual Convention Fire Drill Seminar
 <b>MELANIE O. DE LOS SANTOS</b> Senior Manager, People and Org. Filipino, 50 years old B.S in Commerce - Banking & Finance	Alphalist Data Entry and Validation v7.0 Employers Briefing on Issuance of TIN for Employees Using ORUS (Online Registration & Update System) Submission of BIR Form 2316 & Other Tax Updates Walk-Through Session: Generic Manuals-Hr Resource and Disaster Management & Business Continuity Corporate Secretary as Corporate Governance Professional Training Webinar Rethinking Employee Benefits: A Refresher on Employment Taxes

## 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:

### A. HEAD OFFICE:

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>

### B. BRANCH

Factors	Officers	Rank & File
a. Job Knowledge	25%	20%
b. Disciplinary Record	15%	20%
c. Work Attitude	10%	15%
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

### RANG-AY BANK CONDUCTS LOANS & DEPOSIT REFRESHER COURSES

Rang-ay Bank recently conducted two separate refresher courses aimed at enhancing the knowledge and skills of its officers and staff. The Deposit Refresher Course focused on deposit procedures, AMLA compliance, PDIC coverage, and the bank's various deposit products. Proper handling and management of deposits are essential for maintaining trust, compliance, and efficient banking services. This session was attended by 51 officers and staff from various branches.

The Loans Refresher Course aimed to reinforce participants' understanding of the bank's diverse loan offerings, loan application processes, credit evaluation, and compliance requirements. The training also covered best practices for providing excellent customer service and maintaining effective loan management. A total of 66 officers and staff participated in this session, further reflecting Rang-ay Bank's dedication to continuous learning and service improvement.



### RANG-AY BANK CONDUCTS AMLA COMPLIANCE SEMINARS FOR NEW HIREES

The Anti-Money Laundering Act (AMLA) is a vital legislation aimed at combating money laundering and terrorism financing by requiring financial institutions to implement stringent customer identification, monitoring, and reporting systems. Ensuring compliance with AMLA protects the integrity of the financial system, helping banks maintain resilience against illegal activities and uphold credibility and trustworthiness.

Rang-ay Bank conducted AMLA Compliance Seminars for its new hirees, with a total of 55 participants from various branches across Batch 1 (April 2024) and Batch 2 (August 2024). The sessions focused on enhancing participants' understanding of AMLA requirements, including customer due diligence, record-keeping, reporting of suspicious transactions, and establishing effective internal controls. This initiative reflects Rang-ay Bank's dedication to maintaining high compliance standards and safeguarding the institution from financial crimes.



### ACHIEVEMENT OF MANAGERS IN SPECIALIZED TRAINING PROGRAM

Rang-ay Bank congratulates Main Branch Manager Eliza Palabay and Laoag Branch Manager Joan Mae Asia for successfully completing the newly launched Specialized Training Program for Rural Banks (STPRB) as Pioneer Batch participants. Their dedication and excellence in this intensive program demonstrate their commitment to continuous learning and professional growth.

This accomplishment reflects Rang-ay Bank's dedication to investing in its officers, ensuring they are equipped to deliver exceptional service, enhance operational efficiency, and drive positive change in rural communities. By empowering its leaders through specialized training, Rang-ay Bank strengthens its capacity to provide innovative solutions and contribute to the financial well-being of its clients.



### 2025 STRATEGIC PLANNING WORKSHOP AND TEAM BUILDING

This exercise reflects Rang-ay Bank's dedication to investing in its officers, ensuring they are equipped to deliver exceptional service, enhance operational efficiency, and drive positive change in rural communities. By empowering its leaders through specialized training, Rang-ay Bank strengthens its capacity to provide innovative solutions and contribute to the financial well-being of its clients.

Rang-ay Bank's leadership team convened at Minoah's Private Resort in Bauang, La Union, for Day 1 of its Strategic Planning Workshop last October 27, 2024. Day 2 was conducted on November 17, 2024, at Venus Parkview Hotel in Baguio City. These sessions laid out the bank's vision and goals for 2025 and beyond. With a focus on enhancing client experiences, expanding digital solutions, and strengthening community ties, bank officers engaged in forward-thinking discussions inspired by the scenic settings. Rang-ay Bank is excited to bring these strategies to life, paving the way for impactful growth and service in the year ahead.



#### SCHEDULE OF SEMINARS/WEBINARS & TRAININGS:

		No. of Seminars/ Trainings	No. of Officers Attended	No. of Employees Attended	Total
I.	Seminars/Trainings (In-house)	13	173	290	463
II.	Seminars/Trainings outside La Union (Face-to-Face)	47	72	12	84
III.	Conducted by Other Agencies through Webinars	71	134	35	169
	<b>TOTAL</b>	<b>131</b>	<b>379</b>	<b>337</b>	<b>716</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

- a. The normal retirement date of an employee shall be the first day of the month coincident with or next following his/her sixtieth (60th) birthday provided he has served the bank for at least five (5) years of credited service.
- b. The normal retirement benefit shall be a sum equal to 100% of the employees' salary for every year of credited service.

#### II. Early Retirement

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

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

#### III. Late Retirement

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

#### IV. Disability Benefit

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

Years of Service	Percentage
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 and committee meetings.

### b. Executive(s)

An Executive Director of the bank receives compensation in the form of salaries, allowances & bonuses and 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 evaluation.

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

		TOWNS		CITIES / BIG TOWNS		BIG CITIES	
		Bangui, Dingras, Sinit, Magsingal, Burgos, Sta. Lucia, Sta. Cruz, Tagudin, Bangar, Luna, Aringay, Tubao, Caba, San Juan		Bangued, Narvacan, Candon, Balaoan, Bacnotan, Agoo, Rosario, La Trinidad, Rosales, Nagnailan		Laoag, Vigan, Baguio, Dagupan, San Fernando City	
JOB LEVEL		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Officer 5	P					80,000.00	++++
Officer 4	P					32,500.00	++++
Officer 3	P			24,000.00	40,000.00	27,500.00	45,000.00
Officer 2		20,000.00	35,000.00	22,500.00	35,000.00	24,000.00	35,000.00
Officer 1		18,000.00	29,000.00	18,500.00	29,000.00	20,000.00	29,000.00

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

		TOWNS		CITIES / BIG TOWNS		BIG CITIES	
		Bangui, Dingras, Sinit, Magsingal, Burgos, Sta. Lucia, Sta. Cruz, Tagudin, Bangar, Luna, Aringay, Tubao, Caba, San Juan		Bangued, Narvacan, Candon, Balaoan, Bacnotan, Agoo, Rosario, La Trinidad, Rosales, Nagnailan		Laoag, Vigan, Baguio, Dagupan, San Fernando City	
JOB LEVEL		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Staff 3		16,000.00	20,000.00	17,000.00	22,000.00	18,000.00	24,000.00
Staff 2 (Upon end of contract)	A	13,500.00	20,000.00	14,500.00	20,000.00	15,500.00	20,000.00
	B	12,500.00	20,000.00	13,500.00	20,000.00	14,000.00	20,000.00
Staff 2 (Upon end of contract)	A	12,500.00	18,000.00	13,500.00	18,000.00	14,500.00	18,000.00
	B	12,000.00	18,000.00	12,500.00	18,000.00	13,500.00	18,000.00

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 given to recognize and thank the employees for their years of service, dedication and loyalty to the bank. Employees are acknowledged for their years of service and presented with gift item/s according to their length of service at an appropriate event like during the Christmas party, bank anniversary or other such event. Employees are recognized for their service at 5, 10, 15, 20, 25, 30, 35 and 40 years of service and provided with a gift package. The Peso value of the gift/s are as follows:

5 years of service	P5,000.00 worth of gift item(s) + Certificate of Recognition
10 years of service	P10,000.00 worth of gift item(s) + Plaque
15 years of service	P15,000.00 worth of gift item(s) + Plaque
20 years of service	P20,000.00 worth of gift item(s) + Plaque
25 years of service	P25,000.00 worth of gift item(s) + Plaque
30 years of service	P30,000.00 worth of gift item(s) + Plaque
35 years of service	P35,000.00 worth of gift item(s) + Plaque
40 years of service	P40,000.00 worth of gift item(s) + Plaque

Additionally, a cash incentive for exemplary performance is also given monthly/quarterly for officers and semestally 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 (RTP) 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 that bank and its related parties and guarantee proper review, approval and disclosure of transactions between Rang-ay Bank and the related party as required by the regulatory bodies.

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

The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. Loans to directors and stockholders are reviewed by the Board. These loans go through the bank's regular credit process. There are no special credit accommodations to directors or stockholders. In addition, all loans to directors and stockholders are approved by the Board and are fully secured by hard collaterals and real estate mortgage. As for loans to officers and staff, 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 FOR THE YEAR 2024

TYPE	RELATED COUNTER PARTY	RELATED COUNTER PARTY	TERM
1. Lease of Rang-ay Bank SFLU Highway Branch	Niscan Development Corp. (Lessor)	₱ 60,438.32 per month	2017-2027 (10 years)
2. Lease of Parking Lot	Niscan Development Corp. (Lessor)	₱ 9,650.00 per month	2023-2024 (1 year)
3. Lease of Rang-ay Bank Downtown Branch	Ives Q. Nisce (Lessor)	₱ 25,798.50 per month	2022-2025 (3 years)
4. Lease of bank storage space	Niscan Development Corp. (Lessee)	₱ 18,450.00 per month	2024-2026 (2 years)
5. Lease of Rang-ay Bank Agoo (LU) Branch	Niscan Development Corp. (Lessor)	With Rental Exchange Agreement	2017-2027 (10 years)
6. Lease of building space	Niscan Development Corp. (Lessee)	With Rental Exchange Agreement	2017-2027 (10 years)
7. Lease of building space	Philippine Seven Corp. (Lessee)	₱ 60,000.00 per month	2021-2026 (5 years)
8. Lease of lot	PERF Restaurant, Inc. (Lessee)	₱ 92,222.70 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), 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	26	13 months	₱ 1,144,000.00	₱ 646,630.77
	5	18 months	214,500.00	141,593.82
	14	24 months	1,126,200.00	831,252.02
	41	36 months	5,658,200.00	4,357,172.60
<b>Total</b>	<b>86</b>		<b>8,142,900.00</b>	<b>5,976,649.21</b>
Pabahay Loan Program	1	Three (3) years	₱ 222,000.00	₱ 195,514.19
	2	Five (5) years	1,401,000.00	1,008,755.34
<b>Total</b>	<b>3</b>		<b>1,623,000.00</b>	<b>1,204,269.53</b>
Motor Vehicle Loan Program	2	Three (3) years	₱ 407,400.00	₱ 98,482.99
	1	Four (4) years	279,800.00	171,671.47
	2	Five (5) years	515,100.00	294,798.75
	2	Ten (10) years	646,200.00	199,755.91
<b>Total</b>	<b>7</b>		<b>1,848,500.00</b>	<b>764,709.12</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 audit 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 audit examinations are completed. These reports frequently contain internal audit findings/exceptions/observations as well as suggestions or recommendations to further improve the bank's operational internal controls, and that responses & action plan with committed timeline are required. Internal Audit Reports are provided to the Internal Audit Committee via email prior to the scheduled monthly joint meeting of the Internal Audit Department and Audit Committee. The Internal Auditor reviews these responses and follow up strictly to ensure that the appropriate corrective actions are taken along with their committed timeline.

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. In performing its functions, the Internal Audit Department has no direct responsibility for or authority over, any of the activities reviewed. Therefore, the internal audit review and assessment 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 and nine (9) 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 four (44) auditable units: thirty (31) 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. Marlyn M. Ubaldo     | - | 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 bank'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. Oversee the financial reporting framework. The committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
7. Performs oversight functions over the corporation's Internal and External Auditors.
8. Establishes and maintains whistleblowing mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.
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;

## **DIVIDENDS POLICY**

Pursuant to Section 57 of RA No. 8791 and prescribed under the 2021 Manual Regulations of the Banks (MORB) Section 124, and BSP Circular No. 888 dated October 9, 2015, Rang-ay Bank adopts the rules and regulations governing the declaration of dividends. Rang-ay Bank complies with the requirements on the declaration of dividends as follows:

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

The dividends declared by Rang-ay Bank shall be 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 and for stock dividends, such is subject to the ratification of the stockholders during a 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:

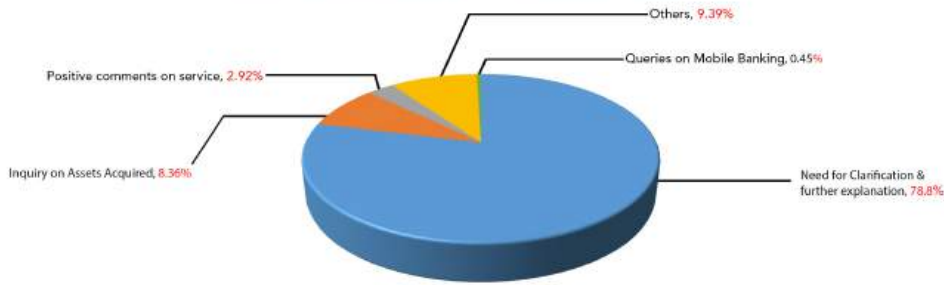
Detailed procedures of the bank's compliance and implementation of the consumer protection standard, to with;

- (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, 2024



## 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 Financial Consumer Protection Assistance Mechanism 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 Financial Consumer Protection Assistance Mechanism 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 Financial Consumer Protection Assistance Mechanism 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 Financial Consumer Protection Assistance Mechanism Group for checking, monitoring and compiling.



### 3.E-MAIL

#### 3.1 Client/Customer

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

#### 3.2 Financial Consumer Protection Assistance Mechanism Group

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

## CLIENT COMPLAINT PROCESS

When a complainant reports to Front liners of the bank about his/her concern, the receiver will then 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. FINANCIAL CONSUMER PROTECTION ASSISTANCE MECHANISM

The Board of Directors after careful evaluation approved the reorganization of the Financial Consumer Protection Assistance Mechanism in conformity with BSP Circular no.1160 Series of 2022.

The composition of the bank's Financial Consumer Protection Assistance Mechanism approved by the Board resolution no. 4 series of 2024 dated January 17, 2024 is as follows:

FCPAM Head : Area Manager Central

FCPAM Co-heads : Area Manager South

Area Manager North

Members : Branch Heads

Marketing Officer

Monitoring Team : Internal Audit

Compliance Department

FCPAM Secretariat: Marketing Unit

### D. MARKETING UNIT

The 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 FCPAM Secretariat in charge of 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, control and internal and external audit functions.



## SUSTAINABLE FINANCE FRAMEWORK

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

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

### I. INTRODUCTION

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

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

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

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

### II. ROLES AND RESPONSIBILITIES

#### A. BOARD OF DIRECTORS

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

#### B. MANAGEMENT

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

### III. SUSTAINABILITY & RISK MANAGEMENT

#### A. CREDIT MANAGEMENT

##### CREDIT POLICIES

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

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

#### ENHANCING CREDIT PROCESSES

Policies, Procedures and Processes: comprehensive guidance in E&S risk management considering all phases of the Credit Risk Management System (CRMS) Circular no. 1128 and incorporating BSP Circular 1187 on "Philippine Sustainable Finance Taxonomy Guidelines".

- ✓ 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
- ✓ The bank adopted categories of Sustainable Finance Taxonomy for economic activities into sectors based on their contribution to sustainability and uses a "Traffic Light System" which classifies activities as Green, Amber, and Red.

#### SPECIAL PROGRAMS TO FINANCE

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

#### B. SOCIAL SUSTAINABILITY

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

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



### C. ENVIRONMENTAL SUSTAINABILITY

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

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

### D. CORPORATE SOCIAL RESPONSIBILITY

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

## IV. SUSTAINABLE FINANCE TAXONOMY GUIDELINES

This credit facility is provided to support the borrower's efforts in achieving the United Nations' Sustainable Development Goals (SDGs). The loan will be utilized for a specific SDG-related project or activity, e.g., renewable energy, sustainable agriculture, or clean water infrastructure and to provide support to the borrower's sustainable activities aligned with the Sustainable Finance Taxonomy Guidelines.

The Sustainable Finance Taxonomy Guidelines (SFTG) focuses in creating a common understanding of what constitutes environmentally sustainable activities, enabling financial institutions, companies, and investors to make informed decisions and contribute to a more sustainable future.

### A. SUMMARY OF CLASSIFICATION OF ACTIVITIES

The SFTG categorizes economic activities into sectors based on their contribution to sustainability and uses a "Traffic Light System" which classifies activities as Green, Amber, and Red.

<b>GREEN</b>	The activity/project is making a substantial contribution to an Environmental Objective and meets the essential criteria of Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) Tests.
<b>AMBER</b>	The activity makes a substantial contribution to an Environmental Objective however it causes significant harm to another Environmental Objectives. Nonetheless, this harm can be remediated within 5 years or an independent verification supports a claim that remediation will take less than 10 years. It must also meet the Essential Criteria of Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) Tests.
<b>RED</b>	The activity does not serve any Environmental Objectives or meet the needed Essential Criteria.

*Note:* An activity that is categorized as "RED" may still be qualified for "unlabelled" financing, and it does not indicate that the activity is unsustainable rather it simply does not meet the higher sustainability standards outlined by the SFTG, and/or pass the Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) Tests.

**B. The Sustainable Development Goals (SDG) aim to advance sustainable development across various extent, including social, economic and environmental aspects. However, there are certain activities that are excluded or discouraged within the framework of the SDGs due to their adverse effects on sustainability and human well-being. Examples are as follows:**

- a. Child Labor/Forced Labor
- b. Usage of harmful pesticides/fertilizers that deteriorate the quality of water and soil
- c. Harmful chemical production and use
- d. Weapons Production and Trade
- e. Non-compliant Financial Services
- f. Production of Single-use Plastics
- g. Over-extraction of water resources leading to shortage
- h. Investment in fossil fuels and other non-renewable energy resources
- i. Urban Sprawl and unsustainable land use
- j. Urban development that displaces communities
- k. Overconsumption and wasteful practices that decrease resources
- l. Activities that significantly contribute to greenhouse gas emissions
  - Coal mining, Oil drilling and natural gas extraction
- m. Overfishing and destructive fishing practices
- n. Deforestation and habitat destruction
  - Illegal Logging

### C. 17 SUSTAINABLE DEVELOPMENT GOALS AND THEIR CORRESPONDING LOAN ECONOMIC ACTIVITIES:

	<b>GREEN</b>	<b>AMBER</b>	<b>RED</b>
<b>NO POVERTY</b>	<ul style="list-style-type: none"> <li>• Purchase of seeds, fertilizers &amp; equipment for existing agricultural production business</li> <li>• Vegetable Trading (Buy &amp; Sell)</li> <li>• Palay &amp; Corn Production</li> </ul>	<ul style="list-style-type: none"> <li>• Financing private lending business</li> </ul>	<ul style="list-style-type: none"> <li>• Online/Actual Gambling</li> <li>• Child labor/Forced labor</li> </ul>
<b>ZERO HUNGER</b>	<ul style="list-style-type: none"> <li>• Purchase of livestock, poultry, and/or fisheries</li> <li>• Additional capital for sari-sari store business</li> <li>• Purchase of farm inputs</li> <li>• Purchase of poultry equipment</li> <li>• Purchase of poultry trucks for delivery</li> <li>• Additional capital on eatery (carinderia) business</li> </ul>	<ul style="list-style-type: none"> <li>• Construction of poultry sheds and cages</li> <li>• Construction of Elevated Tunnel Vent Poultry Building</li> </ul>	<ul style="list-style-type: none"> <li>• Chemical-based farming practices</li> <li>• Agricultural Irrigation Technologies (High-powered pumps, dams &amp; pipelines)</li> </ul>
<b>GOOD HEALTH &amp; WELL-BEING</b>	<ul style="list-style-type: none"> <li>• Additional cash/fund to pay hospital bills</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement/ Construction of healthcare facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Production of coal/chemical plants</li> </ul>



	<ul style="list-style-type: none"> <li>• Purchase of diagnostic equipment, hospital beds, and other medical necessities</li> <li>• Purchase of Gym equipment (For Gym Business)</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement/ Construction of Gym Business</li> <li>• Production of essential medicines</li> </ul>	<ul style="list-style-type: none"> <li>• Improper disposal of pharmaceutical waste/ E-waste</li> </ul>
<b>QUALITY EDUCATION</b>	<ul style="list-style-type: none"> <li>• Educational expense (To pay miscellaneous/ tuition fees)</li> <li>• Purchase of television and/or teaching aids</li> <li>• Improvement of tools and equipment under TESDA (Program)</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement/ construction of educational building/ facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Discrimination towards LGBTQ+ students</li> <li>• Bribery in education (Involves money or non-monetary advantages)</li> <li>• Selling of unauthorized textbooks/ educational materials</li> </ul>
<b>GENDER EQUALITY</b>	<ul style="list-style-type: none"> <li>• Additional capital to finance beauty parlor business</li> </ul>	<ul style="list-style-type: none"> <li>• Construction/ Improvement of beauty parlor shop</li> </ul>	<ul style="list-style-type: none"> <li>• Harmful activities/practices to Women and LGBTQ+ Community</li> </ul>
<b>CLEAN WATER AND SANITATION</b>	<ul style="list-style-type: none"> <li>• Green Technology Financing (Solar Panels, Rainwater Harvesting System, Thermal Water Heaters, LED Lights &amp; Dual Flush Bathroom)</li> <li>• Water Refilling Station</li> </ul>	<ul style="list-style-type: none"> <li>• Construction/ Improvement of water refilling station</li> </ul>	<ul style="list-style-type: none"> <li>• Large-scale Water Projects</li> <li>• Resorts without Environmental Compliance Certificate</li> </ul>
<b>AFFORDABLE AND CLEAN ENERGY</b>	<ul style="list-style-type: none"> <li>• Financing solar/ wind panel installations</li> </ul>	<ul style="list-style-type: none"> <li>• Financing Hydropower Projects</li> </ul>	<ul style="list-style-type: none"> <li>• Extraction or Burning of fossil fuels (Oil, Gas &amp; Coal) for electricity generation</li> </ul>
<b>DECENT WORK &amp; ECONOMIC GROWTH</b>	<ul style="list-style-type: none"> <li>• Additional capital for motorcycle parts business</li> <li>• Additional capital for marketing and distribution of products (Soft drinks, Ready-to-wear clothes, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Car Trading/ Carwash and Detailing Services</li> <li>• Vulcanizing Shop/Machine Works and Automotive</li> <li>• Additional fund to purchase Trucks for Trucking Business</li> </ul>	<ul style="list-style-type: none"> <li>• Real Estate Activities without Environmental Compliance Certificate</li> <li>• Office-based Lending/Financial Business</li> </ul>
<b>INDUSTRY, INNOVATION &amp; INFRASTRUCTURE</b>	<ul style="list-style-type: none"> <li>• Financing production facilities and equipment</li> <li>• Additional capital for contractors/sub-contractors for LGU and other Government Agency/ies project</li> </ul>	<ul style="list-style-type: none"> <li>• Construction of production facilities/buildings</li> <li>• Developing/ Improving Infrastructures</li> </ul>	<ul style="list-style-type: none"> <li>• Build &amp; Sell of Houses</li> <li>• Gasoline Station without Environmental Compliance Certificate</li> </ul>

			<ul style="list-style-type: none"> <li>• Construction of Roads/Highways (In need of cutting of trees)</li> <li>• Habitat fragmentation and loss</li> </ul>
<b>REDUCED INEQUALITIES</b>	<ul style="list-style-type: none"> <li>• Additional fund to finance/start entrepreneurial ventures (Start-up capital for business)</li> </ul>	<ul style="list-style-type: none"> <li>• Construction of commercial building for rent</li> </ul>	<ul style="list-style-type: none"> <li>• Discrimination in the workplace based on age, gender, sexual orientation, migratory status and ethnic racial group</li> </ul>
<b>SUSTAINABLE CITIES &amp; COMMUNITIES</b>	<ul style="list-style-type: none"> <li>• Additional fund to purchase amenities (Accommodation business)</li> </ul>	<ul style="list-style-type: none"> <li>• Construction/ Improvement of beauty parlor shop</li> <li>• Construction/ Improvement of apartment, dormitory, transient or hotel (For long/short-term rent)</li> </ul>	<ul style="list-style-type: none"> <li>• Subdivision without Environmental Compliance Certificate</li> </ul>
<b>RESPONSIBLE CONSUMPTION &amp; PRODUCTION</b>	<ul style="list-style-type: none"> <li>• Financing Food Reform for Sustainability &amp; Health Projects (Crop rotation, Integrated pest management, Organic Fertilizers and No-till Framing)</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase of gadgets</li> </ul>	<ul style="list-style-type: none"> <li>• Fast fashion Industry</li> <li>• Improper waste disposal</li> </ul>
<b>CLIMATE ACTION</b>	<ul style="list-style-type: none"> <li>• Financing Food Production/Manufacturer that practices zero-waste management</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase of food production/ manufacturer equipment</li> <li>• Construction/ Improvement of food production facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Production or trade of woods, animals and plants including Timber and Charcoal</li> <li>• Exploration, production/ transportation of fossil fuel, fossil-fuel power generation related projects</li> </ul>
<b>LIFE BELOW WATER</b>	<ul style="list-style-type: none"> <li>• Financing sustainable fish farming</li> <li>• Financing vessel/boat maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase of Plumbing and water pumps for fish farming business</li> <li>• Fish and Shrimp Producer and Exporter</li> <li>• Purchase of fishing equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Illegal use of dynamite/destructive chemical that cause harm to aquatic resources</li> <li>• Ocean acidification</li> <li>• Fuel/Chemical Leakages</li> </ul>
<b>LIFE ON LAND</b>	<ul style="list-style-type: none"> <li>• Financing responsible forestry practices</li> <li>• Financing sustainable agricultural enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase of Cultivation Equipment for Crop Cultivating business</li> </ul>	<ul style="list-style-type: none"> <li>• Deforestation</li> <li>• Illegal Mining</li> <li>• Wildlife Poaching/Illegal Wildlife Trade</li> </ul>



<b>PEACE, JUSTICE &amp; STRONG INSTITUTIONS</b>	<ul style="list-style-type: none"> <li>• Solo practitioner law firm</li> <li>• Green Militarization (Use of military &amp; paramilitary personnel, training, technologies &amp; partnerships)</li> </ul>	<ul style="list-style-type: none"> <li>• Digitalization of Justice (Purchase of necessary tools and funding)</li> </ul>	<ul style="list-style-type: none"> <li>• Illicit finance and arms, corruption and bribery</li> <li>• Exploitation and Human Trafficking</li> </ul>
<b>PARTNERSHIPS FOR THE GOALS</b>	<ul style="list-style-type: none"> <li>• Financing Local Government Organizations' Sustainable Development Projects</li> <li>• Financial assistance &amp; partnerships with organizations/government</li> </ul>	None	None

## IV. SUSTAINABILITY & RISK MANAGEMENT

The sustainable development framework guides entities towards a fair, prosperous, and eco-friendly future worldwide. The bank commits to environmental sustainability across its operations, fostering responsible behavior among employees and minimizing environmental impact through communication and awareness. It ensures legal compliance, risk mitigation, and excellence in environmental performance through robust systems and community engagement.

### 1. NO POVERTY

Addressing poverty requires tackling its root causes like inequality and lack of access to resources. Rang-ay Bank promotes financial inclusion through affordable deposit options starting at P100, various savings, loans, and remittance services. The bank also provide financial literacy programs empowering individuals to make informed decisions and manage their finances effectively, contributing to poverty alleviation.

### 2. ZERO HUNGER

Achieving zero hunger involves sustainable agriculture, enhanced food systems, rural community empowerment, and a focus on nutrition and health rights. Rang-ay Bank advances this cause through Corporate Social Responsibility programs, supporting groups like Farmers, TODA, Public Markets, and Solo Parents. Partnering with the AGFP, the bank provides financial assistance to marginalized farmers and fisherfolk, empowering them with secured and unsecured loans for modernization, business expansion, and technological integration.

### 3. GOOD HEALTH AND WELL-BEING

During the pandemic, Rang-ay Bank supported senior citizens by distributing Vitamins and Health Kits as part of its Corporate Social Responsibility. Additionally, the bank participated in fun run activities across various municipalities and government agencies, emphasizing the importance of collective efforts in supporting worthy causes amidst adversity.

### 4. QUALITY EDUCATION

Quality education fosters active citizenship, social inclusion, and innovation, enabling individuals to contribute to their communities and adapt to a changing world. Rang-ay Bank supports schools like Brigada Eskwela, offering financial literacy programs and free Basic Deposit Accounts to empower students in making informed financial choices and saving from an early age. These initiatives not only promote financial independence but also contribute to a brighter, more equitable future for generations to come.

### 5. GENDER EQUALITY

Gender equality is crucial for a fair and prosperous society, promoting equal rights and opportunities for all genders to reach their full potential. The bank boasts a remarkable achievement: 73.16% female employees, demonstrating our dedication to diversity and inclusion. We value and empower women, fostering a culture that celebrates gender equality and leverages diverse perspectives for collective success.

## 6. CLEAN WATER & SANITATION

Access to clean water and sanitation is crucial for human health and sustainable development, particularly in underserved regions. Rang-ay Bank supports water and sanitation projects, partnering with NGOs and community initiatives to improve infrastructure. Additionally, the bank promotes environmental and social responsibility, offering financial services and incentives to encourage water-efficient practices and community empowerment through education and awareness campaigns.

## 7. AFFORDABLE & CLEAN ENERGY

Access to diverse energy sources is essential for business growth, including renewables like solar and wind, alongside non-renewables such as uranium and natural gas, with increased fossil fuel usage exacerbating climate change without emission reduction measures. Rang-ay Bank commits to sustainable practices, investing in solar panels for reduced carbon emissions, lowering operational costs, and transitioning to energy-efficient LED lighting for environmental benefits and proper disposal of fluorescent bulbs to prevent mercury pollution.

## 8. DECENT WORK & ECONOMIC GROWTH

This aim to foster long-lasting, equitable, and environmentally responsible economic progress, ensuring everyone has access to meaningful employment and fair working conditions. This initiative acknowledges the fundamental importance of work and economic advancement in eliminating poverty and enhancing overall quality of life.

## 9. INDUSTRY, INNOVATION & INFRASTRUCTURE

The bank provides support and financing to Micro, Small, and Medium Scale Enterprises, offering mSME Business Loans to local entrepreneurs for various business needs. Its goal is to enhance access to financial services for small-scale enterprises and integrate them into value chains and markets.

## 10. REDUCED INEQUALITIES

Rang-ay Bank actively addresses inequality by providing financial support and education to marginalized groups like SSS pensioners, senior citizens, and LGBTQ individuals through programs like the SSS Pensioners Loan Program and financial literacy initiatives, embodying their commitment to building a fairer society.

## 11. SUSTAINABLE CITIES & COMMUNITIES

The bank provides financial support for various sectors including healthcare, education, housing, and community development, extending assistance to Local Government Units, Government Agencies, and Private Sector entities. Additionally, it offers the "PABAHAY" Loan Program through Philguarantee-Home Guarantee Corporation, covering various purposes such as house purchase, construction, major repairs, and refinancing of existing loans.

## 12. RESPONSIBLE CONSUMPTION & PRODUCTION

The bank implements a paperless system, reducing internal paper usage and increasing productivity by digitizing processes. Additionally, it promotes sustainability by using recycled and scratch paper for internal documents, minimizing stationery costs and contributing to environmental conservation. Furthermore, the bank advocates for employee engagement in reducing single-use plastic by encouraging the use of reusable alternatives such as bags, containers, and utensils, fostering a culture of environmental responsibility.

## 13. CLIMATE ACTION

The bank actively supports national and local climate change initiatives, such as tree planting and coastal clean-ups, through Corporate Social Responsibility efforts, while promoting climate change awareness via social media platforms. In addition, it implements a business continuity plan to enhance resilience to climate-related disasters and incorporates climate change mitigation measures into its policies and planning processes. Furthermore, the bank adheres to guidelines like the "Greening the Banks program" to evaluate properties offered as loan collaterals, ensuring compliance with environmental and social regulations, including assessment of risks like earthquakes, floods, and droughts.



#### 14. LIFE BELOW WATER

Life below water is a magnificent and diverse realm that encompasses vast oceans, seas, and marine ecosystems. However, this fragile ecosystem is facing unprecedented threats due to human activities. As we recognize the importance of marine biodiversity and the role it plays in sustaining life on Earth, it becomes our collective responsibility to protect and preserve life below water for the well-being of present and future generations.

The bank engage with on CSR's about environmental activities such as SJ Curma.

#### 15. LIFE ON LAND

Rang-ay banks offer special mortgages or financing options for energy-efficient homes, which can encourage homeowners to invest in properties that have minimal environmental impact and utilize sustainable land practices.

#### 16. PEACE, JUSTICE & STRONG INSTITUTIONS

The bank has a Compliance Office which directly reports to the board of directors on all matters related to Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) compliance and their risk management. It shall inform all responsible officers and employees of all resolutions, circulars and other issuances by the Bangko Sentral and the AMLC in relation to matters aimed at preventing ML and TF.

#### 17. PARTNERSHIPS FOR THE GOALS

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

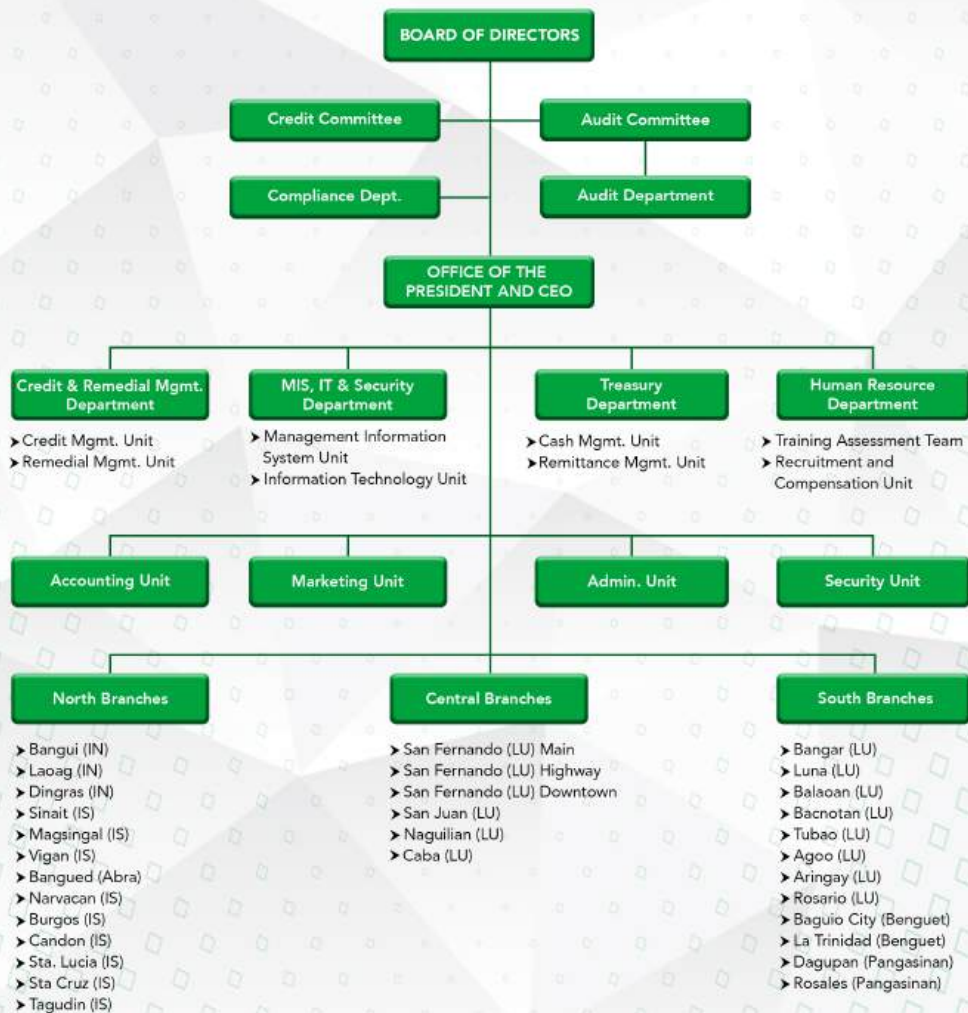
### IV. SUSTAINABILITY DEVELOPMENT TIMELINE

2022	<ul style="list-style-type: none"> <li>Adapted Sustainable practices in Credit Management Process (<i>Credit Memo No. 03-2021</i>)</li> <li>Implemented waste disposal</li> </ul>
2023	<ul style="list-style-type: none"> <li>Used sustainable materials, supplies &amp; equipment</li> <li>Reduced use of single-use plastics</li> <li>Promoted Climate Change Awareness</li> <li>Identified risk to Bank officers &amp; staff</li> <li>Pilot Program for Solar Panels at Agoo Branch (<i>Installed: December 16, 2023</i>)</li> <li>Required DENR ECC Clearance for high pollution or environmental detrimental projects</li> </ul>
2024	<ul style="list-style-type: none"> <li>Replaced light energy to LED for 5 branches</li> <li>Installed 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>Install Solar Panels at Head Office</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>Partnering with local environmental groups to promote Sustainable Development in the community</li> <li>70th CSR anniversary               <ul style="list-style-type: none"> <li>Tree planting</li> <li>Support LGU conservation initiatives</li> <li>Environmental Campaign drives</li> <li>Eco-Friendly Giveaways</li> </ul> </li> <li>Install Solar Panels at Bangued Branch</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>Pilot Paperless Accounting system at Head Office</li> <li>Use of Unleaded gasoline for all bank vehicles</li> <li>Install Solar Panels at Rosario Branch</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>Paperless Accounting system for 4 branches</li> <li>Install Solar Panels at Tagudin Branch</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>Paperless Accounting system for 5 branches</li> <li>Install Solar Panels at Candon Branch</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 office</li> <li>Paperless Accounting system for 10 branches</li> <li>Develop Programs to finance Sustainability Development Projects               <ul style="list-style-type: none"> <li>Electric Vehicles</li> <li>Green Buildings</li> </ul> </li> <li>Install Solar Panels at Naguilian Branch</li> </ul>
2031	<ul style="list-style-type: none"> <li>Majority of all bank-owned building use Solar panels</li> <li>All branches have indoor plants</li> <li>Paperless Accounting system for 10 branches</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>To plant 75 Trees per banking offices</li> <li>Support conservation initiatives of LGUs</li> <li>Environmental campaign drives</li> <li>Eco-Friendly Giveaways</li> </ul> </li> </ul>
2032	<ul style="list-style-type: none"> <li>All banking offices practice paperless accounting system</li> </ul>



## ORGANIZATIONAL STRUCTURE



## PRODUCTS AND SERVICES

### DEPOSIT SERVICES



#### SAVINGS DEPOSIT

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



#### TIME DEPOSIT

- Special Savings Deposit
- Regular 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



ACPC 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



WESTERN UNION  
• Foreign  
• Domestic



RIA MONEY TRANSFER



GCASH  
• Cash In  
• Cash Out



TRANSFAST



EMQ LIMITED



REMITLY



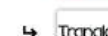
XOOM



PAYMAYA  
• Cash in



CEBUANA



TRANGLO



METROBANK



AI ANSARI EXCHANGE



BDO REMIT



USSC



PANGEO MONEY TRANSFER



## ATM



- Bangar (LU) Branch
- Bacnotan (LU) Branch
- Main (LU) Branch
- Agoo (LU) Branch
- Luna (LU) Branch
- Sta Lucia (IS) Branch
- Sinait (IS) Branch

## NATIONAL RETAIL PAYMENT SERVICES



- INSTAPAY
- ↳ Send-out
  - ↳ Receiving



- PESONET
- ↳ Send-out
  - ↳ Receiving

## ELECTRONIC CHANNEL

RANG-AY MOBILE BANKING APP



## OTHER SERVICES



CB KALINGA  
MICROINSURANCE



BILLS PAYMENT  
SERVICES



SSS e-COLLECTION  
SERVICES

- Individual Payor
- Employer

## 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 withdrawn 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 withdrawn 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. **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. **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.
3. **Unsecured 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.
4. **ACPC Farmers Loan** – In partnership with the Agricultural Credit Policy Council (ACPC), this loan program offers financing through the Young Agripreneurs Loan and Agri-Negosyo Loan. It supports young agripreneurs, small farmers, fisherfolk, and agri-based enterprises by funding start-ups, working capital, and asset acquisition to promote rural development and agricultural growth.
5. **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.
6. **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. OFWs and their families can start investing in the future for education, building homes or opening business.
7. **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 accredited dealer.
8. **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.
9. **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.
10. **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.
11. **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.
12. **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.
  - a. **Western Union** – an American worldwide financial services and communications company, providing remittance services worldwide.
  - b. **Transfast** – is an international company owned by Mastercard whose services are money transfer and cross-border payments network provider committed to making money transfer.
  - c. **Remitly** – is an online remittance service based in Seattle, United States that offers international money transfers to over 135 countries.
  - d. **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.
  - e. **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.
  - f. **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.
  - g. **Ria Money Transfer** – a subsidiary of Euronet Worldwide, Inc., which specializes in money remittances. Ria initiates transfers through a network of agents and company-owned stores located throughout North America, South America, Europe, Asia-Pacific, Africa, and online. Ria is one of the big four remittance companies.
  - h. **EMQ Limited (Globally)** – a global fintech company that enables businesses of every size to efficiently move money and deploy end-to-end financial services from anywhere in the world, leveraging our expansive global network. - EMQ's network touches billions of people throughout Asia Pacific, Africa, Europe and North America.
  - i. **Xoom (USA)** – consumers can send money to friends and family in countries across Africa, Asia, Europe, India, Latin America, Middle East and Australia. - Xoom was founded in 2001, went public in February 2013 and on November 12, 2015 was acquired by PayPal Holdings, Inc.
  - j. **Tranglo (South East Asia, UK, UAE)** – one of Asia's leading cross-border payment hub that provides smart services not only for airtime top-ups, but also foreign remittance and business payments.
  - k. **Al Ansari Exchange (UAE)** – a leading foreign exchange and worldwide remittance company in Kuwait operating 9 branches and serving its valued customers with the most reliable, cost-effective and quality services.
  - l. **Pangea Money Transfer** – An award-winning mobile-centric money transfer platform that allows on-the-go users to send money from the U.S. to 15 countries across Latin America and Asia in less than 30 seconds all for a low flat fee.
2. **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.
3. **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.
4. **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.



## 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

## NATIONAL RETAIL PAYMENT SERVICES

The NRPS is a policy and regulatory framework established by the Bangko Sentral ng Pilipinas (BSP) to promote a safe, efficient, and reliable digital payments ecosystem. It aims to shift more cash-based transactions into digital channels to promote financial inclusion and economic growth.

### A. INSTAPAY

InstaPay is a real-time, low-value electronic fund transfer service under the BSP's National Retail Payment System (NRPS). It enables individuals and businesses to instantly send money up to P50,000 per transaction between different banks and e-wallets, 24/7, including weekends and holidays. It is ideal for immediate payments such as personal transfers, bills, and online purchases.

### B. PESONET

PESONet is a batch electronic fund transfer service that allows users to send high-value payments between accounts in different banks and financial institutions. Operated under the NRPS framework, it is suited for corporate transactions like payroll, supplier payments, and government disbursements. Funds are credited within the same banking day if transactions are made before the cut-off time.

## ELECTRONIC CHANNEL

### RANG-AY MOBILE BANKING APP

Experience convenient, secure, and modern banking with the Rang-ay Mobile Banking App. Access your account 24/7, transfer funds via InstaPay, pay bills through ECPay, buy mobile load instantly, inquire your loan balance, and review your transaction history anytime. The app also allows transfers between Rang-ay and other banks, plus the option to save or share transaction receipts. Designed with user-friendly navigation and strong security features, it's your reliable partner for smarter financial management—anytime, anywhere.

## 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
  - Rang-ay offers efficient and reliable SSS e-Collection, including PRN generation for fast, secure, and accurate contribution payments.



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## BRANCH OFFICERS AND DIRECTORY

### North Branches



#### LAOAG BRANCH



#### 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. 0917-802-7987 or 09171643003



#### DINGRAS BRANCH



#### KATRINE FAYE M. DE LEON

Branch Manager

📍 Brgy. Albano, Dingras, Ilocos Norte  
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📞 Mobile No. 0917-870-2959 or 09354203951



#### BANGUI BRANCH



#### EUGENE A. REOLIZO

Officer in-Charge

📍 Tiendaan ti Bangui, San Lorenzo, Ilocos Norte  
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📞 Mobile No. 0995-550-8965 or 09351796986



#### BANGUED BRANCH



#### BRENDA FRANCE R. GONZALES

Senior Branch Manager

📍 Rang-ay Bank Bldg., Taft Ave. cor. Manzano St., Bangued, Abra  
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📞 Mobile No. 0917-870-0956 or 09168641418



#### VIGAN BRANCH



#### ROLLY L. RABANAL

Senior Branch Manager

📍 Florentino St., Plaza Burgos, Vigan, Ilocos Sur  
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📞 Mobile No. 0917-802-7990 or 09178406261



#### SINAIT BRANCH



#### MARITESS P. DELA CRUZ

Branch Manager

📍 G/F Public Market, Macabag, Sinait, Ilocos Sur  
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📞 Mobile No. 0995-550-8966 or 09158160374



#### MAGSINGAL BRANCH



#### WILMA S. MARZAN

Branch Manager

📍 New Public Market, Brgy. San Lucas, Magsingal, Ilocos Sur  
☎ Telefax No. (77) 774-1090  
📞 Mobile No. 0917-802-5689 or 09556424629



#### NARVACAN BRANCH



#### ABIGAIL C. ARAGOZA

Senior Branch Manager

📍 Narvacan New Farmers Market, Brgy. San Antonio, Narvacan, Ilocos Sur  
☎ Telefax No. (77) 732-5869  
📞 Mobile No. 0917-870-1151 or 09277943495



#### BURGOS BRANCH



#### GRACE V. CAYAN

Branch Manager

📍 National Highway, Poblacion Norte, Burgos, Ilocos Sur  
☎ Telefax No. (77) 674-8394  
📞 Mobile No. 0917-564-2007 or 09064783344



#### CANDON BRANCH



#### JANE S. CASTILLO

Senior Branch Manager

📍 Rang-ay Bank Bldg., National Highway cor. Pascua St., Candon, Ilocos Sur  
☎ Telefax No. (77) 644-0400  
📞 Mobile No. 0917-802-7986 or 09158562611



#### STA. LUCIA BRANCH



#### CYNTHIA G. ACOSTA

Branch Manager

📍 National Highway, Brgy. Barangbang, Sta. Lucia, Ilocos Sur  
☎ Telefax No. (77) 632-5821  
📞 Mobile No. 0917-870-2958 or 09158027945





#### STA. CRUZ BRANCH



#### MA. RUBELYN R. HADOC

Branch Manager

📍 National Highway, Poblacion Este, Sta. Cruz, Ilocos Sur  
 ☎️ Telefax No. (77) 632-7668  
 📞 Mobile No. 0917-802-7989 or 09154544682



#### TAGUDIN BRANCH



#### HELEN GRACE L. JALLORINA

Branch Manager

📍 Rang-ay Bank Bldg., Nat'l Highway cor. San Jose St., Tagudin, Ilocos Sur  
 ☎️ Telefax No. (77) 632-5824  
 📞 Mobile No. 0917-802-6036 or 09155154683



#### DAGUPAN BRANCH



#### CAROL M. OCAMPO

Senior Branch Manager

📍 G/F TN Bldg., Burgos St., Dagupan City, Pangasinan  
 ☎️ Telefax No. (75) 517-0639  
 📞 Mobile No. 0917-802-7985 or 09959861104



#### ROSALES BRANCH



#### MA. JUNISSA D. TUCAY

Branch Manager

📍 Gen. Luna St., Zone 3, Rosales, Pangasinan  
 ☎️ Telefax No. (75) 632-1304  
 📞 Mobile No. 09178702101



#### BAGUIO BRANCH



#### MILAGROS AIDA G. GUANZO

Senior Branch Manager

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 ☎️ Telefax No. (74) 442-8142  
 📞 Mobile No. 0917-802-7984 or 09171925885

### South Branches



#### LA TRINIDAD BRANCH



#### ODESSA S. SALDO

Branch Manager

📍 Brgy. Balangabang, Pico Road, La Trinidad, Benguet  
 ☎️ Telefax No. (74) 422-5536  
 📞 Mobile No. 0917-870-0436 or 09158726707



#### AGOO BRANCH



#### MARICHU A. PASAG

Senior Branch Manager

📍 Rang-ay Bank Bldg., National Highway, Consolation, Agoo, La Union  
 ☎️ Telefax No. (72) 607-1685  
 📞 Mobile No. 0917-8027-988 or 09065240816



#### ROSARIO BRANCH



#### JESSICA E. ZARATE

Branch Manager

📍 Poblacion East, Rosario, La Union  
 ☎️ Telefax No. (72) 619-4810  
 📞 Mobile No. 0995-550-8963 or 09099329387



#### TUBAO BRANCH



#### CRISTINE JENELIE R. ESTACIO

Branch Manager

📍 No.1 Verciales St., Poblacion, Tubao, La Union  
 ☎️ Telefax No. (72) 687-0077  
 📞 Mobile No. 0917-802-7983 or 09563321452



#### ARINGAY BRANCH



#### DANICA N. COLLADO

Branch Manager

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 📞 Mobile No. 09277040023



#### CABA BRANCH



#### CEE-JEE B. HART

Branch Manager

📍 Caba Farmers Multi-purpose and Trading Center, Poblacion Norte, Caba, La Union  
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 📞 Mobile No. 09568192546



#### BALAOAN BRANCH



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

📍 National Highway, Brgy. Antonino, Balaoan, La Union  
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📞 Mobile No. 0917-870-0433 or 09162771026



#### BACNOTAN BRANCH



**CHARMAIGNE F. ORDILLO**  
Branch Manager

📍 New Public Market, National Highway, Poblacion, Bacnotan, La Union  
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📞 Mobile No. 0917-870-0434 or 09950590699



#### BANGAR BRANCH



**ROCHELLE N. NAYAL**  
Branch Manager

📍 Corner Bangar Luna Rd., Central East No. 1, Bangar, La Union  
☎️ Telefax No. (72) 607-0006  
📞 Mobile No. 0917-870-0957 or 09777484998



#### LUNA BRANCH



**SHARI KAREN R. TORRALBA**  
Branch Manager

📍 Luna Sports Center, Brgy. Alcala, Luna, La Union  
☎️ Telefax No. (72) 607-3508  
📞 Mobile No. 0917-870-1781 or 09064809951

### Central Branches



#### MAIN BRANCH



**AERI B. SHAMBEY**  
Senior Branch Manager

📍 Nisac-Quarol 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



#### HIGHWAY BRANCH



**CHRISTINE JOY J. ACOSTA**  
Branch Manager

📍 North National Highway, Brgy. II, City of San Fernando, La Union  
☎️ Telefax No. (72) 610-9116  
📞 Mobile No. 0917-870-2958 or 09157996747



#### DOWNTOWN BRANCH



**SHIELA MAE V. NONES**  
Officer-In-Charge

📍 Rang-ay Bank Bldg., Ortega St., Brgy. III, City of San Fernando, La Union  
☎️ Telefax No. (72) 610-9620  
📞 Mobile No. 0917-802-7982 or 09385917915



#### NAGUILIAN BRANCH



**ANALYN P. MENDIGORIA**  
Branch Manager

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📞 Mobile No. 0917-870-0435 or 09301156904



#### SAN JUAN BRANCH



**EALIANE-JOY N. BORJA**  
Officer-In-Charge

📍 G/F Public Market, Ili Sur, San Juan, La Union  
☎️ Telefax No. (72) 607-4196  
📞 Mobile No. 0917-870-2960 or 09459621381

### 31 BRANCHES





## COMMON STOCKHOLDERS

Name of Stockholder	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 Stockholder	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 Stockholder	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
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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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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

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



## STATEMENT OF FINANCIAL POSITION

	December 31		Increase/ Decrease	Percentage
	2024	2023		
<b>ASSETS</b>				
Cash and Other Cash Items	31,230,090	27,643,217	3,586,873	13%
Due from BSP and Other Banks	1,134,871,465	971,502,182	163,369,283	17%
Held to Maturity Investment	909,217,725	743,433,836	165,783,889	22%
Sub Total	2,075,319,280	1,742,579,235	332,740,045	19%
Loans and Receivables, Net	1,875,583,888	1,882,528,699	-6,944,811	0%
Bank Premises, Furniture, Fixtures and Equipment (Net)	99,183,011	100,209,496	-1,026,485	-1%
Investment Property (Net)	94,104,830	99,984,916	-5,880,086	-6%
Deferred Tax Assets	8,504,052	2,245,520	6,258,532	279%
Other Assets	28,305,052	27,002,504	1,302,548	5%
<b>TOTAL ASSETS</b>	<b>4,181,000,113</b>	<b>3,854,550,370</b>	<b>326,449,743</b>	<b>8%</b>
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>				
<b>LIABILITIES</b>				
Deposit Liabilities	3,295,855,159	3,041,636,745	254,218,414	8%
Bills Payable		30,000,000	-30,000,000	-100%
Accrued Interest, Taxes and Other Expenses Payable	17,861,292	11,946,633	5,914,659	50%
Treasurer's/Cashier's/Manager's and Gift Checks	37,643	37,643	-	-
Other Liabilities	121,283,925	72,532,337	48,751,588	67%
<b>TOTAL LIABILITIES</b>	<b>3,435,038,019</b>	<b>3,156,153,358</b>	<b>278,884,661</b>	<b>8.84%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share Capital				
Common	377,376,400	377,376,400	-	-
Preferred	7,470,300	7,470,300	-	-
Additional Paid-in Capital	85,146,459	85,146,459	-	-
Surplus				
Reserve	20,000,000	20,000,000	-	-
Free	103,629,616	181,730,875	-78,101,259	-43%
Stock dividend distributable	125,666,341	0	125,666,341	100%
Appraisal Increment Reserve	26,672,978	26,672,978	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>745,962,094</b>	<b>698,397,012</b>	<b>47,565,082</b>	<b>6.81%</b>
<b>TOTAL LIABILITIES &amp; EQUITY ACCOUNTS</b>	<b>4,181,000,113</b>	<b>3,854,550,370</b>	<b>326,449,743</b>	<b>8%</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			
	2024	2023	Increase/ Decrease Percentage	
<b>INTEREST INCOME</b>				
Loans & Receivables	175,239,910	152,628,232	22,611,678	14.81%
Due from Other Banks	29,650,006	35,361,049	(5,711,043)	-16.15%
Investments	34,102,426	9,406,211	24,696,215	262.55%
<b>TOTAL INTEREST INCOME</b>	<b>238,992,342</b>	<b>197,395,492</b>	<b>41,596,850</b>	<b>21.07%</b>
<b>INTEREST EXPENSE</b>				
Savings Deposits	2,206,639	2,166,545	40,094	1.85%
Time Deposits	26,304,708	20,839,941	5,464,767	26.22%
Demand Deposits	205,564	233,743	(28,179)	-12.06%
Bills Payable	122,055	327,821	(205,766)	0.00%
<b>TOTAL INTEREST EXPENSE</b>	<b>28,838,966</b>	<b>23,568,050</b>	<b>5,270,916</b>	<b>22.36%</b>
<b>NET INTEREST INCOME</b>	<b>210,153,376</b>	<b>173,827,442</b>	<b>36,325,934</b>	<b>20.90%</b>
<b>PROVISION FOR CREDIT LOSSES</b>				
<b>NET INTEREST INCOME AFTER PROVISION</b>	<b>30,180,558</b>	<b>4,108,851</b>	<b>26,071,707</b>	<b>634.53%</b>
<b>OTHER INCOME</b>	<b>179,972,818</b>	<b>169,718,591</b>	<b>10,254,227</b>	<b>6.04%</b>
<b>TOTAL INCOME BEFORE OPERATING EXPENSES</b>	<b>57,234,833</b>	<b>55,089,142</b>	<b>2,145,691</b>	<b>3.89%</b>
<b>OTHER OPERATING EXPENSE</b>	<b>237,207,651</b>	<b>224,807,733</b>	<b>12,399,918</b>	<b>5.52%</b>
Compensation & Fringe Benefits	83,068,671	70,751,676	12,316,995	17.41%
Depreciation & Amortization	16,839,838	17,653,778	(813,940)	-4.61%
Other Operating Expenses	73,133,552	78,075,801	(4,942,249)	-6.33%
Taxes & Licences	9,401,731	2,705,383	6,696,348	247.52%
Interest Expense from Finance Liability	1,689,107	1,869,282	(180,175)	-9.64%
Bad Debts	59,673	59,673	-	-
<b>NET INCOME BEFORE INCOME TAX</b>	<b>184,192,572</b>	<b>171,055,920</b>	<b>13,136,652</b>	<b>7.68%</b>
	<b>53,015,079</b>	<b>53,751,813</b>	<b>-736,734</b>	<b>-1.37%</b>
<b>INCOME TAX EXPENSE</b>				
Current Income Tax	(3,776,739)	(3,245,229)	-531,510	16.38%
Income Tax Benefit	7,888,615	1,432,934	6,455,681	450.52%
<b>NET INCOME AFTER INCOME TAX</b>	<b>57,126,955</b>	<b>51,939,518</b>	<b>5,187,437</b>	<b>9.99%</b>
<b>EARNINGS PER SHARE</b>	<b>7.57</b>	<b>6.88</b>	<b>0.69</b>	<b>10.03%</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.

## 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 862,834,764
A.2	Net Tier 2 Capital	50,407,476
A.3	Total Qualifying Capital [Sum of A.1 and A.2]	733,242,240
<b>B.</b>	<b>Calculation of Risk-Weighted Assets</b>	
B.1	Total Credit Risk-Weighted Assets	3,207,079,139
B.2	Total Operational Risk-Weighted Assets	329,689,050
B.4	Total Risk-Weighted Assets	3,536,768,189
<b>C.</b>	<b>RISK-BASED CAPITAL ADEQUACY RATIO</b>	20.73%

- 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	172,169,002
[4]	Undivided profits	57,126,955
[5]	Sub-total	691,818,816
<b>A.2</b>	<b>Deductions from Core Tier 1 Capital</b>	
[1]	Total outstanding unsecured credit accommodations	480,000
[2]	Deferred tax asset, net of deferred tax liability	8,504,520
[3]	Total Deductions	8,984,052
<b>A.3</b>	<b>Total Core Tier 1 Capital</b>	682,834,764
<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
	General loan loss provision [limited to 1.00% of total credit risk-weighted assets]	16,264,198
[3]	Sub-Total	50,407,476
	<b>Gross Qualifying Capital</b>	733,242,240
<b>C.</b>	<b>Total Tier 1 Capital</b>	682,834,764
[1]	Total Tier 2 Capital	50,407,476
[2]	Total Qualifying Capital	Php 733,242,240





# **Rang-ayBank**

Manipud 1956

## **AUDITED FINANCIAL STATEMENT**

December 31, 2024



**Rang-ayBank**

Since 1956

**HEAD OFFICE:**

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

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL (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, 2024 and 2023, 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, 2024 and 2023, 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.




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**IVES Q. NISCE**  
Chairman of the Board



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**IVES JESUS C. NISCE II**  
President & CEO



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**LETICIA O. ASENCI**  
Treasurer

Signed this 12<sup>TH</sup> day of April, 2025

**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 Sub 1, Tunasan, Muntinlupa City  
2281 Florida Street, Pandacan, Manila (Branch Office)  
Email: emmolinaconsultancy@gmail.com; emmcf2019@gmail.com

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**INDEPENDENT AUDITORS' REPORT**

**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

**Opinion**

I have audited the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** ("the Bank"), which comprise of the statements of financial condition as of December 31, 2024 and 2023 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion the accompanying financial statements present fairly, in all material respect, the financial position of the Bank as at December 31, 2024 and 2023, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

**Basis for Opinion**

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

**Other Information**

Management is responsible for the other information. The other information comprises reports by management but does not include the financial statements and our auditors' report thereon.

In my opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

**Telephone No. (02) 257-1450; Mobile No. 09176283163 ; 09176290499**

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

Blk 10, Lot 26, Kroner Street, Villa Carolina Sub 1, Tunasan, Muntinlupa City  
2281 Florida Street, Pandacan, Manila (Branch Office)  
Email: emmolinaconsultancy@gmail.com; emmof2019@gmail.com

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### **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 Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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 our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

**Telephone No. (02) 257-1450; Mobile No. 09176283163 ; 09176290499**



**EDGARDO M. MOLINA, CPA**

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2281 Florida Street, Pandacan, Manila (Branch Office)  
Email: emmolinaconsultancy@gmail.com; emmcf2019@gmail.com

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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 I 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 Legal and Other Regulatory Requirements**

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue 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 our 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 valid September 1, 2026

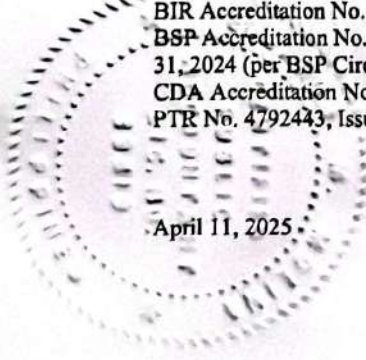
BOA/PRC Certificate No. 2577, valid until September 1, 2026

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

BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020, valid until taxable year December 31, 2024 (per BSP Circular No. 1210, series of 2025)

CDA Accreditation No. CDA-CEA No. 463, Valid until November 19, 2029

PTR No. 4792443, Issued January 6, 2025, at Muntinlupa City

  
April 11, 2025

Telephone No. (02) 257-1450; Mobile No. 09176283163 ; 09176290499

**EDGARDO M. MOLINA, CPA**

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Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com); [emmc2019@gmail.com](mailto:emmc2019@gmail.com)

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**STATEMENT OF REPRESENTATION**

**TO THE SECURITIES AND EXCHANGE COMMISSION:**

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

- 1.) That I am active in the practice of accounting profession and duly registered with the Board of Accountancy;
- 2.) That the financial statements are presented in conformity with the Philippine Financial Reporting Standards. We shall express an unqualified opinion, except that in case of any departure from such principles, in which we shall indicate the nature of the departure, the effects thereof, and the reason why compliance with the principles would result in misleading statements, if such is a fact.
- 3.) That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
- 4.) That in the conduct of the audit, I shall comply with the Philippines 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 reason therefore and the effects thereof on the expression of 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 acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity.

  
**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419 valid September 1, 2026

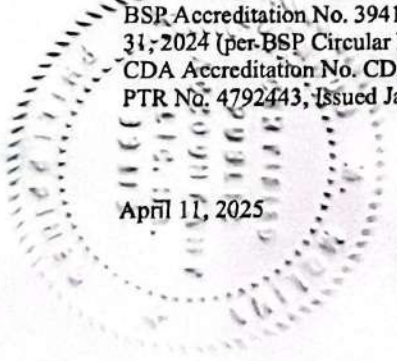
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**SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS**

**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

We have examined the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** for the years ended December 31, 2024 and 2023, on which we have rendered the attached report dated April 11, 2025.

In compliance with SRC Rule 68, we are stating that the above Company has a total number of thirty four (34) stockholders owning one hundred (100) or more shares each.



**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419 valid September 1, 2026

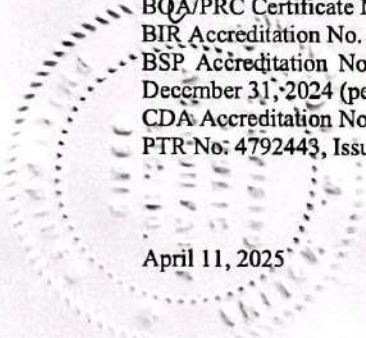
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April 11, 2025

Telephone No. (02) 257-1450; Mobile No. 09176283163 ; 09176290499

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

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Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com); [emmcl2019@gmail.com](mailto:emmcl2019@gmail.com)

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### **CERTIFICATION**

**The Officer-in-Charge**  
**Bangko Sentral ng Pilipinas**  
**Malate, Manila**

In connection with my audit with **RANG-AY BANK (A RURAL BANK), INC.** and in pursuant to the provision of section 174 of the MORB which require the submission of annual financial audit of Bank, I hereby certify the following:

- 1.) That I have commenced my engagement to audit the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** on January 27, 2025 and terminated the audit on April 11, 2025.
- 2.) That the Financial Reporting and 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 11, 2025 and approved on the same date.
- 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 Accounts.
- 4.) That I have read-only access to the BSP report of examination;
- 5.) That I have **none to report** on the following matters under **BSP Circular 1040 series of 2019**:
  - 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.
- 6.) That the Bank has complied with the disclosure requirement under Section 174 of the MORB, as amended by Circular No. 1074 series of 2020.
- 7.) That I have **none to report** on discovery of material breach of laws and BSP rules and regulations such as on capital adequacy ratio and on loans and other risks and classification.
- 8.) That I have **no report** on findings regarding corporate governance issues;
- 9.) That I have **no report** regarding termination and resignation as external auditor.
- 10.) 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.

**Telephone No. (02) 257-1450; Mobile No. 09176283163 ; 09176290499**



**EDGARDO M. MOLINA, CPA**

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2281 Florida Street, Pandacan, Manila (Branch Office)  
Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com); [emmc2019@gmail.com](mailto:emmc2019@gmail.com)

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 valid September 1, 2026

BOA/PRC Certificate No. 2577, valid until September 1, 2026

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

BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020, valid until taxable year December 31, 2024 (per BSP Circular No. 1210, series of 2025)

CDA Accreditation No. CDA-CEA No. 463, Valid until November 19, 2029

PTR No. 4792443, Issued January 6, 2025, at Muntinlupa City

April 11, 2025

SUBSCRIBED AND SWORN to before me this APR 28 2025 at QUEZON CITY

Doc No.: 372  
Page No': 35  
Book No': 455  
Series of 2025

**ATTY. JASON G. DE BELEN**

Roll No. 36259

Adm. No. NP-008 Notary Public

Notary Public for Quezon City

My Commission expires on December 31, 2025

No 7M Panay Ave. cor. Sgt. Borromeo St., Q.C.

IBP No. 492597; Q.C.; 1-2-2025

PTR No. 7009622; Q.C.; 1-2-2025

MCLE VII-0019570; 5-30-22

Telephone No. (02) 257-1450; Mobile No. 09176283163 ; 09176290499

**EDGARDO M. MOLINA, CPA**

Bldg 10, Lot 26, Kroner Street, Villa Carolina Sub 1, Tunasan, Muntinlupa City  
2281 Florida Street, Pandacan, Manila (Branch Office)  
Email: emmolinaconsultancy@gmail.com; emmcf2019@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 **NO** material weakness or breach in the internal control and risk management system was noted in the course of audit of **RANG-AY BANK (A RURAL BANK), INC.**

This certification is issued in connection with the requirement of Section 174 of the Manual of Regulations for Banks.



**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419 valid September 1, 2026

BOA/PRC Certificate No. 2577, valid until September 1, 2026

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

BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020, valid until taxable year December 31, 2024 (per BSP Circular No. 1210, series of 2025)

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Series of 2025

**ATTY. JASON G. DE BELEN**  
Roll No. 36259

Adm. No. NP-008 Notary Public  
Notary Public for Quezon City

My Commission expires on December 31, 2025  
No 7M Panay Ave. cor. Sgt. Borromeo St., Q.C.

IBP No. 492597; Q.C.; 1-2-2025

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**CERTIFICATION**

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

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

This certification is issued in connection with the requirement of Section 174 of the Manual of Regulations for Banks.



**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419 valid September 1, 2026

BOA-PRC Certificate No. 2577, valid until September 1, 2026

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

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CDA Accreditation No. CDA-CEA No. 463, Valid until November 19, 2029

PTR No. 4792443, Issued January 6, 2025, at Muntinlupa City

April 11, 2025

SUBSCRIBED AND SWORN to before me this APR 28 2025 at QUEZON CITY

Doc No.: 379  
Page No': 76  
Book No': 455  
Series of 2025

**ATTY. JASON G. DE BELEN**

Roll No. 36259

Adm. No. NP-006 Notary Public

Notary Public for Quezon City

My Commission expires on December 31, 2025

No 7M Panay Ave. cor. Sgt. Borromeo St., Q.C.

IBP No. 492597; Q.C.; 1-2-2025

PTR No. 7009622; Q.C.; 1-2-2025

MCLE VII-0019570; 5-30-22

Telephone No. (02) 257-1450; Mobile No. 09176283163 ; 09176290499

**RANG-AY RURAL BANK (A RURAL BANK), INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2024 and 2023**  
**(All Amounts in Philippine Peso)**

<u>A S S E T S</u>	<u>Notes</u>	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Cash and other cash items	7	P 31,230,090	P 27,643,217
Due from other banks	7	1,099,579,387	927,174,310
Due from Bangko Sentral ng Pilipinas	7	35,292,078	44,327,872
Debt securities measured at amortized cost	8	909,217,725	743,433,836
Loan and receivables (net)	9	1,875,583,888	1,882,528,699
Bank premise, furniture and fixture and equipments (net)	10	99,183,011	100,209,496
Investment property (net)	11	94,104,830	99,984,916
Deferred tax assets	13	8,504,052	2,245,520
Other assets	12	28,305,052	27,002,504
 TOTAL ASSETS		 <u>4,181,000,113</u>	 <u>3,854,550,370</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES			
Deposit liabilities	14	3,295,855,159	3,041,636,745
Bills payable	15	-	30,000,000
Accrued interest and other expense payable	16	17,861,292	11,946,633
Treasurer's/cashier/manager's and gift checks		37,643	37,643
Other liabilities	17	121,283,925	72,532,337
 TOTAL LIABILITIES		 <u>3,435,038,019</u>	 <u>3,156,153,358</u>
 TOTAL STOCKHOLDERS' EQUITY (Exhibit C)		 <u>745,962,094</u>	 <u>698,397,012</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		 <u>P 4,181,000,113</u>	 <u>P 3,854,550,370</u>

*(See accompanying notes to the financial statements)*

EXHIBIT A



**RANG-AY RURAL BANK (A RURAL BANK), INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**For the years ended December 31, 2024 and 2023**  
**(All Amounts in Philippine Peso)**

	Notes	2 0 2 4	2 0 2 3
INTEREST INCOME	19		
Loans and receivables	19, 9	P 175,239,910	P 152,628,232
Due from deposit with other banks	19	29,650,006	35,361,049
Debt securities measured at amortized cost	19, 8	34,102,426	9,406,211
Total		238,992,342	197,395,492
INTEREST EXPENSE	14		
Savings deposit		( 15,650,902 )	( 12,246,998 )
Time deposit		( 12,860,445 )	( 10,759,488 )
Demand deposit		( 205,564 )	( 233,743 )
Bills payable	15	( 122,055 )	( 327,821 )
Total		( 28,838,966 )	( 23,568,050 )
NET INTEREST INCOME		210,153,376	173,827,442
PROVISION FOR CREDIT LOSSES	9	( 30,180,558 )	( 4,108,851 )
NET INCOME AFTER PROVISION		179,972,818	169,718,591
OTHER INCOME	20	57,234,833	55,089,142
INCOME BEFORE OPERATING EXPENSES		237,207,651	224,807,733
OPERATING EXPENSES			
Compensation and other benefits	21	( 83,068,671 )	( 70,751,676 )
Other operating expenses	23	( 73,133,552 )	( 78,075,801 )
Taxes and licenses	28	( 9,401,731 )	( 2,705,383 )
Depreciation and amortization	24	( 16,839,838 )	( 17,653,778 )
Interest expense from finance lease liability	9	( 1,689,107 )	( 1,869,282 )
Bad debts written off		( 59,673 )	-
Total		( 184,192,572 )	( 171,055,920 )
INCOME BEFORE TAX (To Exhibit D)		53,015,079	53,751,813
PROVISION FOR INCOME TAX			
Current income tax		( 3,776,739 )	( 3,245,229 )
Income tax benefit		7,888,615	1,432,934
Total		4,111,876	( 1,812,295 )
NET INCOME AFTER INCOME TAX (To Exhibit C)		57,126,955	51,939,518
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		57,126,955	51,939,518
EARNINGS PER SHARE		P 7.57	P 6.88

*(See accompanying notes to the financial statements)*

**EXHIBIT B**

**RANG-AY RURAL BANK (A RURAL BANK), INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the years ended December 31, 2024 and 2023**  
**(All Amounts in Philippine Peso)**

			<u>2 0 2 4</u>	<u>2 0 2 3</u>
SHARE CAPITAL				
Common shares				
Authorized shares - 9,200,000 shares at P50 par value				
Subscribed and paid-up - 7,547,528 shares at P50 par value	18	P	377,376,400	P 377,376,400
Preferred shares				
Authorized shares - 400,000 shares at P50 par value				
Subscribed and paid-up - 149,406 shares at P50 par value	18		<u>7,470,300</u>	<u>7,470,300</u>
Total			<u>384,846,700</u>	<u>384,846,700</u>
ADDITIONAL PAID-IN CAPITAL			<u>85,146,459</u>	<u>85,146,459</u>
RETAINED EARNINGS				
Balance beginning			181,730,875	150,074,024
Income for the year (Exhibit B)			57,126,955	51,939,518
Dividends paid	18	(	9,621,168 )	( 19,242,335 )
Stock dividend distributable		(	125,666,341 )	-
Prior period adjustments	18		<u>59,295</u>	<u>( 1,040,332 )</u>
Total			<u>103,629,616</u>	<u>181,730,875</u>
SURPLUS RESERVE	18		<u>20,000,000</u>	<u>20,000,000</u>
STOCK DIVIDEND DISTRIBUTABLE			<u>125,666,341</u>	<u>-</u>
APPRAISAL INCREMENT			<u>26,672,978</u>	<u>26,672,978</u>
TOTAL STOCKHOLDERS' EQUITY (To Exhibit A)		P	<u>745,962,094</u>	<u>P 698,397,012</u>
BOOK VALUE PER COMMON SHARE	18	P	<u>97.85</u>	<u>P 91.54</u>

*(See accompanying notes to the financial statements)*

EXHIBIT C



**RANG-AY RURAL BANK (A RURAL BANK), INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2024 and 2023**  
**(All Amounts in Philippine Peso)**

	Notes	2 0 2 4	2 0 2 3
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income taxes		P 53,015,079	P 53,751,813
Adjustments to reconcile net income to net cash			
Used in operating activities			
Prior period adjustment	19	59,295	( 1,040,332 )
Depreciation and amortization	24	11,802,238	9,724,857
Gain from sales of non-financial assets	20	( 193,400 )	( 25,983 )
Interest income	19	( 238,992,342 )	( 197,395,492 )
Interest expense	14	28,838,966	23,568,050
Deferred tax asset	13	( 6,258,533 )	( 1,432,935 )
Dividends paid	18	( 9,621,168 )	( 19,242,335 )
Income tax benefit		7,888,615	1,432,934
Decrease (increase) in			
Debt securities measured at amortized cost, net	8	( 165,783,889 )	( 177,455,859 )
Loan and receivables, net	9	6,944,812	( 30,019,170 )
Other assets	12	( 1,302,548 )	17,780,225
Increase (decrease) in			
Deposit liabilities	14	254,218,414	( 22,065,222 )
Accrued interest and other expenses payable	16	5,914,659	5,644,062
Other liabilities	17	48,751,588	665,396
Income tax payable	26	-	( 21,187 )
Bills payable		( 30,000,000 )	
Treasurer's/cashier's/manager's and gift checks		-	5,006
Cash used in operations		( 34,718,213 )	( 336,126,172 )
Interest received	19	238,992,342	197,395,492
Interest paid	14	( 28,838,966 )	( 23,568,050 )
Income tax paid	26	( 3,776,739 )	( 3,245,228 )
Net cash provided by (used in) operating activities		171,658,424	( 165,543,958 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash payments on premises, furniture & equipment	10	( 11,994,425 )	( 22,841,904 )
Cash receipts from disposals of premises, furniture & equipment		324,571	119,886
Cash receipts from investment properties		5,880,086	11,877,515
Net cash used in investing activities		( 5,789,768 )	( 10,844,503 )
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Proceeds from bills payable		-	30,000,000
Net cash provided by financing activity		-	30,000,000
<b>NET DECREASE IN CASH AND CASH EQUIVALENT</b>		( 165,868,656 )	( 146,388,461 )
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>		999,145,399	1,145,533,860
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>	7	P 1,165,014,055	P 999,145,399

(See accompanying notes to the financial statements)

EXHIBIT D

**RANG-AY BANK (A RURAL BANK), INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For years ended December 31, 2024, and 2023**  
**(All Amounts in Philippine Peso)**

**NOTE 1 - CORPORATE INFORMATION**

**1.1 General 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 (R.A.720) 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. The Bank currently operates thirty-one (31) branches situated in the following locations:

<b>Branch</b>	<b>Address</b>
<b><u>La Union</u></b>	
San Fernando	(Main Branch) 67 Gov. Luna Street. San Fernando City, La Union
San Fernando Extension	Rang-ay Bank Bldg., Gov. Ortega St., Brgy. III, San Fernando City, La Union
San Fernando Highway	Quezon Avenue National Highway, Brgy. II, San Fernando City, La Union
Rosario	Poblacion East, Rosario, La Union
Agoo	Rang-ay Bank Bldg., National Highway, Consolacion, Agoo, La Union
Bacnotan	New Public Market, National Highway, Poblacion, Bacnotan, La Union
Balaoan	National Highway, Brgy. Antonino, Balaoan, La Union
Bangar	Cor. Bangar Luna Rd. Nat'l Highway, Central East, No. 1, Bangar, La Union
Luna	Luna Sports Center, Brgy. Alcala, Luna, La Union
Naguilian	Rang-ay Bank Bldg., #29 Naguilian Rd., Naguilian, La Union
Tubao	No. 1 Verveles St., Poblacion, Tubao, La Union
Aringay	New Public Market, San Benito Sur, Aringay, La Union
San Juan	G/F Public Market, Ili Sur, San Juan, La Union
Caba	Poblacion Norte, Caba, La Union



**Ilocos Sur**

Burgos	National Highway, Poblacion Norte, Burgos, Ilocos Sur
Candon	Rang-ay Bank Bldg., Nat'l Highway cor. Pascua St., Candon City, Ilocos Sur
Magsingal	New Public Market, Brgy. San Lucas, Magsingal, Ilocos Sur
Narvacan	Farmers Market San Antonio, Narvacan, Ilocos Sur 2704
Sta. Cruz	National Highway, Poblacion Este, Sta. Cruz, Ilocos Sur
Sta. Lucia	National Highway, Brgy. Barangobong, Sta. Lucia, Ilocos Sur
Tagudin	Rang-ay Bank Bldg. Nat'l Highway cor. San Jose St., Tagudin, Ilocos Sur
Sinait	G/F Public Market Macabiag, Sinait, Ilocos Sur
Vigan	Florentino St., Plaza Burgos, Vigan City, Ilocos Sur

**Ilocos Norte**

Dingras	Old Public Market, Nat'l Highway, Brgy. Albano, Dingras, Ilocos Norte
Bangui	Tiendaan ti Bangui, San Lorenzo, Bangui, Ilocos Norte
Laoag	2F Laoag Commercial Complex, J.P Rizal St., Laoag City

**Pangasinan**

Dagupan	G/F TN Bldg., Burgos St., Dagupan City
Rosales	Gen. Luna St., Zone 3, Rosales, La Union

**Benguet**

Baguio	G/F Maharlika Complex Magsaysay Ave., Baguio City
La Trinidad	Pineshill Business Center KM. 5, Balili, La Trinidad, Benguet

**Abra**

Bangued	Rang-ay Bank Bldg., Taft Ave. cor. Manzano St., Bangued, Abra
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The Bank is a non-VAT registered and is subject to Internal Revenue Taxes such as Percentage Taxes, Income Tax and other taxes.

The Company reached its maximum of fifty (50) legal years of existence, and it was extended for an additional fifty (50) years by majority vote of the Board of Directors and by the vote of at least two-thirds of the members of the Company. The additional fifty (50) years life extension was approved by the Securities and Exchange Commission (SEC) on December 19, 2005.

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 an independent director.

**Approval of financial statements**

The financial statements of the Bank for the year ended December 31, 2024 (including the comparative for the year December 31, 2023) were approved and authorized for issue by the Board of Directors on April 11, 2025.

**NOTE 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 (Escribed as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets identical assets 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 asset 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), and relative laws, regulations and industry practices applicable to rural banks. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS). Interpretations of the Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC), International Financial Reporting Interpretations Committee (IFRIC) which have been approved and adopted by the Financial Reporting Standard Council (FRSC). The preparation of financial statements in conformity with PFRS required the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

***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.



### **NOTE 3 - SUMMARY OF MATERIAL ACCOUNTING POLICIES**

#### ***Basis of Preparation***

The material 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.

#### ***Functional and Presentation Currency***

Items included in the Rural bank's financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Rural bank's functional and presentation currency.

#### ***Basis of Measurement***

The financial statements are prepared on a going concern basis under the historical cost convention, except where a Financial Reporting Standard Requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

#### ***Adoption of New and Amended PFRS***

##### ***Changes in Accounting Policies***

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

##### ***(a) Effective in 2023 that are Relevant to the Bank***

The Bank adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed in the succeeding page are the relevant information about these amendments.

- i. PAS 1 and PFRS Practice Statement 2 (Amendments), Presentation of Financial Statements – Disclosure of Accounting Policies.* The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, 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 if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Bank's financial statements under Notes 2 and 3.

- ii. PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, 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. The application of these amendments had no significant impact on the Bank's financial statements.
- iii. PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrowed the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Bank's financial statements.

(b) *Effective in 2023 that is not Relevant to the Bank*

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, International Tax Reform – Pillar Two Model Rules, are not relevant to the Bank's financial statements.

(c) *Effective subsequent to 2023 but not adopted early.*

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Bank's financial statements:

- i. PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)(Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)
- ii. PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)
- iii. PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)
- iv. PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)



- v. *Effective beginning on or after January 1, 2025 – PFRS 17, Insurance Contracts*
- vi. *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*

#### Current versus non-current classification

The Bank presents assets and liabilities in the statement of financial position based on current or noncurrent classification. An asset is current if:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
  - Held primarily for the purpose of trading
  - Expected to be realized within twelve months after the reporting period, or
  - Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities., respectively.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

#### **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 of 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 considers 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 of 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.

At 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 gain 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 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.

## **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 Sentra/ 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. TMS is measured at face value.

**Loans and Receivables**

Loans and receivables account include 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 P1 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 receivable discounted at the imputed rate of interest. A 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.

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

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 instrument 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 areas either on principal or interest: Provided, That an SCR account shall be automatically classified "Substandard" and considered nonperforming in case of non-payment of any amortization due: Provided, further, That an SCR which has been classified "Substandard" and considered nonperforming 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 an 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 previously 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 previously 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 assets continue 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 recognize in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment at the reclassification date.

## **Financial Liabilities**

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

A financial liability is any liability that is:

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

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

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

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

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

### ***Deposit Liabilities***

The deposit liability account includes savings deposits and term deposits. Savings deposits are interest bearing or non-interest bearing and are withdrawable 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.

Dividend distribution to shareholder, if any, are recognized as financial liabilities upon declaration by the Bank and subject to the requirements of Section 124 of the Manual of Regulation for Bank's (MORB).

As of December 31, 2024 and 2023, 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 instrument.

### **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all 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. A 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 liability and 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 are directly attributable to the acquisition construction or production of qualifying assets, which are assets that necessarily take a substantial period or time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is 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 Bank 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 passthrough 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, is 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 collectivity 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*

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangement or new loan condition. Once the terms have been recognized, the loan is no longer considered past due.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in the statement of financial operation.

#### **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 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 P1 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.

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

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

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

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



The Bank discloses the fair values of its investment properties in accordance with PAS 40. Up to the date when an owner-occupied property becomes an investment property carried at fair value, the Bank depreciates the property and recognizes any impairment losses that have occurred. The Bank treats any difference at the date between the carrying amount of property as follows:

- a. Any resulting decrease in the carrying amount of the property is recognized in the statement of comprehensive income. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognized in other comprehensive income and reduces revaluation surplus within equity.
- b. Any resulting increase in the carrying amount is treated as follows:
  - i. To the extent that the increase reverses a previous impairment loss for that property, the increase is recognized in the statement of comprehensive income. The amount recognized in the 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 assets recoverable amount. An assets recoverable amount is the higher of an assets 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 assets 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 Earnings**

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 banks. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods 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 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 banks and discounts with no advanced interest are recognized on an 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 on 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 bank 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 the ordinary course of business of the Bank. Other expenses are recognized when incurred.

### **Leases**

#### **Lease Recognition**

##### ***Bank as Lessee***

Accounting for leases in accordance with PFRS 16

For any new contract entered into on or after January 1, 2019, the Bank considers whether a contract in, or contains, a lease. A lease is identified as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Bank assesses whether the contracts meet three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct cost incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Bank depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist (Note 3.15).

##### ***Bank as Lessor***

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



## **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 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 the 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, carry forward 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 carry forward 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 part, 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.



#### **NOTE 4 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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 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 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 (CIBR) 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:

- i. 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);
- ii. The currency in which funds from financing activities are generated; and
- iii. 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 managements 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 provided under Sec. 143 and Appendix 15 of the Manual of Regulations to 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 payment	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 payment	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:

Classification	Minimum ACL	Stage
Epecially mentioned	10%	2
Substandard - Secured	10%	2 or 3*
Substandard - Unsecured	25%	2 or 3*
Doubtful	50%	3
Loss	100%	3
*The stages depends on whether the accounts are classified as non-performing (Stage 3) or under performing (Stage2)		

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 payment	Classification	Minimum ACL	Stage
1-30 days	Especially mentioned	2%	2
31-60 days/1st restructuring	Substandard	25%	2 or 3
61-90 days	Doubtful	50%	3
91 days and over/2nd restructuring	Loss	100%	3

For secured loans and other credit accommodations:

Number of days unpaid / with missed payment	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%	25%	3
121 - 360 days	Doubtful	50%	50%	3
361 days - 5 years	Loss	100%	100%	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 provided.

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 and 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, 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 the 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 ESP regulation shall prevail.

*e. Determination of Impairment of Nonfinancial Assets*

An impairment review should be performed when certain retirement 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 increases. 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. A 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.

## **NOTE 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;
- 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 also obtains security where appropriate, enters into collateral arrangement with counterparties, and limits the duration exposure.



The Bank has an internal credit risk rating system for the purpose of measuring, in a consistent manner credit risk for every exposure. The risk information derived is then used for business and financial decision making. Additionally, the tables on the page show the distribution of maximum credit exposure by the industry sector of the Bank as of December 31, 2024 and 2023:

2 0 2 4	Loan and receivable	Due from BSP and other banks	Debt securities measured at amortized cost	Total
Wholesale and retail trade, repair of motor vehicle, motorcycle	174,624,263	-	-	174,624,263
Agriculture, forestry and fishing	491,965,668	-	-	491,965,668
Financial institution	-	195,159,806	344,493,850	539,653,656
Government	-	939,711,659	590,000,000	1,529,711,659
Construction	227,149,851	-	-	227,149,851
Manufacturing	21,229,053	-	-	21,229,053
Accommodation and food service activities	256,713,843	-	-	256,713,843
Education	91,731,370	-	-	91,731,370
Transportation and storage	32,690,506	-	-	32,690,506
Real estate activities	349,611,252	-	-	349,611,252
*Activities of households as employers and in differentiated goods and services producing activities of households for own use	83,934,165	-	-	83,934,165
Electricity, gas, stream and air-conditioning supp.	34,956,442	-	-	34,956,442
Mining and quarrying	32,192,509	-	-	32,192,509
Water supply, sewerage, waste management and remediation activities	7,309,189	-	-	7,309,189
Human health and social work activities	31,364,981	-	-	31,364,981
Arts, Entertainment and Recreation	1,131,955	-	-	1,131,955
Other services activities	44,113,908	-	-	44,113,908
Loans to individual primarily for personal use purposes	33,790,956	-	-	33,790,956
Less: Allowance for credit losses	(44,600,500)	-	-	(44,600,500)
Total	1,869,909,411	1,134,871,465	934,493,850	3,939,274,726

\*Amount is net of unamortized discount and excludes sales contract receivables

\*\*Amount includes of unamortized premium/discount

2 0 2 3	Loan and receivable	Due from BSP and other banks	Debt securities measured at amortized cost	Total
Wholesale and retail trade, repair of motor vehicle, motorcycle	128,576,085	-	-	128,576,085
Agriculture, forestry and fishing	561,099,474	-	-	561,099,474
Financial institution	-	853,903,448	313,830,217	1,167,733,665
Government	-	117,598,734	450,000,000	567,598,734
Construction	298,373,132	-	-	298,373,132
Manufacturing	21,845,408	-	-	21,845,408
Accommodation and food service activities	166,026,073	-	-	166,026,073
Education	84,350,807	-	-	84,350,807
Transportation and storage	25,665,836	-	-	25,665,836
Real estate activities	363,802,474	-	-	363,802,474
*Activities of households as employers and in differentiated goods and services producing activities of households for own use	124,350,874	-	-	124,350,874
Electricity, gas, stream and air-conditioning supp.	28,450,030	-	-	28,450,030
Mining and quarrying	48,403,074	-	-	48,403,074
Water supply, sewerage, waste management and remediation activities	-	-	-	-
Human health and social work activities	6,593,799	-	-	6,593,799
Other services activities	62,400,156	-	-	62,400,156
Loans to individual primarily for personal use purposes	-	-	-	-
Less: Allowance for credit losses	(41,771,755)	-	-	(41,771,755)
Total	1,878,165,467	971,502,182	763,830,217	3,613,497,866

\*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 of December 31, 2024 and 2023:

2 0 2 4	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	35,292,078	-	-	-	35,292,078
Due from other banks	1,099,579,388	-	-	-	1,099,579,388
Debt securities measured at amortized cost	909,217,725	-	-	-	909,217,725
Receivable from customer:					
Microfinance loan	2,884,532	-	410	-	2,884,942
Other loan	1,803,116,519	84,443,441	23,178,930	886,079	1,911,624,969
Other receivables:					
Sales contract receivable	5,439,962	234,515	-	-	5,674,477
Accounts receivable	7,626,854	-	-	-	7,626,854
	<u>3,863,157,057</u>	<u>84,677,956</u>	<u>23,179,340</u>	<u>886,079</u>	<u>3,971,900,432</u>
2 0 2 3	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	44,327,872	-	-	-	44,327,872
Due from other banks	927,174,310	-	-	-	927,174,310
Debt securities measured at amortized cost	743,433,836	-	-	-	743,433,836
Receivable from customer:					
Microfinance loan	208,271	15,175	296,796	53,822	574,064
Other loan	1,793,061,997	90,580,328	16,649,564	19,071,269	1,919,363,158
Other receivables:					
Sales contract receivable	4,283,668	79,564	-	-	4,363,232
Accounts receivable	3,117,656	-	-	3,601,064	6,718,720
	<u>3,515,607,610</u>	<u>90,675,067</u>	<u>16,946,360</u>	<u>22,726,155</u>	<u>3,645,955,192</u>

*Past due but not impaired loans and receivable and investment securities*

Loan 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 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, 2024, and 2023.

It is the Bank's policy to dispose of foreclosed properties acquired in an orderly fashion. The proceed of the state 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 loan and receivables*

The following tables show the total aggregate amount of loan and receivables that are contractually past due but not considered as impaired per delinquency bucket as of December 31, 2024 and 2023.

2 0 2 4	Less than 30 days	31 to 60 days	61 to 90 days	Total
Receivable from customers:				
Microfinance loan	-	-	410	410
Other loans	-	-	24,065,009	24,065,009
	-	-	24,065,419	24,065,419
2 0 2 3	Less than 30 days	31 to 60 days	61 to 90 days	Total
Receivable from customers:				
Microfinance loan	-	-	297,203	297,203
Other loans	-	-	16,652,508	16,652,508
	-	-	16,949,711	16,949,711

**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 of December 31, 2024 and 2023, 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 58.34 per US \$1 for December 31, 2024.

*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, 2024 and 2023, the Bank's exposure to interest rate risk is minimal.



The Bank's receivables earn interest rates ranging from 6.05% to 14.00% in 2024 and 2023. The shortest term of loan is one month while the longest term is ten years.

For the year 2024 and 2023, 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 1.50% to 4% and 1% to 4%, for the year 2024 and 2023, respectively, while its gold saver 5 carries interest rate ranging from 4.25% to 4.50% and 2.50% to 4.50%, 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 for 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, The Bank adopted measures to limit, determine, and control its liquidity risks. These liquidity risk measures will be categorized into two:

- a. Funding Liquidity Risk
- b. Market Liquidity Risk

The tables below summarize the maturity profile based on contractual undiscounted cash flows of the Bank's financial liabilities and related financial assets used for liquidity purposes:

2 0 2 4	0 - 3 months	3 - 6 months	6 - 12 months	Beyond 1 year	Total
<b>Financial liabilities:</b>					
Deposit liabilities	2,791,690,149	229,875,339	68,833,678	205,455,993	3,295,855,159
Other liabilities:					
Accrued interest payable	7,047,427	1,452,369	540,959	410,354	9,451,109
Accounts payable	89,144,043	-	-	-	89,144,043
Lease liabilities	-	-	-	25,575,846	25,575,846
<b>Total financial liabilities</b>	<b>2,887,881,619</b>	<b>231,327,708</b>	<b>69,374,637</b>	<b>231,442,193</b>	<b>3,420,026,157</b>
<b>Financial assets:</b>					
Cash and other cash items	31,230,090	-	-	-	31,230,090
Due from BSP	35,292,078	-	-	-	35,292,078
Due from other banks	832,079,387	246,000,000	21,500,000	-	1,099,579,387
Debt securities at amortized cost	124,433,590	149,554,820	341,276,323	293,952,992	909,217,725
Loans and receivable	701,537,828	219,432,729	280,531,794	684,671,258	1,886,173,609
Sales contract receivable	-	-	-	5,674,477	5,674,477
Accounts receivable	7,626,854	-	-	-	7,626,854
<b>Total financial assets</b>	<b>1,732,199,828</b>	<b>614,987,549</b>	<b>643,308,117</b>	<b>984,298,727</b>	<b>3,974,794,220</b>
<b>Liquidity position</b>	<b>1,155,681,792</b>	<b>(383,659,841)</b>	<b>(573,933,480)</b>	<b>(752,856,534)</b>	<b>(554,768,063)</b>

2 0 2 3	0 - 3 months	3 - 6 months	6 - 12 months	Beyond 1 year	Total
<b>Financial liabilities:</b>					
Deposit liabilities	2,604,865,198	203,400,375	74,072,411	159,298,761	3,041,636,745
Other liabilities:					
Bills payable	30,000,000	-	-	-	30,000,000
Accrued interest payable	6,367,777	1,372,681	507,869	252,362	8,500,689
Accounts payable	36,981,032	-	-	-	36,981,032
Lease liabilities	-	-	-	31,370,901	31,370,901
<b>Total financial liabilities</b>	<b>2,678,214,007</b>	<b>204,773,056</b>	<b>74,580,280</b>	<b>190,922,024</b>	<b>3,148,489,367</b>
<b>Financial assets:</b>					
Cash and other cash items	27,643,217	-	-	-	27,643,217
Due from BSP	44,327,872	-	-	-	44,327,872
Due from other banks	601,674,310	280,500,000	45,000,000	-	927,174,310
Debt securities at amortized cost	179,061,375	167,588,390	143,679,537	253,104,534	743,433,836
Loans and receivable	658,902,629	171,342,205	317,989,539	747,696,122	1,895,930,495
Sales contract receivable	4,078	-	-	4,359,154	4,363,232
Accounts receivable	6,718,720	-	-	-	7,018,720
<b>Total financial assets</b>	<b>1,518,332,201</b>	<b>619,430,595</b>	<b>506,669,076</b>	<b>1,005,159,810</b>	<b>3,649,891,682</b>
<b>Liquidity position</b>	<b>1,159,881,807</b>	<b>(414,657,539)</b>	<b>(432,088,796)</b>	<b>(814,237,786)</b>	<b>(501,402,315)</b>

### ***Operational Risks***

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the 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 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**

### **Part I. Minimum liquidity ratio (MLR)**

	2 0 2 4	2 0 2 3
A. Stock of liquid assets	2,066,388,602	1,735,897,739
B. Qualifying liabilities	2,562,489,306	2,330,887,818
Liquidity ratio	80.64%	74.47%

### **A. Stock of Liquid Assets**

	2 0 2 4	2 0 2 3
Cash on hand	22,299,412	20,961,721
Bank reserves in the BSP	35,292,078	44,327,872
Debt securities representing claims on or guaranteed by the Philippine National Government and the BSP	909,217,725	743,433,836
Deposit in other banks	1,099,579,387	927,174,310
Total	2,066,388,602	1,735,897,739



B. Qualifying liabilities	2 0 2 4		2 0 2 3	
	Amount	Converted amount	Amount	Converted amount
A. Qualifying liabilities				
1. Retail current and regular savings deposits with outstanding balance per account of P500,000 and below (50%)	1,745,097,426	872,548,713	1,650,531,080	825,265,540
2. Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar days (0%)		-	30,000,000	-
3. Obligations arising from operational expenses	5,212,617	-	3,445,944	-
4. Total on balance sheet liabilities	3,435,038,019	-	3,156,153,358	-
5. Deduct: (Sum of A1 to A2)	1,689,940,593	-	1,505,622,278	-
B. Other non-balance sheet liabilities (Item A.3 Less A.4)	-	1,689,940,593	-	1,505,622,278
C. Irrevocable obligations under off-balance sheet items	-	-	-	-
D. Total (Sum of adjusted amount of item A(1),A(2),B and C		<u>2,562,489,306</u>		<u>2,330,887,818</u>

## NOTE 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, 2024, and 2023:

	2 0 2 4		2 0 2 3	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	1,166,128,978	1,166,128,978	999,145,399	999,145,399
Debt securities measured at amortized	909,217,725	909,217,725	743,433,836	743,433,836
Loans and receivable, net	1,875,583,888	1,875,583,888	1,882,528,699	1,882,528,699
Accounts receivable, net	<u>3,725,790</u>	<u>3,725,790</u>	<u>3,117,656</u>	<u>3,117,656</u>
Total financial asset	<u>3,954,656,381</u>	<u>3,954,656,381</u>	<u>3,628,225,591</u>	<u>3,628,225,591</u>
Financial liabilities:				
Deposit liabilities	3,295,855,159	3,295,855,159	3,041,636,745	3,041,636,745
Accrued interest and other expense	17,861,292	17,861,292	11,946,633	11,946,633
Other liabilities	<u>89,144,043</u>	<u>89,144,043</u>	<u>36,981,032</u>	<u>36,981,032</u>
Total	<u>3,402,860,494</u>	<u>3,402,860,494</u>	<u>3,090,564,411</u>	<u>3,090,564,411</u>

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 on 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.

*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, 2024, and 2023, the bank has no investment in available-for-sale securities.

*Loan and receivables* — fair values of banks 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* - Account 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:

	2 0 2 4		2 0 2 3	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	1,166,101,555	1,166,101,555	999,145,399	999,145,399
Debt securities measured at amortized cost, net	909,217,725	909,217,725	743,433,836	743,433,836
Loans and receivable, net	1,875,583,888	1,875,583,888	1,882,528,699	1,882,528,699
Accounts receivable, net	3,725,790	3,725,790	3,117,656	3,117,656
Total financial asset	3,954,628,958	3,954,628,958	3,628,225,591	3,628,225,591
Financial liabilities:				
Deposit liabilities	3,295,855,159	3,295,855,159	3,041,636,745	3,041,636,745
Accrued interest and other expense	17,861,292	17,861,292	11,946,633	11,946,633
Other liabilities	89,144,043	89,144,043	36,981,032	36,981,032
Total	3,402,860,494	3,402,860,494	3,090,564,411	3,090,564,411

**NOTE 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 as follows:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
<i>Cash and other cash items</i>		
Cash on hand and in vault	22,299,412	20,961,721
Cash and other cash items	<u>8,930,678</u>	<u>6,681,496</u>
Subtotal	<u>31,230,090</u>	<u>27,643,217</u>
<i>Cash in bank</i>		
Due from BSP	35,292,078	44,327,872
Due from other banks	<u>1,099,579,387</u>	<u>927,174,310</u>
Subtotal	<u>1,134,871,465</u>	<u>971,502,182</u>
Total	<u><u>1,166,101,555</u></u>	<u><u>999,145,399</u></u>

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:

Bank Name	2 0 2 4	%	2 0 2 3	%
Banco De Oro	146,074,374	13.28%	141,615,200	15.27%
MetroBank	101,793,560	9.26%	75,010,000	8.09%
China Banking Corporation	100,714,807	9.16%	75,114,193	8.10%
Bank of the Philippine Islands	100,000,000	9.09%	100,000,000	10.79%
Development Bank of the Philippines	93,545,442	8.51%	22,673,755	2.45%
Rizal Commercial Banking Corporation	75,020,000	6.82%	20,000	0.00%
Philippine National Bank	75,000,000	6.82%	75,000,000	8.09%
Landbank of the Philippines	66,303,783	6.03%	50,597,108	5.46%
Bank of Commerce	55,000,000	5.00%	50,000,000	5.39%
Security Bank Corporation	55,000,000	5.00%	75,000,000	8.09%
Asia United Bank	50,000,000	4.55%	50,000,000	5.39%
Eastwest Bank	50,000,000	4.55%	50,000,000	5.39%
PS Bank	30,000,000	2.73%	50,000,000	5.39%
PBCOM	25,000,000	2.27%	10,000,000	1.08%
Philtrust Bank	25,000,000	2.27%	25,000,000	2.70%
China Bank Savings	25,000,000	2.27%	20,000,000	2.16%
Philippine Veterans Bank	10,000,000	0.91%	-	0.00%
Philippine Business Bank-La Trinidad	10,000,000	0.91%	1,044,054	0.11%
Bank of Makati	2,500,000	0.23%	-	0.00%
Producers Savings Bank Corp.	2,000,000	0.18%	500,000	0.05%
Malayan Bank	1,500,000	0.14%	500,000	0.05%
Union Bank of the Philippines	100,000	0.01%	100,000	0.01%
RCBC LU	-	0.00%	55,000,000	5.93%
Total	<u>1,099,551,966</u>	<u>100.00%</u>	<u>927,174,309</u>	<u>100.00%</u>

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 P100 Million whichever is higher. Provided that the lending bank shall exercise proper due diligence in selecting a depository bank and shall formulate appropriate policies to address the corresponding risks involved in the transactions.

On March 19, 2020, the Monetary Board, on its Resolution issued the Memorandum No. M-2020-O11 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 unable end of December 31, 2022.

As of December 31, 2024, the Bank's SBL was registered at P122,377,517, which the bank is fully compliant on it.

As at December 31, 2024 and 2023, due from other banks includes dollar-denominated deposits amounting to \$19,571 and \$10,973, 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 3.50% to 6.25% in 2024 and 0.50% to 5.75% in 2023.

Interest income from bank accounts and short-term cash deposits amounting to P29,622,585 and P35,361,049 for the years ended December 31, 2024 and 2023, respectively (Note 19).

As of audit date the Bank holds no cash and cash equivalents in 2024 and 2023 which are not available for use by bank.

## NOTE 8 - DEBT SECURITIES MEASURED AT AMORTIZED COST

The account consists of the following:

	2024	2023
Treasury bonds	934,493,850	763,830,217
Less: Unamortized discount/premium	25,276,125	20,396,381
Total	<u>909,217,725</u>	<u>743,433,836</u>

*\*Includes Treasury bill*

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

Issuer/Obligor	Interest rate	2024		Face value	Book Value
		Date issued	Maturity date		
Chinabank - RTB 5-13	2.625%	13/08/2020	12/08/2025	5,000,000	5,000,000
Chinabank - RDB\$100K	1.375%	06/10/2021	08/10/2026	5,080,000	5,080,000
Chinabank - RTB 5-15	4.875%	04/03/2022	04/03/2027	10,000,000	10,000,000
Chinabank - FXTN 10-60	4.325%	22/04/2022	09/09/2025	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 - 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 - ROP\$100K	4.635%	18/01/2023	17/07/2028	5,636,854	5,636,854
Chinabank - ROP\$100K	4.260%	14/02/2023	17/07/2028	5,543,363	5,543,363
Chinabank - RTB 5-17	6.125%	23/02/2022	22/08/2028	10,000,000	10,000,000
Chinabank - FXTN 7-62	6.250%	13/07/2023	14/02/2026	10,000,000	10,000,000
Chinabank - TB	5.925%	09/01/2024	02/01/2025	5,000,000	5,000,000
Chinabank - TB	5.995%	15/01/2024	08/01/2025	5,000,000	5,000,000
Chinabank - TB	6.100%	19/02/2024	12/02/2025	5,000,000	5,000,000
Chinabank - TB	6.105%	23/02/2024	23/02/2025	5,000,000	5,000,000
Chinabank - RTB 5-18	6.250%	28/02/2024	28/02/2029	5,000,000	5,000,000
Chinabank - RTB 5-18	6.250%	28/02/2024	28/02/2029	10,000,000	10,000,000
Chinabank - TB	6.035%	13/03/2024	25/02/2025	10,000,000	10,000,000
Chinabank - TB	6.000%	25/03/2024	19/03/2025	5,000,000	5,000,000
Chinabank - TB	5.980%	08/04/2024	02/04/2025	5,000,000	5,000,000
Chinabank - TB	5.989%	08/04/2024	26/03/2025	10,000,000	10,000,000
Chinabank - RTB	6.030%	08/04/2024	12/08/2025	10,000,000	10,000,000
Chinabank - TB	6.038%	14/05/2024	07/05/2025	10,000,000	10,000,000
Chinabank - TB	6.035%	21/05/2024	21/05/2025	10,000,000	10,000,000
Chinabank - TB	6.050%	18/06/2024	11/06/2025	10,000,000	10,000,000
Chinabank - TB	6.073%	25/06/2024	14/05/2025	10,000,000	10,000,000
Chinabank - TB	6.050%	25/06/2024	16/04/2025	10,000,000	10,000,000
Chinabank - TB	6.065%	12/07/2024	09/07/2025	10,000,000	10,000,000
Chinabank - TB	5.955%	12/07/2024	02/01/2025	5,000,000	5,000,000
Chinabank - TB	6.035%	09/09/2024	03/09/2025	5,000,000	5,000,000
Chinabank - RTB 5-17	6.020%	10/09/2024	22/08/2028	5,000,000	5,000,000
Chinabank - TB	5.950%	18/09/2024	27/08/2025	10,000,000	10,000,000
Chinabank - TB	5.965%	18/09/2024	30/07/2025	5,000,000	5,000,000
Chinabank - TB	5.850%	23/09/2024	23/08/2025	5,000,000	5,000,000
Chinabank - ROP\$100K	4.261%	10/10/2024	17/07/2028	5,663,633	5,663,633
Chinabank - TB	5.535%	10/10/2024	24/09/2025	10,000,000	10,000,000
Chinabank - TB	5.570%	10/10/2024	08/10/2025	10,000,000	10,000,000
Chinabank - TB	5.630%	18/10/2024	15/10/2025	10,000,000	10,000,000
Chinabank - TB	5.520%	30/10/2024	06/08/2025	5,000,000	5,000,000
Chinabank - TB	5.750%	30/10/2024	29/10/2025	10,000,000	10,000,000
Chinabank - RTB 5-18	4.652%	11/11/2024	28/02/2029	10,000,000	10,000,000

Chinabank - TB	5.940%	05/12/2024	03/12/2025	10,000,000	10,000,000
Chinabank - TB	5.950%	06/12/2024	17/09/2025	10,000,000	10,000,000
Chinabank - TB	5.926%	06/12/2024	01/10/2025	10,000,000	10,000,000
Chinabank - TB	5.980%	11/12/2024	10/12/2025	10,000,000	10,000,000
Chinabank - TB	6.000%	11/12/2024	05/11/2025	10,000,000	10,000,000
Chinabank - TB	6.030%	19/12/2024	19/11/2025	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 - 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 - 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	02/06/2027	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%	09/09/2022	07/03/2028	10,000,000	10,000,000
LBP - RTB 5-17	6.125%	23/02/2023	22/08/2028	10,000,000	10,000,000
LBP -TB	5.900%	09/01/2024	03/01/2025	5,000,000	5,000,000
LBP -TB	5.900%	09/01/2024	03/01/2025	10,000,000	10,000,000
LBP -TB	6.000%	22/01/2024	15/01/2025	10,000,000	10,000,000
LBP -TB	6.065%	29/01/2024	22/01/2025	10,000,000	10,000,000
LBP -TB	6.093%	23/02/2024	05/02/2025	10,000,000	10,000,000
LBP -TB	6.000%	25/03/2024	19/03/2025	10,000,000	10,000,000
LBP -TB	5.975%	26/03/2024	12/02/2025	10,000,000	10,000,000
LBP - RTB 5-14	6.050%	27/03/2024	02/06/2027	10,000,000	10,000,000
RTB 5-16	6.025%	27/03/2024	07/03/2028	10,000,000	10,000,000
LBP -TB	6.038%	14/05/2024	07/05/2025	10,000,000	10,000,000
LBP -TB	6.000%	20/05/2024	26/05/2025	10,000,000	10,000,000
LBP -TB	6.035%	27/05/2024	21/05/2025	10,000,000	10,000,000
LBP -TB	6.042%	04/06/2024	28/05/2025	10,000,000	10,000,000
LBP -TB	6.025%	11/06/2024	04/06/2025	10,000,000	10,000,000
LBP - RTB 5-18	6.458%	14/06/2024	28/02/2029	10,000,000	10,000,000
LBP -TB	6.050%	18/06/2024	04/06/2025	10,000,000	10,000,000
LBP -TB	6.033%	27/06/2024	23/04/2025	10,000,000	10,000,000
LBP -TB	6.050%	27/06/2024	18/06/2025	10,000,000	10,000,000
LBP -TB	6.060%	12/07/2024	09/07/2025	10,000,000	10,000,000
LBP -TB	6.070%	19/07/2024	16/07/2025	5,000,000	5,000,000
LBP -TB	6.079%	30/07/2024	23/07/2025	10,000,000	10,000,000
LBP -TB	6.020%	21/08/2024	06/08/2025	10,000,000	10,000,000
LBP -TB	6.015%	21/08/2024	20/08/2025	10,000,000	10,000,000
LBP -TB	5.250%	08/10/2024	02/04/2025	5,000,000	5,000,000
LBP -TB	5.480%	08/10/2024	24/09/2025	10,000,000	10,000,000
LBP -TB	5.481%	08/10/2024	01/10/2025	10,000,000	10,000,000
LBP -TB	5.550%	18/10/2024	24/09/2025	10,000,000	10,000,000
LBP -TB	5.750%	30/10/2024	22/10/2025	10,000,000	10,000,000
LBP -TB	5.840%	19/11/2024	05/11/2025	10,000,000	10,000,000
LBP -TB	5.760%	19/11/2024	01/10/2025	10,000,000	10,000,000
LBP -TB	5.910%	29/11/2024	26/11/2025	10,000,000	10,000,000
LBP -TB	5.925%	05/12/2024	19/11/2025	10,000,000	10,000,000
LBP -TB	5.950%	05/12/2024	03/12/2025	10,000,000	10,000,000
LBP -TB	5.957%	06/12/2024	12/11/2025	10,000,000	10,000,000
LBP -TB	5.970%	06/12/2024	03/12/2025	10,000,000	10,000,000
LBP -TB	6.035%	18/12/2024	26/11/2025	10,000,000	10,000,000
Metronbank -RTB 20-1	5.937%	01/06/2012	01/03/2032	15,000,000	15,000,000
DBP - TB	6.075%	31/01/2024	29/01/2025	10,000,000	10,000,000
DBP -RTB 30 (RTB 5-18)	6.250%	28/02/2024	28/02/2029	20,000,000	20,000,000
DBP - TB	6.113%	06/03/2024	05/03/2025	5,000,000	5,000,000
DBP - TB	5.590%	15/10/2024	01/10/2025	10,000,000	10,000,000
DBP - TB	5.770%	14/11/2024	12/11/2025	5,000,000	5,000,000
Total					934,493,850



2023					
Issuer/Obligor	Interest rate	Date issued	Maturity date	Face value	Book Value
Chinabank-RTB 5-13	2.625%	13/08/2020	08/12/2025	5,000,000	5,000,000
Chinabank-RTB 5-13	2.625%	13/08/2020	08/12/2025	5,000,000	5,000,000
Chinabank-RDB\$100K	1.375%	6/10/2021	10/08/2026	5,080,000	5,080,000
Chinabank-RTB 5-15	4.875%	03/04/2022	03/04/2027	10,000,000	10,000,000
Chinabank-RTB 5-12	3.100%	22/04/2022	03/12/2024	10,000,000	10,000,000
Chinabank-FXTN 10-60	4.325%	22/04/2022	09/09/2025	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	06/02/2027	10,000,000	10,000,000
Chinabank-RTB 3-11	4.100%	14/07/2022	03/09/2024	5,000,000	5,000,000
Chinabank-RDB\$100K	4.046%	30/07/2022	10/08/2026	5,570,000	5,570,000
Chinabank-FXTN 3-1	5.125%	08/09/2022	02/04/2026	10,000,000	10,000,000
Chinabank-FXTN 3-27	4.650%	17/08/2022	04/07/2025	5,000,000	5,000,000
Chinabank-RTB 5-16	5.750%	09/09/2022	03/07/2028	5,000,000	5,000,000
Chinabank-RTB 5-16	5.750%	09/09/2022	03/07/2028	7,000,000	7,000,000
Chinabank-TB	5.275%	01/05/2023	01/03/2024	5,000,000	5,000,000
Chinabank-TB	5.385%	01/12/2023	01/10/2024	5,000,000	5,000,000
Chinabank-ROPS100K	4.635%	18/01/2023	17/07/2028	5,636,854	5,636,854
Chinabank-ROPS100K	4.260%	14/02/2023	17/07/2028	5,543,363	5,543,363
Chinabank-TB	5.290%	16/02/2023	14/02/2024	5,000,000	5,000,000
Chinabank-RTB 5-17	6.125%	23/02/2022	22/08/2028	10,000,000	10,000,000
Chinabank-TB	5.450%	27/02/2023	21/02/2024	5,000,000	5,000,000
Chinabank-TB	5.715%	16/03/2023	03/06/2024	10,000,000	10,000,000
Chinabank-TB	5.955%	13/04/2023	04/03/2024	10,000,000	10,000,000
Chinabank-TB	5.875%	13/04/2023	20/03/2024	5,000,000	5,000,000
Chinabank-TB	5.955%	20/04/2023	04/03/2024	5,000,000	5,000,000
Chinabank-TB	6.175%	26/04/2023	24/04/2024	10,000,000	10,000,000
Chinabank-TB	6.200%	05/03/2023	30/04/2024	5,000,000	5,000,000
Chinabank-TB	6.050%	05/12/2023	04/03/2024	10,000,000	10,000,000
Chinabank-TB	5.938%	13/06/2023	22/05/2024	10,000,000	10,000,000
Chinabank-TB	6.225%	07/04/2023	26/06/2024	10,000,000	10,000,000
Chinabank-TB	6.283%	07/10/2023	26/06/2024	10,000,000	10,000,000
Chinabank-TB	6.250%	13/07/2023	06/11/2024	10,000,000	10,000,000
Chinabank-TB	6.285%	13/07/2023	07/10/2024	10,000,000	10,000,000
Chinabank-FXTN 7-62	6.250%	13/07/2023	14/02/2026	10,000,000	10,000,000
Chinabank-TB	6.100%	31/07/2023	24/07/2024	5,000,000	5,000,000
Chinabank-TB	6.160%	13/09/2023	09/11/2024	10,000,000	10,000,000
Chinabank-TB	6.500%	31/10/2023	18/09/2024	5,000,000	5,000,000
Chinabank-TB	6.535%	16/11/2023	10/09/2024	10,000,000	10,000,000
Chinabank-TB	5.625%	12/11/2023	12/04/2024	10,000,000	10,000,000
LBP-RTB 3-11	2.375%	26/02/2021	03/09/2024	15,000,000	15,000,000
LBP-RTB 3-11	2.348%	07/02/2021	03/09/2024	10,000,000	10,000,000
LBP-FXTN 05-77	3.670%	26/10/2021	04/08/2026	10,000,000	10,000,000
LBP-FXTN 07-65	4.425%	26/10/2021	08/12/2028	10,000,000	10,000,000
LBP-RTB 5-14	4.625%	26/11/2021	06/02/2027	10,000,000	10,000,000
LBP-FXTN 10-60	3.350%	02/09/2022	09/09/2025	10,000,000	10,000,000
LBP-FXTN 05-77	3.955%	02/09/2022	04/08/2026	10,000,000	10,000,000
LBP-RTB 5-15	4.875%	03/04/2022	03/04/2027	10,000,000	10,000,000
LBP-FXTN 3-27	4.775%	07/07/2022	04/07/2025	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	06/02/2027	10,000,000	10,000,000
LBP-RTB 5-16	5.750%	09/09/2022	03/07/2028	10,000,000	10,000,000
LBP-RTB 5-16	5.750%	09/09/2022	03/07/2028	10,000,000	10,000,000
LBP-TB	5.277%	01/05/2023	01/03/2024	5,000,000	5,000,000
LBP-TB	5.385%	01/12/2023	01/10/2024	5,000,000	5,000,000
LBP-TB	5.325%	23/01/2023	01/03/2024	10,000,000	10,000,000
LBP-TB	5.387%	23/01/2023	01/10/2024	10,000,000	10,000,000
LBP-TB	5.405%	23/01/2023	17/01/2024	10,000,000	10,000,000
LBP-TB	5.351%	27/01/2023	24/01/2024	10,000,000	10,000,000

LBP-TB	5.256%	02/06/2023	31/01/2024	10,000,000	10,000,000
LBP-RTB 5-17	6.125%	23/02/2023	22/08/2028	10,000,000	10,000,000
LBP-TB	5.396%	23/02/2023	21/02/2024	10,000,000	10,000,000
LBP-TB	5.450%	23/02/2023	14/02/2024	10,000,000	10,000,000
LBP-TB	5.375%	23/02/2023	02/07/2024	10,000,000	10,000,000
LBP-TB	5.710%	16/03/2023	13/03/2024	10,000,000	10,000,000
LBP-TB	5.866%	27/03/2023	20/03/2024	10,000,000	10,000,000
LBP-TB	6.250%	05/04/2023	04/03/2024	5,000,000	5,000,000
LBP-TB	5.800%	23/05/2023	05/08/2024	10,000,000	10,000,000
LBP-TB	5.938%	13/06/2023	22/05/2024	10,000,000	10,000,000
LBP-TB	5.930%	16/06/2023	24/05/2024	10,000,000	10,000,000
LBP-TB	6.050%	16/06/2023	06/11/2024	10,000,000	10,000,000
LBP-TB	6.075%	26/06/2023	15/05/2024	10,000,000	10,000,000
LBP-TB	6.160%	19/06/2023	19/06/2024	10,000,000	10,000,000
LBP-TB	6.043%	26/06/2023	24/01/2024	10,000,000	10,000,000
LBP-TB	6.205%	07/04/2023	06/05/2024	10,000,000	10,000,000
LBP-TB	6.285%	07/07/2023	07/03/2024	10,000,000	10,000,000
LBP-TB	6.276%	17/07/2023	26/06/2024	10,000,000	10,000,000
LBP-TB	6.010%	21/09/2023	08/07/2024	10,000,000	10,000,000
LBP-TB	6.020%	21/09/2023	18/09/2024	10,000,000	10,000,000
LBP-TB	6.485%	27/10/2023	18/09/2024	10,000,000	10,000,000
LBP-TB	6.485%	27/10/2023	16/10/2024	10,000,000	10,000,000
LBP-TB	5.600%	12/11/2023	27/11/2024	10,000,000	10,000,000
LBP-TB	5.600%	12/11/2023	12/04/2024	10,000,000	10,000,000
LBP-TB	5.600%	12/11/2023	12/04/2024	10,000,000	10,000,000
LBP-TB	5.300%	13/12/2023	21/08/2024	10,000,000	10,000,000
LBP-TB	5.550%	13/12/2023	13/11/2024	10,000,000	10,000,000
Metrobank-RTB 20-1 (P11D)	5.937%	06/01/2012	03/01/2032	15,000,000	15,000,000
Total					<u>763,830,217</u>

Debt securities measured at amortized cost earn interest income amounting to P34,102,426 and P9,406,211 for the years ended December 31, 2024 and 2023, respectively.

## NOTE 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:

	<u>2 0 2 4</u>	<u>%</u>	<u>2 0 2 3</u>	<u>%</u>
Current loans	1,829,751,014	94.40%	1,817,423,165	93.48%
Past due loans-Performing	84,443,441	4.36%	90,595,503	4.66%
Past due loans-Non-performing	22,952,020	1.18%	16,949,711	0.87%
Items in litigation	<u>1,065,907</u>	<u>0.05%</u>	<u>19,121,740</u>	<u>0.98%</u>
Total	1,938,212,382	100.00%	1,944,090,119	100.00%
Less: Unamortized discounts	<u>(23,702,471)</u>		<u>(24,152,897)</u>	
Total	<u>1,914,509,911</u>		<u>1,919,937,222</u>	
Less: Allowance for credit losses				
Specific	(28,336,302)		(24,006,727)	
General	<u>(16,264,198)</u>		<u>(17,765,028)</u>	
Total Loans receivable, net	1,869,909,411		1,878,165,467	
Sales contract receivables, net	<u>5,674,477</u>		<u>4,363,232</u>	
Total Loans and other receivables, net	<u>1,875,583,888</u>		<u>1,882,528,699</u>	

The Bank's loan accounts are stated at the outstanding balance, reduced by estimated allowance for probable losses and unearned interest and discounts. These receivables can be received either by cash or check payments.

Loans and receivables earn interest income at interest rates ranging 6.50% to 12% and 5.50% to 14% in 2024 and 2023, respectively.

Total interest income earned amounting to P175,239,910 and P152,628,232 for the years ended December 31, 2024 and 2023, respectively.

The bank's loan accounts are stated at the outstanding balance, reduced by estimated allowance for probable losses and unearned interest and discounts.

The Bank holds collateral against loan and receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets.

As of December 31, 2024 and 2023, there are no receivables were used as collateral.

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

	2 0 2 4	2 0 2 3
Balance at the beginning of the year	41,771,755	65,005,128
Provision for credit losses	30,180,558	4,108,851
Write-off	(24,372,852)	(23,141,865)
Other credits	(2,978,961)	(4,200,359)
Balance at the end of the year	<u>44,600,500</u>	<u>41,771,755</u>

The total allowance for credit losses of P44,600,500 which composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the BSP Memorandum Circular 1011.

During the year the Bank approved to write-off a total amount of loan receivable amounting P24,372,852. The declaration was made under the Bank's Board Resolution No. 2025-25 and 2025-29.

Classification of loans:

As to Maturity:

	2 0 2 4		2 0 2 3	
	Amount	Percentage	Amount	Percentage
Due within one year	1,246,738,800	64%	1,137,182,775	58%
Due beyond one year but within 5 years	679,958,114	35%	757,510,427	39%
Due beyond 5 years	<u>11,515,468</u>	<u>1%</u>	<u>49,396,917</u>	<u>3%</u>
Total	<u>1,938,212,382</u>	<u>100%</u>	<u>1,944,090,119</u>	<u>100%</u>

### **Sales Contract Receivable**

This account consists of:

	2 0 2 4	2 0 2 3
Performing	19,679,333	14,739,345
Non-performing	<u>234,515</u>	<u>79,564</u>
Total	19,913,848	14,818,909
Less: Allowance for credit losses	7,622	
Unearned income	<u>14,231,749</u>	<u>10,455,677</u>
Sales contract receivables, net	<u>5,674,477</u>	<u>4,363,232</u>



## NOTE 10 - BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

This accounts consist of:

	Land	Building	Furniture & Fixtures	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Right of Used Asset	Total
December 31, 2024								
Cost	31,286,230	36,460,134	57,959,428	26,672,978	33,915,923	27,682,027	54,298,388	268,275,108
Accumulated Dep and Amort	-	24,505,479	50,321,967	11,824,177	28,136,826	20,494,312	33,809,336	169,092,097
Net carrying amount	31,286,230	11,954,655	7,637,461	14,848,801	5,779,097	7,187,715	20,489,053	99,183,011
December 31, 2023								
Cost	31,286,230	36,460,134	54,478,880	26,672,978	32,324,548	23,591,277	52,503,923	257,317,970
Accumulated Dep and Amort	-	23,363,225	49,759,873	11,824,177	26,145,523	19,496,352	26,519,324	157,108,474
Net carrying amount	31,286,230	13,096,909	4,719,007	14,848,801	6,179,025	4,094,925	25,984,599	100,209,496

The reconciliation of the carrying amount of property and equipment at the beginning and end of 2023 and 2024 is presented.

	Land	Building	Furniture & Fixtures	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Right of Used Asset	Total
<u>Cost</u>								
Balance at beginning of year	31,286,230	36,460,134	54,478,879	26,672,978	32,324,548	23,591,277	52,652,642	257,466,688
Additions	-	-	4,619,799	-	2,196,375	4,090,750	-	10,906,924
Adjustments	-	-	-	-	-	-	1,645,746	1,645,746
Disposal	-	-	(1,139,250)	-	(605,000)	-	-	(1,744,250)
Balance end of year	31,286,230	36,460,134	57,959,428	26,672,978	33,915,923	27,682,027	54,298,388	268,275,108
<u>Accumulated Depreciation and Amortization</u>								
Balance at beginning of year	-	23,481,147	49,666,007	11,824,177	26,145,523	19,496,352	27,923,680	158,536,886
Depreciation and amortization	-	1,142,255	1,701,257	-	1,786,059	997,960	6,258,339	11,885,870
Adjustments	-	(117,923)	93,866	-	679,160	-	(372,683)	282,420
Disposal	-	-	(1,139,163)	-	(473,916)	-	-	(1,613,079)
Balance end of year	-	24,505,479	50,321,967	11,824,177	28,136,826	20,494,312	33,809,336	169,092,097
<b>Net Book Value</b>	<b>31,286,230</b>	<b>11,954,655</b>	<b>7,637,461</b>	<b>14,848,801</b>	<b>5,779,097</b>	<b>7,187,715</b>	<b>20,489,053</b>	<b>99,183,011</b>
<b>2 0 2 3</b>								
<u>Cost</u>								
Balance at beginning of year	17,181,230	36,460,134	51,333,979	26,672,978	28,321,548	22,449,277	52,652,642	235,071,789
Additions	14,105,000	-	3,740,623	-	4,003,000	1,142,000	-	22,990,623
Adjustments	-	-	-	-	-	-	(148,719)	(148,719)
Disposal	-	-	(595,722)	-	-	-	-	(595,722)
Balance end of year	31,286,230	36,460,134	54,478,880	26,672,978	32,324,548	23,591,277	52,503,923	257,317,971
<u>Accumulated Depreciation and Amortization</u>								
Balance at beginning of year	-	22,066,076	48,179,270	11,824,177	23,978,160	18,584,800	23,252,955	147,885,438
Depreciation and amortization	-	1,297,149	2,082,423	-	2,167,363	911,552	5,882,365	12,340,852
Adjustments	-	-	-	-	-	-	(2,615,995)	(2,615,995)
Disposal	-	-	(501,820)	-	-	-	-	(501,820)
Balance end of year	-	23,363,225	49,759,873	11,824,177	26,145,523	19,496,352	26,519,324	157,108,475
<b>Net Book Value</b>	<b>31,286,230</b>	<b>13,096,909</b>	<b>4,719,006</b>	<b>14,848,801</b>	<b>6,179,025</b>	<b>4,094,925</b>	<b>25,984,599</b>	<b>100,209,496</b>

*\*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 P5,517,000 to P32,290,000 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 P9,573,634 and P12,340,852 for the years ended December 31, 2024, and 2023, respectively, are shown as separate components of operating expenses in the statements of income.

During the year, the Bank purchased furniture and fixture amounting to P4,619,799. Leasehold improvements was recognized at a total cost amounting to P4,090,750. In addition motor vehicle amounting to P2,196,375 was transferred from real and other properties acquired to transportation equipment.

The Bank realized a gain on sale of property and equipment in the amount of P193,400 and P25,983 for the years ended 2024 and 2023, respectively.

The value of the Bank premises, furniture, fixtures and equipment of P99,344,495, net of accumulated depreciation, as of December 31, 2024 is 13.27% 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, 2024 and 2023 are impaired or its carrying amount cannot be recovered.

#### **NOTE 11 - INVESTMENT PROPERTY**

This account consists of real estate properties acquired by the Bank in settlement of loans 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:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Land	73,352,962	74,640,768
Building	39,011,216	38,982,811
Other properties	-	940,374
Less: Accumulated depreciation	<u>(17,298,424)</u>	<u>(13,618,115)</u>
Net amount	95,065,754	100,945,838
Less: Allowance for credit losses	<u>(960,924)</u>	<u>(960,922)</u>
Net carrying amount	<u><u>94,104,830</u></u>	<u><u>99,984,916</u></u>

Details of the Bank's Investment Properties are as follows:

2 0 2 4	Land	Building	Other properties	Total
<u>Cost</u>				
Beg. Balance January 1	74,640,768	38,982,811	940,375	114,563,954
Additions	3,406,472	7,168,530	185,523	10,760,525
Disposal	(3,596,405)	(1,903,873)	(185,523)	(5,685,801)
Reclassification	-	-	(940,375)	(940,375)
Impairment	(1,097,873)	(5,236,252)	-	(6,334,125)
Balance December 31	73,352,962	39,011,216	-	112,364,178
<u>Accumulated Depreciation</u>				
Beg. Balance January 1	-	13,069,563	548,552	13,618,115
Depreciation expense	-	4,668,949	146,068	4,815,017
Disposal	-	(440,088)	(15,460)	(455,548)
Reclassification	-	-	(679,160)	(679,160)
Balance December 31	-	17,298,424	-	17,298,424
Carrying amount	73,352,962	21,712,793	-	95,065,754
Allowance for credit losses	(960,924)	-	-	(960,924)
Net carrying amount	74,313,886	21,712,793	-	94,104,830
2 0 2 3	Land	Building	Other properties	Total
<u>Cost</u>				
Beg. Balance January 1	74,598,583	45,881,095	2,360,014	122,839,691
Additions	27,637,891	2,584,439	-	30,222,330
Disposal	(27,595,705)	(9,482,723)	(1,419,639)	(38,498,068)
Balance December 31	74,640,768	38,982,811	940,375	114,563,953
<u>Accumulated Depreciation</u>				
Beg. Balance January 1	-	9,270,836	754,507	10,025,343
Depreciation expense	-	4,824,372	434,002	5,258,374
Disposal	-	(1,025,645)	(639,957)	(1,665,602)
Balance December 31	-	13,069,563	548,552	13,618,115
Carrying amount	74,640,768	25,913,247	391,823	100,945,838
Allowance for credit losses	960,922	-	-	960,922
Net carrying amount	73,679,847	25,913,247	391,823	99,984,916



A reconciliation of the carrying amounts of the Bank's investment property at the beginning and end of 2024 and 2023 is shown below:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Balance beginning	99,984,916	111,862,430
Additions	10,760,524	30,222,331
Disposals	(5,230,253)	(38,498,067)
Reclassification	(261,215)	-
Impairment	(6,334,125)	-
Depreciation	<u>(4,815,017)</u>	<u>(3,601,778)</u>
Total	<u><u>94,104,830</u></u>	<u><u>99,984,916</u></u>

There is no movement of allowance for credit losses for the years ended December 31, 2024 and 2023.

As of December 31, 2024, and 2023, no investment in property was used as collateral to secure Bank's liabilities.

Additions to investment property during the year refer to properties acquired due to non-payment of loans receivable.

The Bank sold an item of investment property (ROPA) with cost of P10,760,524 which resulted in a gain on sale of P4,833,940 the year ended December 31, 2024. During 2023, the Bank sold an investment property (ROPA) with cost of P38,498,067 which resulted in gain on sale of P4,791,027.

## **NOTE 12 - OTHER ASSETS**

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Account receivables	7,626,854	6,718,720
Stationery and supplies on hand	2,777,396	2,000,034
Creditable income tax	287,002	43,814
Petty cash fund	97,000	89,500
Documentary stamps	3,834	194,749
Miscellaneous assets	<u>21,414,030</u>	<u>21,556,751</u>
Total	32,206,116	30,603,568
Less: Allowance for probable losses	<u>3,901,064</u>	<u>3,601,064</u>
Net other assets	<u><u>28,305,052</u></u>	<u><u>27,002,504</u></u>

\* 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.

\*Petty cash fund maintained by the Bank is used to facilitate transactions for minor expenditures

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

	2 0 2 4	2 0 2 3
Balance beginning	3,601,064	2,101,064
Provision	<u>300,000</u>	<u>1,500,000</u>
Balance end	<u><u>3,901,064</u></u>	<u><u>3,601,064</u></u>

**NOTE 13 - DEFERRED TAX ASSET**

The following are the composition of deferred tax assets recognized by the Bank.

Deferred tax assets :	2 0 2 4	2 0 2 3
Beginning balance	10,062,763	8,162,508
Additions/(deductions) from temporary differences		
Right-of-used assets	3,207,971	873,042
Provision for credit losses	7,545,139	1,027,213
Additions on lease liability	-	-
Movement on lease liability	<u>-</u>	<u>-</u>
Total	<u><u>20,815,873</u></u>	<u><u>10,062,763</u></u>
Deferred tax liabilities:		
Beginning balance	7,817,243	7,349,922
Additions/(deductions) from temporary differences		
Lease liability	4,494,578	467,321
Additions on right of used asset	-	-
Depreciation of ROUA	<u>-</u>	<u>-</u>
Total	<u><u>12,311,821</u></u>	<u><u>7,817,243</u></u>
Net deferred tax assets	<u><u>8,504,052</u></u>	<u><u>2,245,520</u></u>

**NOTE 14 - DEPOSIT LIABILITIES**

The account consists of the following:

	<u>2 0 2 4</u>	<u>%</u>	<u>2 0 2 3</u>	<u>%</u>
Savings deposit	2,755,847,643	83.62%	2,525,476,228	83.03%
Demand deposit	138,168,109	4.19%	169,608,030	5.58%
Time deposit	<u>401,839,407</u>	<u>12.19%</u>	<u>346,552,487</u>	<u>11.39%</u>
Total deposit liabilities	<u>3,295,855,159</u>	<u>100.00%</u>	<u>3,041,636,745</u>	<u>100.00%</u>

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 a term of five (5) years or more are exempt from tax in accordance with BIR regulation. Total deposits for the year increased by P254,218,414 or 8.36% over the figures of 2023.

For the year 2024 and 2023, 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 1.50% to 4% and 1% to 4%, for the years 2024 and 2023 respectively, while its gold saver 5 carries interest rate ranging from 4.25% to 4.50% and 3.50% to 4.50%, respectively

Interest expense on deposit liabilities charged to profit or loss in 2024 and 2023 amounting to P28,838,866 and P23,568,050, respectively.

On June 30, 2023, the Monetary Board in its Circular no. 1175 The Monetary Board, in its Resolution No. 727 dated 08 June 2023, approved the reduction in the reserve requirement (RR) ratios of deposit and deposit substitute liabilities of banks and non-bank financial institutions with quasi banking functions (NBQBs). The required reserve as of December 31, 2023, amounted to P30,416,37 or 1% of the total deposit liabilities. This amount is in the form of a deposit with Bangko Sentral ng Pilipinas which has a balance of P44,327,872 as at December 31, 2023 which is higher than the required reserves for rural banks.

Pursuant to BSP Circular No. 1201 Series of 2024 dated September 05, 2024, Rural banks are no longer required to maintain reserve requirements for deposit liabilities. This policy aims to enhance liquidity and support financial inclusion in rural areas by allowing banks to allocate more funds toward lending and economic development. The removal of reserve requirements helps rural banks better serve the community by increasing access to credit and banking services.



**NOTE 15 - BILLS PAYABLE**

The Bank's bills payable consists of payables to local banks amounting to P-nil- and P30,000,000.00 as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, the Bank has no outstanding bills payable.

The Bank pays fixed interest rates on its bills payable of 5% per annum and paid interest expense amounting to P122,055 and P327,821 for the years ended December 31, 2024 and 2023, respectively.

**NOTE 16 - ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE**

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Accrued interest payable	9,451,109	8,500,689
Accrued other expenses payable	<u>8,410,183</u>	<u>3,445,944</u>
Total	<u><u>17,861,292</u></u>	<u><u>11,946,633</u></u>

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31, 2024, but subsequently paid in the next accounting period. Accrued other expenses payable are year-end expenses payable in the following period.

**NOTE 17 - OTHER LIABILITIES**

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Accounts payable	89,144,043	36,981,032
Lease liability (Note 24)	25,575,846	31,370,901
Loans payable - Others	2,753,123	1,855,813
GRT payable	1,644,783	382,365
SSS, Medicare, and Pag-ibig contribution payable	1,482,271	1,258,051
Withholding tax payable	534,342	543,483
Overages	98,845	90,020
Special liability account	38,915	38,915
Due to treasurer of the Philippines	<u>11,757</u>	<u>11,757</u>
Total	<u><u>121,283,925</u></u>	<u><u>72,532,337</u></u>

The above liabilities are either settled by cash or check payments. As of December 31, 2024 and 2023, 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 withholding agent of the government.

SSS, Medicare and Pag-ibig contribution are employees and employer contributions which are to be remitted by the Bank on January, 2025.

## NOTE 18 - **EQUITY**

### **18.1 Ordinary Shares**

Ordinary shareholders of the bank are given less priority as to assets liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restriction for reserve requirements and preferred dividends, if any.

Authorized ordinary share capital as of December 31, 2024, amounted to or 9,200,000 ordinary shares with a par value of P50 each. The total subscribed and paid-up shares amounted to P377,376,400 or 7,547,528 shares as of December 31, 2024.

### **18.2 Preference Shares**

The preference shareholders of the Bank are given priority in the distribution of the assets of the corporation in case of 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 the 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, 2024, amounted to P400,000,000 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 P50 each. The total subscribed and paid-up preference shares amounted to P7,470,300 or 149,406 shares as of December 31, 2024.

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

	2 0 2 4		2 0 2 3	
	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	7,547,528	377,376,400
Preferred stock - P50 par value 400,000				
Authorized shares:				
At the beginning and at the end of the year	149,406	7,470,300	149,406	7,470,300
Total	7,696,934	384,846,700	7,696,934	384,846,700

### 18.3. Surplus Free

The Bank distributed cash dividends totaling ₱9,621,168 to individuals and corporations. Additionally, stock dividends amounting to ₱125,666,341 were declared. These declarations were made under the Bank's Board Resolution No. 2024-33 and Stockholder Resolution No. 4, 2024

The declaration of cash dividend is summarized below:

Type of Dividends	Date of Declaration	Date of Record	Date of Distribution	Amount
Cash	03/15/24	12/31/23	05/03/24	9,621,168
Stock	06/07/24	12/31/23	-	125,666,341
Total				<u>135,287,509</u>

The Bank has filed an application to increase its authorized capital stock. The application has been approved by the Bangko Sentral ng Pilipinas and is currently awaiting final approval from the Securities and Exchange Commission.

The reconciliation of surplus during the period is as follows:

	2024	2023
Balance - beginning	181,730,875	150,074,024
Dividends paid	(9,621,168)	(19,242,335)
Stock dividend distributable	(125,666,341)	-
Prior period adjustments	59,295	(1,040,332)
Restated beginning balance	46,502,661	129,791,357
Income for the year (Exhibit B)	57,126,955	51,939,518
Retained earnings -free	103,629,616	181,730,875
Retained earnings - reserved	-	-
Total retained earnings - ending	<u>103,629,616</u>	<u>181,730,875</u>

### 18.4 Surplus Reserve

	2024	2023
Balance, beginning	20,000,000	20,000,000
Additions (usage)	-	-
Adjustment	-	-
Balance, ending	<u>20,000,000</u>	<u>20,000,000</u>
Reserves for contingencies	10,000,000	10,000,000
Other surplus reserves	10,000,000	10,000,000
Total surplus reserves	<u>20,000,000</u>	<u>20,000,000</u>

### 18.5. Prior period adjustments

The following are the components of the provision and adjustments for the years ended December 31, 2024 and 2023

	2 0 2 4	2 0 2 3
Adjustments for lease liability 2023	2,789,492	-
Unaccounted prior period expense 2023	473,245	1,397,228
To recognize 4th quarter creditable income tax for the year 2023	94,812	-
Partial payment of breach of contract of employee 2023	7,500	-
Adjustments for lease liability 2023	(2,026,817)	-
To take up tax deficiency for year 2023	(1,278,937)	-
To recognized the expense related to the transfer of property - ROPA land	-	5,581,165
To record gain on sale on non-financial assets	-	2,110,775
To recognized unbooked creditable withholding tax for 4th Quarter CWT 2022	-	-
To record deferred tax on ROUA and lease liability 2022	-	197,149
Accumulated depreciation - building	-	117,923
To take effect the adjustment on lease	-	13,997
To record reversal of related interest income-DFOB	-	27,562
To correct entry made on 12/12/22 RE: 13th month pay	-	1,638
To reclassify the interest income on bank deposit for the month of 12/31/2022	-	1,068
To correct the entry for the remittance of fringe benefit tax for 4th qtr 2022	-	(43,077)
To record accumulated depreciation - furniture and fixtures for the year 2022	-	(93,866)
To take up tax deficiency for year 2022	-	(1,128,773)
To record additional allowances for credit losses for farmers' loan	-	(1,448,878)
Additional depreciation expenses on depreciated ROPA and leasehold improvements	-	(7,774,243)
Total	59,295	(1,040,331)

#### **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 rating and health 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 level due to changes in the Bank's business operation of unanticipated events created by consumer behavior or capital market conditions.

The Bank managed its capital structure and makes adjustment to in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust in 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.

Under BSP Circular 1151 issued on August 4, 2022, in relation to Section 121 of the MORB, as amended by Circular Nos. '1121 and '1142 dated 8 June 2021 and 29 March 2022, respectively, is hereby further amended, as follows:

Head office only	P50,000,000
Up to 5 branches	50,000,000
6 to 10 branches	120,000,000
More than 10 branches	200,000,000

For the years ended December 31, 2024, and 2023, the Bank is in compliance with the minimum capitalization requirement set by the BSP.

BSP Circular No.1142, Credit Risk-Weighted Assets of Appendix 62 of the MORB under the Risk-Based Capital Adequacy Framework for the Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks. In its Resolution No.372 dated 17 March 2022, approved the following amendments to the guidelines on the computation of the minimum required capital under Section 121 and the risk-based capital adequacy ratio under Appendices 59 and 62 of the Manual of Regulations for Banks (MORB) and other related regulations.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10%) 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 BAP, 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.

The Bank's regulatory capital position as of December 31, 2024, is presented as follows:

**CAPITAL ADEQUACY RATIO**

Capital adequacy ratio	Amount	
Qualifying capital		733,242,240
Risk-weighted assets		
credit risk-weighted assets	3,207,079,139	
operational risk-weighted assets	329,689,050	3,536,768,189
Capital adequacy ratio		20.73%

## QUALIFYING CAPITAL

Tier 1 Capital	Amount
CET 1	
Paid up common stocks	377,376,400
Stock dividends distributable	125,666,341
Paid up capital - Preferred	85,146,459
Retained earnings	103,629,616
Total	691,818,816
Deduction from CET 1	
Outstanding unsecured credit	(480,000)
Deferred tax asset	(8,504,052)
Total	682,834,764
Additional tier 1 capital	-
Total Tier 1 capital	682,834,764
Tier 2 Capital	Amount
Upper Tier 2	
Preferred shares	7,470,300
General loan loss provision	16,264,198
Appraisal Increment Reserve	26,672,978
Total	50,407,476
Deduction from tier 2 capital	-
Total	50,407,476
Tower Tier 2	-
Total Tier 2 capital	50,407,476
Total Qualifying capital	Amount
Tier 1 capital	682,834,764
Tier 2 capital	50,407,476
Total	733,242,240

On March 9, 2020, the BSP issued Circular 1079 series of 2020, which mandates the amended risk-based capital adequacy framework for stand-alone rural banks effective January 1, 2022. However, the Bank shall undergo an observation period until June 30, 2023 to submit the risk-based CAR reports in accordance with BSP Circular 1079.

Pursuant to BSP Circular 1074 series of 2020, amending the regulations on financial audit of banks, the Bank is required to include as additional disclosure the revised risk-based capital adequacy framework as follows:

CET1 ratio		<u>19.31%</u>
Tier ratio		<u>19.31%</u>
Operational risk-weighted assets		<u>Amount</u>
Gross income 2021		
Interest income	187,337,827	
Interest expense	(20,110,384)	
Fees and commissions income		
Other income	48,148,778	215,376,221
Gross income 2022		
Interest income	165,593,872	
Interest expense	(16,968,658)	
Fees and commissions income		
Other income	66,460,068	215,085,282
Gross income 2023		
Interest income	197,395,492	
Interest expense	(23,568,050)	
Fees and commissions income		
Other income	<u>55,089,142</u>	<u>228,916,584</u>
Total		659,378,087
Divided by		<u>3</u>
Average gross income		219,792,696
Multiplied by capital charge percentage		<u>12%</u>
Operational risk capital charge		26,375,123
Multiplied by		<u>125%</u>
Adjusted capital charge		32,968,905
Multiplied by		<u>10</u>
Total operational risk-weighted assets		<u>329,689,050</u>

Credit risk-weighted assets	Book value	Risk rate	Risk-weighted amount
Cash on hand	22,299,412	0%	-
Due from BSP	35,319,500	0%	-
Investment in bonds, at amortized cost	909,217,725	0%	-
Checks and other cash items	8,930,678	20%	1,786,135
Loans to individual for housing purposes, fully secured by first mortgage on residential property	-	50%	-
Qualified micro, small and medium enterprise loan	226,248,350	75%	169,686,262
All non-performing loan (except NPL-to ind. For housing)	3,564,621	150%	5,346,932
ROPA net of allowance	94,104,830	150%	141,157,245
Other assets*	2,889,102,565	100%	<u>2,889,102,565</u>
Total			<u><u>3,207,079,139</u></u>
Other Assets			<u>Amount</u>
Total asset per balance sheet			4,181,000,113
General loan loss provision per balance sheet			<u>16,264,198</u>
Total			4,197,264,311
Total exposure excluding other asset			<u>(1,299,657,694)</u>
Subtotal			2,897,606,617
Deductions from other assets			
Deferred tax asset			<u>(8,504,052)</u>
Net other assets			<u><u>2,889,102,565</u></u>

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 based on regulatory net worth after considering certain adjustments.

As of December 31, 2024 and 2023, the Bank was compliant with the CAR requirement.



## Financial Performance

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

	2 0 2 4	2 0 2 3
Return on average equity	5.41%	7.61%
Return on average assets	0.96%	1.36%
Net interest margin	3.52%	4.41%
Debt to equity ratio	4.59:1	4.52:1
Earnings per share	7.57	6.88
Book value per common share	97.85	91.54

### A. Return on average equity

	2 0 2 4	2 0 2 3
Net income	57,126,955	51,939,518
Shareholder's equity		
2024	745,962,094	
2023	698,397,012	698,397,012
2022	666,740,161	666,740,161
Total	2,113,099,267	1,365,137,173
Average equity	1,055,549,634	682,568,587
Return on average equity	5.41%	7.61%

### B. Return on average assets

	2 0 2 4	2 0 2 3
Net income	57,126,955	51,939,518
Assets		
2024	4,181,000,113	
2023	3,854,550,370	3,854,550,370
2022	3,808,665,462	3,808,665,462
Total	11,844,215,945	7,663,215,832
Average assets	5,922,107,973	3,831,607,916
Return on average assets	0.96%	1.36%

**C. Net interest margin**

	2 0 2 4	2 0 2 3
Net interest income	210,153,376	173,827,442
Interest earning assets		
2024	4,983,960,387	
2023	3,553,136,845	4,480,311,155
2022	3,405,881,687	3,405,881,687
Total	11,942,978,919	7,886,192,842
Average interest earning	5,971,489,459	3,943,096,421
Net interest margin	3.52%	4.41%

**D. Debt to Equity Ratio**

	2 0 2 4	2 0 2 3
Total liabilities	3,435,038,019	3,156,153,358
Total equity	745,962,094	698,397,012
Debt to Equity Ratio	4.60	4.52

**E. Earnings per share**

	2 0 2 4	2 0 2 3
Net income	57,126,955	51,939,518
Number of shares ordinary	7,547,528	7,547,528
Earnings per share ordinary	7.52	6.88

**F. Book value per share**

	2 0 2 4	2 0 2 3
Total equity	745,962,094	698,397,012
Available to common shares	738,491,794	690,926,712
Number of common shares	7,547,528	7,547,528
Book value per common share	97.85	91.54

**NOTE 19 - INTEREST INCOME**

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Income from loans and other receivables	175,239,910	152,628,232
Income from DSMAC	34,102,426	9,406,211
Income from due from other banks	<u>29,650,006</u>	<u>35,361,049</u>
Total	<u><u>238,992,342</u></u>	<u><u>197,395,492</u></u>

**NOTE 20 - OTHER INCOME**

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Fees and commission	39,438,828	38,609,930
Recovery on charged-off assets	9,106,192	9,277,668
Gain (loss) on sale/derecognition of non-financial asset (Note 10,11)	5,027,340	4,817,010
Others - other income	3,414,452	2,082,784
Fx Profit (loss)	<u>248,022</u>	<u>301,750</u>
Total	<u><u>57,234,833</u></u>	<u><u>55,089,142</u></u>

*\*Other income consists of rent income, filing fee, certification fee, penalties, and others*

**NOTE 21 - COMPENSATION AND OTHER BENEFITS**

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Salaries and wages	57,284,086	46,464,039
Fringe benefits - officers and employees	14,475,094	14,554,902
Contribution to retirement fund	6,790,991	3,240,000
Premium and PAG-IBIG contribution	3,240,000	5,397,735
Directors fee	<u>1,278,500</u>	<u>1,095,000</u>
Total	<u><u>83,068,671</u></u>	<u><u>70,751,676</u></u>

**NOTE 22 - RETIREMENT BENEFIT**

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 P36,340,006 for the year ended December 31, 2024. 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 the participants 60th birthday. A participant will receive, at retirement, an amount, in lump sum, equal to one hundred percent (100%) of his latest participant's length of service, certain percentages shall be used in computing a participant's retirement benefit.

The Bank's retirement plan provides that the Bank shall have no right, or interest in the contributions made by them to the trust and no part of the fund shall revert to the Bank except after satisfaction of all liabilities of the plan; however, such contributions as may have been made by the Bank as a result of overpayment may revert to the Bank.

A total amount of P3,240,000 and P3,240,000 was recognized as contribution to retirement fund for the years ended December 31, 2024 and 2023, respectively. Contributions to the plan were treated as outright expense.



**NOTE 23 - OTHER OPERATING EXPENSE**

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Advertising and publicity	7,407,666	4,398,045
Security services	6,708,160	6,417,756
Repair and maintenance	6,471,905	5,532,635
Impairment loss	6,334,125	12,920,313
Insurance – PDIC	6,150,894	6,107,941
Power	5,506,092	6,007,016
Rent	5,110,415	3,681,191
Traveling expense	4,495,681	3,749,335
Information technology expense	4,474,407	5,111,002
Postage	4,327,932	3,933,237
Litigation/asset acquired expense	2,703,333	3,717,839
Representation and entertainment	2,566,519	2,477,618
Fuel and lubricants	2,457,903	2,873,143
Stationery and supplies used	2,226,783	3,177,904
Management and other professional fees	1,778,736	1,707,775
Insurance – others	1,647,700	1,370,430
Supervision fees	424,679	635,647
Membership fees and dues	318,370	254,611
Donations and other charitable contributions	21,017	24,263
Documentary stamps used	14,821	262,817
Fines	1,025	19,200
Other expenses	<u>1,985,389</u>	<u>3,696,083</u>
Total	<u>73,133,552</u>	<u>78,075,801</u>

*\*Other expense includes messenger expense, inquiry fees and other minor expenses*

**NOTE 24 - DEPRECIATION AND AMORTIZATION**

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Depreciation - Right of used asset	6,258,339	5,882,365
Depreciation - ROPA – building	4,668,949	4,824,372
Depreciation - Transportation equipment	1,786,059	2,167,363
Depreciation - Bank premises – buildings	1,142,254	1,297,149
Depreciation - Furniture fixtures & equipment	1,135,991	2,082,423
Depreciation - Leasehold rights & improvements	997,960	911,552
Depreciation - Information technology	565,266	-
Depreciation - Other assets acquired	146,068	434,002
Amortization - Market rights	<u>138,952</u>	<u>54,552</u>
Total	<u><u>16,839,838</u></u>	<u><u>17,653,778</u></u>

**NOTE 25 - LEASES****Bank as Lessee****a. Short term and low- value lease**

As of December 31, 2024, the Banks has short-term lease and lease on its branch offices rental of printer, amounting to P1,788,692.

**Commitments and Contingencies**

The following are the significant commitments and contingencies involving the bank:

- i. The bank is a plaintiff in various cases arising from the collection suits pending in court for claims against delinquent borrowers of the bank. The final decision which cannot be determined at present. The amount of loans and receivables under litigation amounted to P36,011,438 as of December 31, 2023.
- ii. 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.
- iii. 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.

The Bank has lease agreements of which are under the finance lease model of accounting. With the exception of short-term lease and leases of low-value underlying assets, the lease is reflected on the balance sheet as right-of use asset and lease liability. The bank classifies its right-of use assets.

**b. Long-term Lease**

The Bank entered into lease agreements with individual lessors for the lease of the following branches.

The undiscounted maturity analysis of lease liabilities on December 31, 2024, is as follows:

Branch	Lease properties	Date commenced	Term	Monthly rental
Main	The leased premises	11/01/2023	1	10,150
Head office	The leased premises	03/01/2023	1	18,450
San Fernando Extension	The leased premises	01/16/2022	3	23,400
San Fernando Highway	Nisce-Querol Building	12/01/2017	10	45,100
Agoo	ESONICE Building	12/01/2017	10	30,000
Bacnotan	Narvacan commercial complex	06/21/2006	25	10,000
Balaonan	Lula Building	01/01/2022	3	40,000
Bangar	Central East No. 1	12/22/2011	15	15,000
Luna	Luna commercial center	07/20/2023	5	6,600
Tubao	Tax dec No. 178	08/01/2022	5	15,000
Aringay	Aringay Public Market	08/01/2020	15	15,000
San Juan	The leased premises	11/07/2022	10	13,177
Burgos	Lot 574, 586, 585, 584	01/01/2023	10	10,000
Magsingal	Magsingal public market	01/01/2021	5	20,000
Narvacan	Narvacan commercial complex	02/19/2019	25	21,600
Sta. Cruz	TCT No. T-31227	07/01/2018	15	25,786
Sta. Lucia	TCT No. T-54917	03/16/2012	15	12,500
Tagudin	Northern corner portion	09/16/2008	20	5,000
Sinait	Bank and Financial Institution Section	09/01/2022	5	18,000
Vigan	Galeria De Vigan	12/12/2018	10	45,000
Dingras	Stall No. 09 & 10 at the old public market	01/01/2023	1	11,185
Bangui	Bangui public market	07/01/2023	3	22,500
Laoag	Laoag city public market	12/31/2021	3	19,800
Dagupan	Unit A of TN Building	01/01/2021	5	65,000
Rosales	Bldg. at general luna st.	06/06/2019	20	40,000
Baguio	Maharlika Livelihood Complex (MLCI)	01/01/2023	1	33,750
La trinidad	PINESHILL Business Center	01/01/2022	3	54,564

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 encumber his right under the cataract 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 mt venture or partnership or any other agreement any nature whatsoever whereby said third party will be allowed to occupy and transact business in the leased premises and install any sign-board of any size in whatever

**NOTE 26 - INCOME TAXATION**

REGULAR CORPORATE INCOME TAX (RCIT)	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Income before tax (Exhibit B)	53,015,079	53,751,813
Less: Non taxable income and income subjected to final tax		
Interest income on bank deposit	(63,752,432)	(44,767,260)
Interest income from housing loan under HGC	(84,431)	(100,027)
Payment of lease liability	(4,884,436)	(4,259,481)
Accounts written off	(24,372,852)	(23,141,865)
Add: Non deductible expense		
Provision for losses (loans and receivables)	30,180,558	4,108,851
Interest expense from finance lease liability	1,689,107	1,869,282
Impairment loss – land	1,097,873	6,291,181
Fines and penalties	1,025	19,200
Depreciation of right of use asset	6,258,339	5,882,365
Interest expense reduced by 20%	15,938,108	11,191,815
Gain on sale reported in retained earnings	-	2,110,775
Donations and other charitable contributions	21,017	24,263
Net operating income	<u>15,106,955</u>	<u>12,980,912</u>
	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Subject to 25% Corporate income tax	15,106,955	12,980,912
Rate	<u>25%</u>	<u>25%</u>
Provision for income tax	<u>3,776,739</u>	<u>3,245,228</u>



Pursuant to Section 27(A) of National Internal Revenue Code, as amended by R.A 11534 (CREATE LAW), which was enacted on March 26, 2021, an income tax rate of 25% shall be imposed upon taxable income derived during each taxable year from all sources within and without the Philippines by every corporation, effective July 1, 2020. Provided, that corporation with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000.00 excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20%.

<u>MINIMUM CORPORATE INCOME TAX (MCIT)</u>	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Revenue	238,992,342	197,395,492
Other income	57,234,833	57,199,917
Gain on sale reported in retained earnings	-	-
Less: Interest Income subjected to final tax	(63,836,862)	(44,767,260)
Cost of services	(139,231,988)	(127,177,097)
Gross income subjected to MCIT	<u>93,158,325</u>	<u>82,651,052</u>
	<u>2 0 2 3</u>	<u>2 0 2 2</u>
Minimum corporate income tax	93,158,235	82,651,052
Rate	2%	1.50%
Minimum corporate income tax	<u>1,863,166</u>	<u>-N I L-</u>
<u>CREDITABLE INCOME TAX</u>	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Income tax due (higher between RCIT and MCIT)	3,776,739	3,245,228
Less: Prior year excess tax credit	43,814	-
Creditable tax withheld (3) Quarters	557,301	126,465
Creditable tax withheld - 4th quarter	612,559	94,812
Quarterly payments	2,850,067	3,067,765
Creditable income tax	<u>(287,002)</u>	<u>(43,814)</u>

#### **NOTE 27 - RELATED PARTY TRANSATION**

Parties are considered to be related if one party has the ability, directly to 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 member 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,

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.

Revenue regulation 19-2020 was issued to ensure that proper disclosures of related party transactions are made and that these transactions have been conducted at arm's length so as to protect the tax base. Based on Revenue regulation 34-2020, amending Revenue regulation 19-2020, the Bank is not covered by the requirements and procedures for related party transactions.

#### Remuneration 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.

As of December 31, 2024 and 2023, the bank has outstanding loan granted to its directors, officers, stockholders and related interest (DOSRI) amounting to P25,219,295 and P28,650,809, respectively.

The compensation of key management personnel included under "Compensation and other employee benefits" in the statement of income amounting to P5,171,771 and P3,111,410 as of December 31, 2024 and 2023.

The Bank also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables that follow.

#### Regulatory 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 loan 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 bank 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, 2024 and 2023, the Bank is in compliance with the regulatory requirements.

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

	<u>2 0 2 4</u>
1.) Total loan portfolio	1,938,212,382
2.) 15% of # 1	290,731,857
3.) Adjusted capital per FRP	<u>2,228,944,239</u>
4.) Items A.2 or A.3 whichever is lower	<u>290,731,857</u>
 B. Ceiling on Unsecured Loans	
	<u>2 0 2 4</u>
1.) Secured DOSRI Loans	25,039,295
2.) Unsecured DOSRI Loans	<u>480,000</u>
3.) Total	<u>25,519,295</u>
4.) 30% of Item A.4	87,219,557
5.) 30% of Item B.3	<u>7,655,788</u>
6.) Item B.4 or B.5 whichever is lower	<u>7,655,788</u>
 C. Compliance with aggregate ceiling	
	<u>2 0 2 4</u>
Item A.4	290,731,857
Item B.3	<u>25,519,295</u>
Total	<u>265,212,562</u>
 D. Compliance with ceiling on outstanding unsecured loans	
	<u>2 0 2 4</u>
Item B.6	7,655,788
Item B.2	<u>480,000</u>
Total	<u>8,135,788</u>
 E. Percent of DOSRI Loan to total loan portfolio	
	<u>2 0 2 4</u>
DOSRI Loan	25,519,295
Total loan portfolio	<u>1,938,940,300</u>
Total	<u>1.32%</u>

F. Percent of unsecured DOSRI loans to total DOSRI loan

	<u>2 0 2 4</u>
Unsecured DOSRI loan	480,000
Total DOSRI loan	<u>25,519,295</u>
Total	<u><u>1.88%</u></u>

G. Percent of past due DOSRI loans to total DOSRI loan

	<u>2 0 2 4</u>
Past due DOSRI loan	-
Total DOSRI loan	<u>25,519,295</u>
Total	<u><u>0.00%</u></u>

H. Percent of non performing DOSRI loans to total DOSRI loan

	<u>2 0 2 3</u>
Non-performing DOSRI loan	-
Total DOSRI loan	<u>25,519,295</u>
Total	<u><u>0.00%</u></u>

**NOTE 28 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)**

Presented below is the supplementary information which is required by the BIR under its existing revenue regulations to be disclosed as part of the notes to the financial statements. This supplementary information is not a required disclosure under Philippine Financial Reporting Standards as modified by the application of the financial reporting reliefs issued by the BSP and approved by SEC.

**28.1 Requirements under Revenue Regulations No. 15 – 2010**

In compliance with BIR Revenue Regulations No. 15-2010 (amending certain provision of Sec. 2 of RR No. 21-2002), which requires addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and convention, the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year particularly on the following which is applicable to the Bank:

Gross receipt tax

The Bank has paid and accrued gross receipt tax amounting to P5,987,123 and P3,197,567 during the year.

Taxes on Importation

The bank has no importations during the year.



Excise Tax

The Bank has no transaction subject to excise tax during the year.

Documentary Stamp Tax

The bank has paid and accrued documentary stamp tax amounting to P4,686,296.13 and P348,746, respectively, during the year.

Withholding Taxes

	Paid	Accrued
Final withholding tax	4,136,796	355,637
Expanded	966,102	126,599
Compensation	318,622	37,908
Total	5,421,520	520,144

Taxes and Licenses

	2 0 2 4	2 0 2 3
<u>Local</u>		
Business permit	1,319,550	1,178,086
Real property taxes	318,103	216,374
Registration and other licenses	249,583	-
Subtotal	1,887,236	1,394,460
<u>National</u>		
Percentage tax	7,229,069	-
Fringe benefit	129,231	86,154
Filing of SCC	83,282	81,459
LTO registration	61,994	70,620
Annual Registration-BIR	8,500	15,500
Documentary stamp	60	1,050,660
Others	2,359	6,530
Subtotal	7,514,495	1,310,923
Total	9,401,731	2,705,383

## 28.2 Requirements under Revenue Regulations No. 19–2011

Revenue Regulations No. 19–2011 requires schedules of taxable revenues and other non-operating income, costs of sales and/or services, itemized deductions and other significant tax information, to be disclosed in the notes to the financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts of revenues reflected in the 2024 statement of comprehensive income, which is based on Philippine Financial Reporting Standards.

### Taxable Revenue

The bank has taxable revenue during the year amounting to P175,155,479 generated from interest income from loans.

### Deductible Cost of Services

	2 0 2 4	2 0 2 3
Direct charges - salaries and wages	83,068,671	70,751,676
Direct charges - material, supplies, and facilities	12,060,808	13,118,158
Direct charges - depreciation	10,581,499	11,771,413
Direct charges - rent expense	9,994,851	7,940,672
Direct charges - insurance PDIC	6,150,894	6,107,941
Direct charges - information technology expense	4,474,407	5,111,002
Direct charges - others (interest expense net of limit)		
Interest expense	28,838,966	23,568,050
Less: Limit (20% )	(15,938,108)	(11,191,815)
Total	139,231,988	127,177,097

### Itemized Deductions

The account consists of the following:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Bad debt written off	24,432,524	23,141,865
Taxes and licenses	9,401,731	2,705,383
Advertising and publicity	7,407,666	4,398,045
Security services	6,708,160	6,417,756
Repair and maintenance	6,471,905	5,532,635
Impairment loss - building	5,236,252	6,629,132
Traveling expense	4,495,681	3,749,335
Litigation/asset acquired expense	2,703,333	3,717,839
Representation and entertainment	2,566,519	2,477,618
Fuel and lubricants	2,457,903	2,873,143
Management and other professional fees	1,778,736	1,707,775
Insurance - others	1,647,700	1,370,430
Supervision fees	424,679	635,647
Membership fees and dues	318,370	254,611
Documentary stamps used	14,821	262,817
Other expenses	<u>1,985,389</u>	<u>3,696,083</u>
Total	<u><u>78,051,369</u></u>	<u><u>69,570,114</u></u>

### Taxable Other Income

The Bank's taxable other income during the year are as follows:

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Fees and commission	38,609,930	31,642,814
Recovery on Charged-off Assets	9,277,668	14,263,538
Gain (Loss) on sale/derecognition of non-financial asset (Note 10,11)	4,817,010	18,012,874
Gain on sale reported in retained earnings	2,110,775	-
Others - Other income	2,082,784	2,085,793
Fx Profit (loss)	<u>301,750</u>	<u>301,750</u>
Total	<u><u>57,199,917</u></u>	<u><u>57,199,917</u></u>

### Deficiency Tax Assessments and Tax Cases

On August 28, 2024, the Bank received Letter of Authority No. eLA201900020129 (AUDM29-003-2024-089832). This is to examine the books of accounts and other accounting records for all internal revenue taxes for the period of January 01, 2023, to December 31, 2023.

On November 22, 2024, the Bank paid P1,227,940.27 excluding the interest and surcharge, for settlement of Letter of Authority No. eLA201900020129 (AUDM29-

003-2024-089832) for the taxable period from January 01, 2023, to December 31, 2023.

### **28.3 Requirements under Revenue Regulations No. 19–2020**

Revenue regulation 19-2020 was issued to ensure that proper disclosures of related party transaction are made and that these transactions have been conducted at arm's length so as to protect the tax base. Based on Revenue regulation 34-2020, amending Revenue regulation 19-2020, the bank is not covered by the requirements and procedures for related party transaction.

## **NOTE 29 - OTHER MATTERS**

### *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.

## **NOTE 30 - FINANCIAL PRESENTATION**

Due to adoption of PAS I Presentation of financial statement (revised 2007) that became effective on January I, 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 2024 and 2023, the Bank does not have assets and liabilities nor had transactions that would result in other comprehensive income.

## **NOTE 31 - SUPPLEMENTAL INFORMATION REQUIRED BY BANGKO SENTRAL NG PILIPINAS**

Presented below is the supplementary information required by the BSP under section 174 (Appendix 55) of the BSP MORB to be disclosed as part of the notes to financial statements based on BSP Circular 1074 series of 2020, Amendments to Regulations on Financial Audit of Banks.

### a. Selected financial performance indicators.

	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Return on average equity	5.41%	7.61%
Return on average assets	0.96%	1.36%
Net interest margin	3.52%	4.41%
Debt to equity ratio	4.59:1	4.52:1
Earnings per share	7.52	6.88
Book value per common share	97.85	91.54



b. Capital instrument issued.

As of December 31, 2024, the Bank share capital consist of:

	2 0 2 4	
	Shares	Amount
Common stock - P50 par value 9,200,000		
Authorized shares:		
Secured outstanding	7,547,528	377,376,400
Preferred stock - P50 par value 400,000		
Authorized shares:		
Secured outstanding	149,406	7,470,300
Total	7,696,934	384,846,700

c. Significant credit exposure of loans

As to concentration of credits to certain industry/ economic sector:

Percentage per total loan portfolio	2 0 2 4	%	2 0 2 3	%
Wholesale and retail trade, repair of motor vehicle, motorcycle	174,624,263	9%	131,499,723	7%
Agriculture, forestry and fishing	491,965,668	26%	568,180,263	29%
Construction	227,149,851	12%	300,468,449	15%
Manufacturing	21,229,053	1%	22,127,335	1%
Accommodation and food service activities	259,822,286	14%	167,701,674	9%
Education	91,731,370	5%	84,893,361	4%
Transportation and storage	32,690,506	2%	25,961,166	1%
Real estate activities	349,611,252	18%	370,321,017	19%
Activities of households as employers and indifferentiated goods and services producing activities of households for own use	84,182,150	4%	124,732,726	6%
Electricity, gas, steam and air-conditioning supp.	34,956,442	2%	29,167,290	2%
Mining and quarrying	32,192,509	2%	48,948,682	3%
Water supply, sewerage, waste management and remediation activities	7,309,189	0%	-	0%
Human health and social work activities	31,364,981	2%	6,611,196	0%
Arts, entertainment and recreation	1,131,955	0%	-	0%
Other services activities	44,113,908	2%	63,477,238	3%
Loans to individual primarily for personal use purposes	33,790,956	2%	-	0%
	1,917,866,339	100%	1,944,090,119	100%

Percentage per tier 1 capital	2 0 2 4	%	2 0 2 3	%
Wholesale and retail trade, repair of motor vehicle, motorcycle	174,624,263	25%	131,499,723	20%
Agriculture, forestry and fishing	491,965,668	72%	568,180,263	89%
Construction	227,149,851	33%	300,468,449	47%
Manufacturing	21,229,053	3%	22,127,335	3%
Accommodation and food service activities	259,822,286	38%	167,701,674	26%
Education	91,731,370	13%	84,893,361	13%
Transportation and storage	32,690,506	5%	25,961,166	4%
Real estate activities	349,611,252	51%	370,321,017	58%
Activities of households as employers and indiffererentiated goods and services				
producing activities of households for own use	84,182,150	12%	124,732,726	19%
Electricity, gas, steam and air-conditioning supp.	34,956,442	5%	29,167,290	5%
Mining and quarrying	32,192,509	5%	48,948,682	8%
Water supply, sewerage, waste management and remediation activities	7,309,189	1%	-	-
Human health and social work activities	31,364,981	5%	6,611,196	0%
Arts, entertainment and recreation	1,131,955	0%	-	1%
Other services activities	44,113,908	6%	63,477,238	10%
Loans to individual primarily for personal use purposes	33,790,956	5%	-	0%
	<u>1,917,866,339</u>	<u>279%</u>	<u>1,944,090,119</u>	<u>303%</u>

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 of December 31, 2024, no industry exceeds 30.0 percent of the total loan portfolio and seven (7) industries exceeding 10.0 percent of the Bank's Tier 1 Capital

d. Breakdown of total loans

**As to status**

2 0 2 4 Product line	Performing	Non-Performing	Total
Agrarian reform loans	59,015,745	1,734,409	60,750,154
Other agricultural credit loans	429,059,367	1,303,915	430,363,282
Microfinance loans	3,203,408	412	3,203,820
Small scale enterprise loans	400,901,710	13,897,371	414,799,081
Medium scale enterprise loans	655,074,532	3,228,616	658,303,149
Loans to private corporations - non financial	135,444,478	-	135,444,478
Loans to individual for housing	98,011,279	2,669,444	100,680,723
Salary based general purpose consumption loans	19,175,864	15	19,175,879
Loans to individual for primarily for personal use purpose	15,640,438	-	15,640,438
Loans to individuals for other purposes	98,667,633	1,183,744	99,851,377
Total	<u>1,914,194,454</u>	<u>24,017,927</u>	<u>1,938,212,382</u>

2 0 2 3 Product line	Performing	Non-Performing	Total
Agrarian reform loans	190,992,076	8,275,143	199,267,219
Other agricultural credit loans	368,653,814	259,229	368,913,043
Microfinance loans	245,175	350,618	595,793
Small scale enterprise loans	652,119,162	13,355,748	665,474,910
Medium scale enterprise loans	348,377,452	-	348,377,452
Loans to private corporations - non financial	77,779,214	-	77,779,214
Loans to individual for housing	121,021,842	4,492,198	125,514,040
Salary based general purpose consumption loans	19,835,381	432,922	20,268,303
Loans to individual for primarily for personal use purpose	118,464,849	8,905,593	127,370,442
Loans to individuals for other purposes	10,529,702	-	10,529,702
Total	<u>1,908,018,667</u>	<u>36,071,451</u>	<u>1,944,090,119</u>

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

A. Aggregate Ceiling

	<u>2 0 2 4</u>
1.) Total loan portfolio	1,938,212,382
2.) 15% of # 1	290,731,857
3.) Adjusted capital per FRP	<u>2,228,944,239</u>
4.) Items A.2 or A.3 whichever is lower	<u><u>290,731,857</u></u>

B. Ceiling on Unsecured Loans

	<u>2 0 2 4</u>
1.) Secured DOSRI Loans	25,039,295
2.) Unsecured DOSRI Loans	<u>480,000</u>
3.) Total	<u><u>25,519,295</u></u>
4.) 30% of Item A.4	87,219,557
5.) 30% of Item B.3	<u>7,655,788</u>
6.) Item B.4 or B.5 whichever is lower	<u><u>7,655,788</u></u>

C. Compliance with aggregate ceiling

	<u>2 0 2 4</u>
Item A.4	290,731,857
Item B.3	<u>25,519,295</u>
Total	<u><u>265,212,562</u></u>

D. Compliance with ceiling on outstanding unsecured loans

	<u>2 0 2 4</u>
Item B.6	7,655,788
Item B.2	<u>480,000</u>
Total	<u><u>8,135,788</u></u>

E. Percent of DOSRI Loan to total loan portfolio

	<u>2 0 2 4</u>
DOSRI Loan	25,519,295
Total loan portfolio	<u>1,938,940,300</u>
Total	<u><u>1.32%</u></u>

F. Percent of unsecured DOSRI loans to total DOSRI loan

	2 0 2 4
Unsecured DOSRI loan	480,000
Total DOSRI loan	25,519,295
Total	1.88%

G. Percent of past due DOSRI loans to total DOSRI loan

	2 0 2 4
Past due DOSRI loan	-
Total DOSRI loan	25,519,295
Total	0.00%

H. Percent of non performing DOSRI loans to total DOSRI loan

	2 0 2 3
Non-performing DOSRI loan	-
Total DOSRI loan	25,519,295
Total	0.00%

f. Minimum Liquidity Ratio computed as follows:

	2 0 2 4	2 0 2 3
A. Stock of liquid assets	2,066,416,025	1,735,897,739
B. Qualifying liabilities	2,562,489,306	2,330,887,818
Liquidity ratio	80.64%	74.47%

Leverage Ratio	$\frac{\text{Tier 1 Capital}}{\text{Total Asset Exposure}} = \frac{682,834,764}{4,197,264,311} = 16.27\%$
Debt to Equity Ratio	$\frac{\text{Total Debt}}{\text{Shareholders' equity}} = \frac{3,435,038,019}{745,962,094} = 460.48\%$
Debt to Capital	$\frac{\text{Total Debt}}{\text{Total Capital ( Tier 1 + Tier 2 )}} = \frac{3,435,038,019}{733,242,240} = 468\%$



**NOTE 32 - EVENTS AFTER THE END OF THE REPORTING PERIOD**

An entity shall adjust the amounts recognized in its financial statements to reflect adjusting events after the reporting period.

An entity shall not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting period. If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions of users taken on the basis of financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

- a. the nature of the event; and
- b. an estimate of its financial effect or a statement that such an estimate cannot be made.

The Bank has evaluated subsequent events through April 11, 2025, which is the date the financial statements were available to be issued.