



ANNUAL REPORT

2 0 2 5



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.



TABLE OF CONTENTS*

1. Corporate Policy	
a. Bank's vision and mission statements	
b. Introduction & business model of the Bank	01
2. Financial Highlights	
a. A two (2) year comparative presentation	02
3. Financial Condition and Results of Operations	
a. Agri-Agra & mSME Compliance	03
b. Chairman's Report	04
4. Risk Management Framework	
a. Overall risk management culture and philosophy	20
b. Risk Appetite and strategy	20
c. Bank-wide risk governance structure and risk management process	23
d. AML governance and culture and Overall Money Laundering (ML)/ Terrorist Financing (TF) risk management framework	24
5. Corporate Governance	
a. Overall corporate governance structure and practices	26
b. Selection process for the Board and Senior Management	26
c. Board's overall responsibility	26
d. Executive, non-executive and independent directors	27
e. Board composition & qualification	28
f. Board-level committees including membership and function	31
g. Directors' attendance at Board and committee meetings	31
h. Executive Officers/Senior Management	33
i. Performance Assessment Program	35
j. Orientation and Education Program (Trainings & Seminars)	36
k. Retirement and Succession Policy	38
l. Remuneration Policy	40
m. Related Party Transactions	42
i. Policies and procedures for related party transactions	
ii. Material RPTs	
n. Self-Assessment Function	44
i. The structure of the internal audit functions	
ii. The review process adopted by the Board	

o. Dividends Policy	46
p. Consumer Protection Practices	47
i. Role and responsibility of the Board and Senior Management	
ii. The consumer protection risk management system of the bank	
iii. The consumer assistance management system of the bank	

6. Sustainable Finance Framework 52

7. Corporate Information

a. Organizational structure	62
b. List and description of products and services offered	63
c. Bank website: www.rangaybank.com	69
d. List of banking units	70

8. Common & Preferred Stockholders 76

9. Statement of Financial Position 80

Statement of Income & Expense

10. Compliance with Appendix 63c of the MORB-Disclosures in the Annual Reports 82

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

11. Audited Financial Statements (AFS) with Auditors Opinion

(Compact disk enclosed in back cover)

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

ABOUT RANG-AY BANK

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

Rang-ay Bank is a cornerstone of financial success and quality of life for Ilocano farmers & entrepreneurs. Founded on January 16, 1956, by visionary leaders including Doña Numeriana “Yanang” Tavora Querol and Don Teofilo A. Nisce, it is the oldest enduring bank in the Ilocandia and among the oldest in the country, celebrating 70 years of service in 2026.

As the largest countryside bank in Region 1 and the Cordilleras, Rang-ay offers modern, globally-competitive products and services. It stands as a respected and trustworthy institution, committed to empowering its clients and bringing progress and prosperity to the community. It truly is an indicator of financial success in the region.

Over the years, Rang-ay Bank has grown into the largest bank of its class with 32 banking offices 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.

In 2025, the Bank’s capital increase to ₱1 billion was approved by both BSP and SEC, strengthening its capacity to serve more clients. Our Luna (LU) Branch received the Top 2 Award in the Regional Category for Western Union remittance service, while the BSP recognized the Bank as an Outstanding Stakeholder in Financial Education and Inclusion. The Bank also earned the SSS Best Collection Partner – Thrift/Rural Bank Category, reinforcing its commitment to supporting Filipino workers, pensioners, and rural communities across its 32 banking offices in the Ilocos and Cordillera regions.

Rang-ay Bank is more than 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 August 2022 to July 2032 to set aside at least twenty-five percent (25%) of their total loanable funds for AFRD Financing.

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)

	2025	2024	Peso Increase (Decrease)	Percentage Increase (Decrease)
Profitability				
Total Net Interest Income	₱ 218,902,761	₱ 210,153,376	8,749,385	4.16%
Total Non-Interest Income	59,036,923	57,234,833	1,802,090	3.15%
Total Non-Interest Expense	199,691,751	184,192,572	15,499,179	8.41%
Pre-provision profit	78,247,933	83,195,637	-4,947,704	-5.95%
Allowance for Credit Losses	13,790,457	30,180,558	-16,390,101	-54.31%
Net Income Before Income Tax	64,457,476	53,015,079	11,442,397	21.58%
Income Tax Expense	3,980,818	3,776,739	204,079	5.40%
Income Tax Benefit	3,589,522	7,888,615	-4,299,093	-54.50%
Net Income After Income Tax	64,066,180	57,126,955	6,939,225	12.15%
Selected Balance Sheet Data				
Liquid Asset	1,293,858,890	1,290,535,145	3,323,745	0.26%
Gross Loans	2,094,131,963	1,938,212,382	155,919,581	8.04%
Total Assets	4,459,564,642	4,181,000,113	278,564,529	6.66%
Deposits	3,565,709,973	3,295,855,159	269,854,814	8.19%
Total Equity	789,169,735	745,962,094	43,207,641	5.79%
Selected Ratios				
Return on average equity	8.35%	7.91%		
Return on average asset	1.48%	1.42%		
Capital Adequacy Ratio	22.85%	20.73%		
Per common share data				
Book Value	77.70	97.85		
Others				
Cash Dividends Declared	15,315,357	11,545,401	3,769,956	32.65%
Headcount	246	238	8	3.36%
Officer	75	57	18	31.58%
Staff	171	181	-10	-5.52%

DIVIDENDS

The Board of Directors in Resolution 2026-47 declared cash dividends to stockholders on record as of December 31, 2025. The following is a summary of the said declaration:

a. 3% cash dividends to common stockholders (P503,041,600.00 X 0.03)	P 15,091,248.00
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 15,315,357.00

Compliance with Magna Carta for Micro, Small, Medium Enterprises under R.A. No. 6977 as of December 31, 2025					
Compliance with Prescribe Allocation of Loan Portfolio to:	Universal & Commercial Banks	Digital Banks	Thrift Banks	Rural & Cooperative Banks	RANG-AY BANK
A. Micro & Small Enterprises (8% of total loan portfolio net of exclusion)					
Percentage of Compliance for MSMES	1.52%	1.69%	3.88%	20.13%	23.63%
B. Medium Enterprises (2% of total loan portfolio net of exclusion)					
Percentage of Compliance for MSMES	2.50%	0.15%	4.43%	11.87%	44.65%
TOTAL MSME	<u>10%</u>	<u>4.02%</u>	<u>1.84%</u>	<u>8.31%</u>	<u>32.00%</u>
					<u>73.28%</u>

Source: Department of Supervisory Analytics, Financial Supervision Sector (Updated as of 27 February 2026)

30 May 2026

OUR DEAR STOCKHOLDERS,

As of December end 2025, Rang-ay Bank reached ₱4.456 Billion in total assets, cementing our position as the largest rural bank in our home region for the last several decades. This 6.64% growth year- to-year, is a ₱278 Million increase, fueled by a 7.23% growth in the bank's loan portfolio and an 8.19% growth in deposit balances. We continue to be the biggest bank in our class in the Ilocos and Cordillera Regions, and ranked 8th among the more than 360 independent rural banks in the country.

In terms of capital, the bank is ranked 9th among independent rural banks. To further secure the bank's growth, the bank increased its authorized capital stock to ₱1 Billion. The capital increase is a strategic move to provide more financial headroom necessary to sustain future programs, as well as anticipate further increases by the Bangko Sentral ng Pilipinas (BSP) to minimum capital requirements.

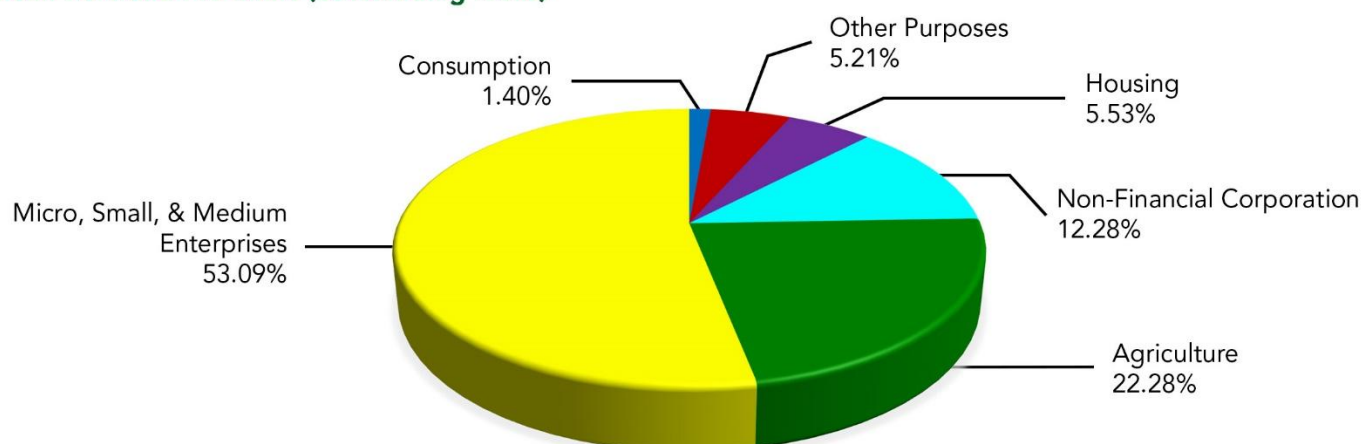
Our growth is fueled by the continued trust and support of the public in our bank. Deposits grew to ₱3.565 Billion, or an increase of ₱269 Million. This increase in deposits is a clear manifestation of the Ilocano people's continued belief and faith in our bank's brand and our ability to provide quality banking services. This is true especially with our home province, La Union, where our deposits now total over ₱2 Billion. Our growth in deposits is matched by the increase of deposit insurance to ₱1 Million per depositor by the Philippine Deposit Insurance Corporation (PDIC).

Purpose	Number of Accounts 2025	%	Amount of Loans Granted 2025	%
Micro, Small & Medium Enterprise	1,002	27.09%	₱ 1,755,853,895.00	56.59%
Agriculture	828	22.38%	856,508,175.00	27.60%
Non-Financial Corporation	7	0.19%	176,100,000.00	5.68%
Housing	251	6.79%	133,280,730.00	4.30%
Other Purposes*	454	12.27%	101,462,080.00	3.27%
Consumption**	1,157	31.28%	79,612,067.00	2.57%
TOTAL	3,699	100.00%	₱ 3,102,816,947.00	100.00%

* 49% of which are Salary Loans

** 51% of which are Pension Loans

Loan Portfolio Pie Chart (outstanding loans)



Purpose	Amount of Loans Granted 2025	Amount of Loans Granted 2024	Amount Increase/Decrease	% Increase/ Decrease
Micro, Small & Medium Enterprise	₱ 1,755,853,895.00	₱ 1,777,654,240.00	₱ (21,800,345.00)	-1.23%
Agriculture	856,508,175.00	932,526,191.21	(76,018,016.00)	-8.15%
Non-Financial Corporation	176,100,000.00	43,000,000.00	133,100,000.00	309.53%
Housing	133,280,730.00	108,140,020.00	25,140,710.00	23.25%
Other Purposes	101,462,080.00	90,330,670.00	11,131,410.00	12.32%
Consumption	79,612,067.00	87,979,457.00	(8,367,390.00)	-9.51%
TOTAL	₱ 3,102,816,947.00	₱ 3,039,630,578.21	₱ 63,186,368.00	2.08%

Value added services to clients is one key to attracting customers. The bank remains to be a key Social Security System (SSS) partner in the region. The bank services SSS Pensioner Deposits and Loans as well as e-Collection Services. Our partnership was recognized by the SSS in the Balikatan ng Bayan Awards last September 2025 in Cebu City. The bank was awarded as the Best Collecting Partner in the Rural and Thrift Bank Category, besting 371 rural banks and 42 thrift banks nationwide. We were also recognized by our remittance partner, Petnet-Perahub as a Top 2 Regional partner last May 2025 in Clark City, Pampanga. The bank also renewed its partnership with ECPay for Bills Payment services. This is supplemented to our Bills Payment facility in our mobile banking app.

2025 marks one full year of production of our Mobile Banking App. With the application, we now stand toe-to-toe with Universal and Government banks, like BDO and Landbank, as well as Electronic Money Issuers like GCash in providing 24/7 banking services to our depositors and clients. As of December 2025, we have over 2,000 users and almost 10 Million transactions weekly on the mobile banking app and Intapay fund transfers.

To promote our mobile app and our advocacy of savings, the bank conducted 85 Financial Literacy training programs throughout the year. Over 1,000 participants, ranging from senior citizens, government employees & uniformed personnel, market vendors, students, tricycle drivers & operators, and farmers & fisherfolk, were taught saving techniques, best borrowing practices and digital financial literacy. The bank was recognized in 2025 by the Bangko Sentral ng Pilipinas as an Outstanding BSP Stakeholder for all our efforts. Bank Marketing Officers were trained by the BSP Economic and Financial Learning Office (EFLO) last May 2025. The bank will continue conducting financial literacy programs in 2026 as part of our 70th Anniversary projects.

We continue to invest in our digital transformation in terms of service and security for our clients, as well as quality of life improvements for our bankers. The Board earmarked sufficient funds for our own ATM services. This budget includes the deployment of 10 Automated Teller Machines in 10 branches. Through this project, the bank will be able to provide cash to our communities 24 hours a day, 7 days a week (24/7).

The deposits generated are ably managed by our Treasury Department and translated to additional revenue source for our bank as income from investments grew by 18.52%. This is an ₱11.8 Million increase from 2024 to 2025.

Our main thrust as a rural bank however, is to promote economic development in our region through the extension of credit to local businesses, entrepreneurs, homeowners and other economic activities. To that end, we released more than ₱3.1 Billion in loans, ₱388 Million of which to new loan borrowers. As of December end 2025, the bank has over ₱2 Billion in outstanding loan portfolio. The bank continues to be complaint to the Magna Carta of mSMEs with ₱1.775 Billion lent to micro, Small & Medium Enterprises in the region, with a further ₱856 Million to Agricultural and Agribusiness Loan Borrowers. The bank also extended credit to multipurpose and transport cooperatives, especially for the financing of Public Utility Vehicles and adaption of green technologies. This is part of the bank's sustainable development plan. By promoting and financing green technologies, we hope to make a positive change to combat global warming.

In 2025, the bank had access to ₱40 Million in fresh funds from the Agricultural Credit Policy Council (ACPC), a government agency attached to the Department of Agriculture. The funds were lent out as collateral-free loans to farmers in the region. The bank also renewed our existing lines with the Philippine Guarantee Corporation, in particular its MSME Credit Facility and Home Guarantee Program. This allows the bank to offer collateral free and collateral short loans to business and home owners respectively.

The bank perseveres in ensuring quality in our loan portfolio. Through enhanced due diligence and strict credit management, our Past Due (PD) and Non-Performing Loans (NPL) Ratios are both better than industry averages. As of December 31, 2025, PD ratio of the bank is 3.33% versus 11.97%, while NPL is 3.37% compared to the industry's 8.05%.

In terms of branch network expansion, the Bank achieved several significant milestones during the year. Among the highlights was the inauguration of our relocated La Trinidad (Benguet) Branch. The branch transferred from Km. 5, Brgy. Balili to Pico Road, Brgy. Pico, allowing us to operate in a larger and more strategic location that can better accommodate and serve a growing client base. We likewise successfully relocated our branch in Dingras (Ilocos Norte) as part of our continuing efforts to improve accessibility and enhance customer service delivery in key areas. In addition, the Bank conducted the soft launch and opening of its 32nd banking office in San Carlos City, Pangasinan. Strategically situated in the heart of the province and within the 3rd Congressional District, San Carlos City is recognized as the most populous component city in Region I. It is also known as a major trading and commercial hub in Central Pangasinan, with neighboring towns all classified as first-class municipalities. The establishment of this new branch further strengthens the Bank's presence and expands its touchpoints across the province, enabling us to better serve the banking needs of more communities and clients.

CONCLUSION

We are thankful for a productive 2025 and an amazing 7 decades of countryside banking. It is truly a blessing and a privilege to be able to be of service to the communities where we operate in Region 1 and CAR. We hope, by God's grace, coupled with strong risk management and your unwavering support, we will continue to provide affordable and accessible banking services throughout North Luzon.

As we celebrate our 70th Anniversary milestone in 2026 with the theme "PanagRang-ay ti Amianan," we commemorate seven decades of steadfast service, growth, and commitment to the communities we serve. Reaching 70 years is truly a remarkable achievement, a distinction attained by only a select number of institutions, not only among banks but across corporations nationwide. This milestone stands as a testament to the dedication, resilience, and collective efforts of every Rang-ay Banker who has contributed to the Bank's enduring success through the years. As we move forward, the Bank remains committed to empowering communities by continuously extending credit facilities & servicing deposits, facilitating remittances & insurance services, and conducting financial literacy programs. We also aim to further strengthen our presence through the expansion of branches across the region and the enhancement of our digital banking services. Guided by our mission and legacy, we aspire to remain a reliable partner in the economic growth and development of the people and communities throughout Region I and the Cordillera Administrative Region (CAR).

PanagRang-ay ti Amianan!


IVES Q. NISCE
Chairman

OPERATIONAL HIGHLIGHTS

ON THE ROAD TO RANG-AY'S 70TH: A LEGACY OF GROWTH AND TRUST

Founded on January 16, 1956, by visionary Ilocano leaders Doña Numeriana Tavora-Querol and Don Teofilo Nisce, the bank has grown from its humble beginnings to become the biggest bank in its class in the Ilocos and Cordillera Regions, boasting a wide network of 32 banking offices.

This remarkable journey is a testament to Rang-ay Bank's unwavering commitment to the values of trust, resilience and community spirit. More than a financial institution, Rang-ay Bank is a trusted partner in progress for Northern Luzon. The bank remains committed to empowering communities with accessible and affordable financial solutions, from simple loans to business investments. Guided by Chairman Ives Nisce, it continues to drive inclusive growth through innovative banking.



For decades, Rang-ay Bank has been driven by a clear vision: to empower North Luzon with globally competitive banking services. Our mission is to actively hasten progress in the communities of the Ilocos Region and the Cordillera through accessible and affordable banking services. We firmly believe that by providing the right financial tools and opportunities, we can contribute significantly to the overall economic prosperity of our region.

As the bank approaches its 70th anniversary, its unwavering commitment to North Luzon remains stronger than ever. By empowering mSMEs, supporting agriculture, and fostering lasting community partnerships, Rang-ay Bank continues to drive meaningful economic growth across the region. Its efforts highlight the value of a locally rooted institution, one that nurtures progress, prosperity, and stability for the families, businesses, and communities it proudly serves.

LA TRINIDAD (B) BRANCH NEW PREMISES

Rang-ay Bank formally inaugurated its newly relocated La Trinidad (Benguet) Branch on March 21, 2025, at Sitio Balangabang, Brgy. Pico. Conveniently located along Pico Road, the new site offers better accessibility and enhanced services for clients in La Trinidad and nearby areas.

The blessing and inauguration ceremony was led by Rev. Fr. Victor Munar and graced by La Trinidad Vice Mayor Hon. Roderick Awingan and members of the Municipal Sangguniang Bayan. They were joined by LGU officials, barangay leaders of Brgy. Pico, and partners from SSS, PetNet PeraHub, and the Agricultural Credit Policy Council (ACPC). Clients from La Trinidad and Baguio branches also came in support. Operating since 2007, the branch remains a trusted partner, offering affordable loans, deposit services, remittances, bills payment, and mobile banking.



Council (ACPC). Clients from La Trinidad and Baguio branches also came in support. Operating since 2007, the branch remains a trusted partner, offering affordable loans, deposit services, remittances, bills payment, and mobile banking.

»» SUPPORTING FARMERS WITH ACPC

In partnership with the Agricultural Credit Policy Council (ACPC), Rang-ay Bank initially granted loans to 25 farmers at our Narvacan (IS) and Agoo (LU) branches to support food production in the community. A total of Php1.7 million in unsecured loans has been released, with Php1.2 million for the farmers of Aringay and Php 490,000 for those in Narvacan. The loan recipients include farmers growing onions, corn, and tobacco, as well as poultry and goat breeders. This initiative aims to enhance agricultural productivity and contribute to long-term food security.



Through our partnership with the ACPC, we are committed to empowering local farmers with the capital needed to expand their operations and strengthen the agricultural sector. This program supports our advocacy for sustainable agriculture and the continued prosperity of our community. Together, we are fostering a future of food security and economic growth.

»» TRUSTED SSS COLLECTING & PAYMENT PARTNER

Rang-ay Bank is proud to be re-accredited as an official SSS collecting agency, reinforcing our long-standing commitment to secure and efficient service. Since the 1990s, the bank has consistently met SSS standards, ensuring accessible and reliable contribution processing. The renewal of Rang-ay Bank's accreditation reflects our compliance and efficiency, while our 2023 launch of e-Collection modernizes payments for greater convenience.

All 32 branches across six provinces of Ilocos Norte, Ilocos Sur, Abra, La Union, Benguet, and Pangasinan accept SSS e-Collection, making transactions easier for members and employers. As one of only seven (7) accredited rural banks, we remain dedicated to serving communities, especially in rural areas. The bank was recognized by SSS with the Balikat ng Bayan Award in 2016 and 2018, we continue to uphold excellence in service for our clients.



Rang-ay Bank is one of the few SSS-accredited banks where members can get their Payment Reference Number (PRN) and pay their contributions. SSS contributions can be settled through the tellering facilities available in all Rang-ay Bank branches.

»» SEC APPROVES CAPITAL HIKE TO ONE (1) BILLION PESOS

As part of Rang-ay Bank's strengthening program and to support its long-term expansion plans, the bank increased its authorized capital stock from Php 500 million to Php 1 billion. The increase in authorized capital stock is a significant milestone in the bank's journey. The capital increase is expected to provide the financial headroom necessary to sustain this momentum and fund future initiatives.

The application was approved by the Bangko Sentral ng Pilipinas (BSP) last January 21, 2025, and likewise approved by the Securities and Exchange



Commission (SEC) last May 07, 2025. The certificate of increase was officially handed over by SEC-Baguiu Extension Office Director Atty. Regina May Cajucum-De Guzman to Rang-ay Bank's President and CEO Mr. Ives Jesus C. Nisce II and Baguiu Branch Senior Branch Manager Ms. Milagros Aida G. Guanzo in a brief ceremony held at the SEC Baguiu Branch last May 16, 2025.

ANNUAL CORPORATE REVIEW AND STOCKHOLDERS MEETING



Rang-ay Bank held its Annual Stockholders' Meeting on May 10, 2025, at its Head Office in San Fernando City, La Union. Management reported on the bank's 2024 performance and elected its Board of Directors. In 2024, as Rang-ay Bank marked its 68th year, it remained focused on rural development. A large share of its loan portfolio supported MSMEs, agriculture, and housing, with over ₱2.8 billion released to these sectors. The bank opened its 31st branch in Caba (La Union) and relocated its Narvacan (Ilocos Sur) Branch. Laoag Branch was named Top 1 Taxpayer, while Luna Branch ranked among the Top 3 in Western Union transactions. The Rang-ay Mobile Banking App was also launched to enhance customer access and convenience—furthering its mission to expand financial inclusion.

The Chairman thanked the team for their dedication and acknowledged the continued support from shareholders and the community. The Board of Directors now includes newly elected Nina Francisca Palabay and re-elected members Ives Nisce, Marlyn M. Ubaldo, Flora M. Ignacio, Ivy Rose N. Martinez, Ives Jesus C. Nisce II, and Jose Z. Osias.

MORE BILLERS ONBOARDED

Rang-ay Bank announced the addition of a new biller to its growing bills payment service: BENECO (Benguet Electric Cooperative). This new option makes it even easier for clients to pay their electric bills conveniently through Rang-ay Bank channels.

The updated list of available billers now include a wide range of essential service providers such as INEC, ISECO, LUELCO, CENPELCO, PLDT, SIGNAL, GLOBE, SMART, CONVERGE, and many more. Whether you're settling utility, telecom, or cable bills, Rang-ay Bank offers a reliable and accessible solution for your payment needs.



OUTSTANDING BSP STAKEHOLDER

The Bangko Sentral ng Pilipinas (BSP) recognized Rang-ay Bank as an Outstanding Stakeholder in Financial Education and Inclusion during its Appreciation Ceremony last October 7, 2025 in Calasiao, Pangasinan, honoring the bank for its steadfast commitment to promoting financial literacy and inclusion in the countryside.

Rang-ay Bank has conducted over a hundred fifty (150) financial literacy sessions across North Luzon over the past seven years. These initiatives have reached students, parents, farmers, fisherfolk, market vendors, uniformed personnel, and senior citizens, helping participants learn how to save, budget, and plan for their financial future. The bank also promotes digital financial literacy, guiding communities to use mobile banking and online payment tools securely and confidently.



From L to R: BSP Monetary Board Member Walter C. Wassmer, Rang-ay Bank Area Manager (South) Joey B. Dingle, President and CEO Ives Jesus C. Nisce II, and BSP Deputy Governor Bernadette Romulo-Puyat at the Outstanding BSP Stakeholders Appreciation Ceremony – North Luzon

LAOAG TOP 1 TAXPAYER

As one of the highlights of this year's Charter Month Celebration of the City Government of Laoag, Rang-ay Bank Laoag Branch was once again recognized as the Top 1 Taxpayer in the Laoag City Public Market & Commercial Complex for Fiscal Year 2024. The awarding ceremony was held at the Laoag City Multipurpose Hall on June 23, 2025.

This recognition affirms Rang-ay Bank's commitment to civic responsibility and making a lasting impact on the community. As a consistent and responsible taxpayer, Rang-ay Bank takes pride in supporting Laoag City's economic development. Its dedication to integrity, transparency, and public service has made it a trusted partner in building a progressive rural community.



HONORED AT PERAHUB SUMMIT 2025

Rang-ay Bank Luna (LU) Branch received the Top 2 Award in the Regional Category for Western Union remittance service, based on 2024 transaction volume, during the awarding ceremony held on May 15, 2025 at Hotel Seoul, Clark, Pampanga. In addition, Rang-ay Bank was recognized as a Dedicated PERAHUB Partner for five consecutive years, highlighting its commitment to accessible and secure remittance services in the countryside.

With services like Western Union, Transfast, Cebuana Pera Padala, Remitly, Metrobank, and USSC—partnered with global providers such as Ria Money Transfer, EMQ Limited, Trangolo, Xoom, Al Ansari Exchange, and Pangea Money Transfer—offered at all 32 Rang-ay Bank branches, the bank continues to provide essential financial access across Northern Luzon.



➤➤➤ RBAP CHARTER ANNIVERSARY SYMPOSIUM

Rang-ay Bank President Ives Jesus C. Nisce II joined fellow rural banking leaders at the 68th Charter Anniversary Symposium of the Rural Bankers Association of the Philippines (RBAP) at Taal Vista Hotel in Tagaytay. With the theme "Rural Banks: Strength in Numbers, Leave No Bank Behind," the event highlighted the value of unity and shared progress among rural banks to promote financial inclusion and sustainable growth.

Rang-ay Bank received two awards from the Rural Bankers Research and Development Foundation Inc. (RBRDFI): Most Attendance in RBRDFI Trainings and Most Consistent in Sending Participants—testament to the bank's commitment to personal development for Officers & Staff. With a growing presence in Region I and the Cordillera Administrative Region (CAR), Rang-ay Bank continues to lead in providing inclusive, innovative, and accessible financial services that uplift communities and support regional development.



➤➤➤ PARTNERSHIP WITH LANDBANK

Rang-ay Bank and the Land Bank of the Philippines (LBP) formally renewed their Rediscounting Line Agreement in a formal signing held at Rang-ay Bank's Head Office in San Fernando City, La Union last June 26, 2025. The renewed agreement strengthens the long-standing partnership between the two institutions, enabling Rang-ay Bank to expand its lending capacity in support of farmers, fisherfolk, rural entrepreneurs, and other key sectors through enhanced credit programs.



➤➤➤ HOUSING PROGRAM WITH PHILIPPINE GUARANTEE CORPORATION



Rang-ay Bank strengthened its commitment to continuous learning and service excellence by holding a re-training program for its officers and staff in partnership with the Philippine Guarantee Corporation (PhilGuarantee), a merger of the former Home Guarantee Corporation and Philippine Export-Import Credit Agency (PhilEXIM). The sessions focused on loan guarantees, risk management, and housing finance, equipping employees with updated strategies to better serve clients. PhilGuarantee, in turn, expressed its support for the partnership, highlighting the importance of countryside banks in advancing housing security, mSME development, and financial inclusion across Region I and CAR.

Rang-ay Bank's Housing Loan Program makes homeownership more accessible for families across Northern Luzon. It offers housing loans for a wide range of purposes, whether for the purchase of a new home, construction of a house, renovation, extension, or refinancing of an existing property. With competitive rates, flexible terms, and faster processing through its strong local presence, the bank ensures that borrowers receive the support they need without long delays. By tailoring solutions to client needs, The Bank helps families achieve their dream of a secure and comfortable home while promoting countryside development.

SSS BEST COLLECTING PARTNER BANK

Rang-ay Bank again earned national recognition from the Social Security System (SSS) after being awarded as the Best Collection Partner – Thrift/Rural Bank Category at the 2025 Balikatang Bayan Awards. The awarding ceremony was held on September 17, 2025, in Fili Hotel Nustar, Cebu City, as part of the Social Security System's 68th Anniversary Celebration. The awarding ceremony was led by SSS President and CEO Robert Joseph M. De Claro, together with members of the SSS Commission and other SSS Executives.



The event honored the agency's most outstanding private and public sector partners for helping SSS provide social security protection to all Filipino workers, members, pensioners, and their beneficiaries. Rang-ay Bank accepts SSS contributions from members, disburses benefits and services, SSS pensions in all of its 31 branches in the Ilocos and Cordillera Region.

SAN CARLOS CITY (PANGASINAN) BRANCH OPENS

Rang-ay Bank proudly opened its 32nd branch in San Carlos City, Pangasinan, located along Palaris Street last December 9, 2025, further strengthening our growing network and bringing accessible, reliable, and community-focused countryside banking closer to Ilocandians.

The branch offers a wide range of loan products for mSME, agri-business, housing and construction loans, as well as motorcycle and auto loans, alongside deposit services, SSS e-Collections, remittances, bills payment facilities, and Mobile Banking—ensuring complete and convenient banking services for the community.



DINGRAS (ILOCOS NORTE) NEW BRANCH SITE

We are glad to announce the relocation of our Dingras (Ilocos Norte) Branch. Formerly located at Old Public Market, National Highway Dingras, our branch has moved to its new and improved location at neighboring NEW PUBLIC MARKET, Brgy. Albano, Dingras. This relocation follows the initiative of the municipality to modernize facilities and improve public service delivery to its townfolk.

Rang-ay Bank Dingras first opened its doors 13 years ago, in August 2012, and has been a trusted partner in the community, offering affordable loans, regular savings, pensioner account, basic deposit account, SSS e-Collections, domestic & international remittances, and bills payment facilities.

We look forward to welcoming you and continuing to offer exceptional banking experiences at our new location.



EMPLOYEE ENGAGEMENT

»» SUMMER GETAWAY 2025



Rang-ay Bank celebrated the spirit of unity and fun through its 2025 summer outings, bringing together teams from across Northern Luzon. The 14 banking offices from Ilocos Sur, Ilocos Norte, and Abra kicked off the festivities with a refreshing two-day escape at Puesta del Sol, Sta. Catalina, Ilocos Sur on March 29–30. Surrounded by stunning beach views and the calming sea breeze, the North branches bonded through exciting team games, friendly challenges, and shared laughter that strengthened camaraderie beyond the workplace.

Meanwhile, on March 31, the Central and South Banking Offices—joined by 16 Head Office Units—embarked on a magical day at Enchanted Kingdom in Sta. Rosa, Laguna. From adrenaline-filled rides to relaxed conversations over snacks, the outing was a joyful celebration of connection and teamwork among staff from La Union, Benguet, and Pangasinan. The shared excitement and vibrant energy made it an unforgettable experience for everyone involved.

More than just summer breaks, these outings served as a testament to Rang-ay Bank's commitment to fostering a supportive, people-centered work culture. Whether by the sea or in a theme park, these moments of fun and fellowship reminded everyone that while we work hard to serve our communities, we also grow stronger—together.

»» A JOURNEY WITHIN: RECOLLECTION 2025

Rang-ay Bank officers and staff gathered for a meaningful spiritual pause through the Rang-ay Bank Recollection 2025, held in the serene setting of Pindangan Ruins, City of San Fernando, La Union. With the theme "Grounded in Faith, Growing in Service," the event provided an opportunity for personal reflection, spiritual renewal, and deeper connection among team members.



More than just a spiritual gathering, the recollection served as a reminder of the heart behind Rang-ay Bank's mission. As the team continues its commitment to uplifting lives across Northern Luzon, the recollection instilled a renewed sense of purpose and unity, reinforcing that true service begins with a heart that is centered and grounded in faith.

►► PALAWAN ADVENTURE FOR TOP OFFICERS

Rang-ay Bank's top-performing officers from Laoag (IN), Bangui (IN), and Burgos (IS) Branches, together with Head Office units Treasury Cash Management and Office of the Chairman, were rewarded with a well-deserved and unforgettable getaway to Puerto Princesa last August 23–25, a special recognition of their hard work, dedication, and exceptional achievements. This memorable experience served not only as a token of the bank's gratitude but also as a celebration of their commitment and excellence, which continue to set the standard for success at Rang-ay Bank.



►► NA RANG-AY A BARO TAWEN

Rang-ay Bank capped the year with its White Christmas 2025 Celebration, bringing together officers, employees, and management for an evening of gratitude, joy, and shared celebration. More than just a holiday gathering, the event served as a meaningful pause to reflect on the year's milestones, strengthen camaraderie, and celebrate the people who continue to drive the Bank forward.

The celebration began with a Mass officiated by Rev. Fr. Samuel Banayat Jr., followed by Chairman Ives Nisce's Christmas message to the bankers. The program continued with festive presentations and Christmas greetings from the Candon Cluster, Dagupan Cluster, rookie employees, various branches, and Head Office units, showcasing the talent, and holiday spirit of the Rang-ay family. A key highlight of the evening was the recognition of the Bank's top-performing individuals and teams, celebrating their dedication and outstanding contributions throughout the year. The night was further energized by exciting raffle draws.

Beyond the festivities, White Christmas 2025 reaffirmed the Bank's culture of unity, appreciation, and shared purpose. As laughter filled the room and bonds were strengthened, the celebration reminded everyone that success is best enjoyed together - setting a positive and energized tone as the organization moves confidently into the year ahead.



▶▶▶ HARD WORK REWARDED: VIETNAM TRIP 2025

Rang-ay Bank's top-performing officers and staff from the Head Office Remedial Management Unit, San Fernando Main, and Narvacan (Ilocos Sur) Branches recently embarked on an unforgettable incentive trip to Vietnam last October 31 to November 2, 2025! This well-deserved getaway served as the bank's heartfelt gesture of appreciation for their exceptional performance and unwavering commitment to excellence throughout the year.

From exploring the vibrant streets of Hanoi to cruising through the breathtaking landscapes of Hạ Long Bay, the achievers experienced both adventure and camaraderie, a fitting reward for their hard work and dedication. Their success stands as an inspiration to the entire Rang-ay Bank family, reminding everyone that teamwork, perseverance, and passion truly lead to growth and achievement.



▶▶▶ SERVICE ACHIEVEMENT AWARDEES

We proudly spotlight our Service Achievement Awardees—bankers who have consistently shown up, put in the years, and delivered excellence that moved the needle for Rang-ay Bank. Their commitment and loyalty have strengthened the Bank's foundation and supported its continued growth.

More than tenure, this recognition honors impact. These awardees set the standard through professionalism, resilience, and ownership, proving that long-term success is built on consistency and shared purpose. Their leadership by example continues to shape culture and inspire teams across the organization.

The Bank proudly recognizes its Service Achievement Awardees, honoring Pepito De Guzman for 30 years of service; Reggie Odonio, Analyn Mendigoria, Odessa Saldo, and Jane Castillo for 15 years of dedicated service; Pilar Abuan, Vincent Delfin, Aeri Shambey, Edgar Tadifa, Charmaine Ordillo, Cristine Jenlie Estacio, and Dolores Jandoc for 10 years of committed service; and Mary Nessa Saltiban, Malou Madrid, Rosemarie Hufana, Peter Michael Silagan, Tristan Enriquez, Johnley Solmerin, Katrine Faye De Leon, and Sheena Bernadine Navarro for 5 years of loyal service.



INTERACTING WITH THE COMMUNITY

FINANCING TRANSPORT COOPERATIVE

Rang-ay Bank proudly supports the Luna La Union Transport Cooperative (LLUTC), a dedicated group providing safe and efficient transportation to the people of Luna and nearby communities. As part of its commitment to green technologies, the bank empowers local cooperatives that are vital to regional progress.



Through this support, LLUTC acquired 2 units of the Urban Spirit Class 3 modern jeepneys, each valued at ₱2.3 million, Rang-ay Bank helps strengthen the operations of LLUTC ensuring they have access to the resources and guidance needed to grow and sustain their services. The bank believes in the power of cooperatives to create meaningful impact, not only in transportation but also in livelihood generation and community connectivity.

This initiative reflects Rang-ay Bank's commitment to inclusive and sustainable development. As a community bank with deep roots in Northern Luzon, Rang-ay Bank stands with organizations that uphold the values of service, cooperation, and resilience. Supporting LLUTC and the reliable modernization of jeepneys in La Union promotes safer, more efficient, and environmentally sustainable transport—one of the many ways the bank advances financial inclusion and progress across the region, ensuring no community is left behind.

CHAIRMAN HONORED BY NATIONAL ASSOCIATION

Rang-ay Bank Chairman Ives Q. Nisce was recently honored by the Rural Bankers Association of the Philippines (RBAP) with a Plaque of Recognition for his dedicated service as a former President of the national association. The awarding took place during a fellowship gathering of rural bankers from across the country.



Chairman Nisce's leadership has left a lasting impact on the rural banking sector, particularly in advancing financial inclusion and strengthening countryside development. His tenure as RBAP President was marked by strategic advocacy and support for rural banks nationwide.

ROTARY PDG RUDY NISCE FOUNDATION

The Rotary PDG "Rudy" Nisce Foundation, Inc. held its Annual Meeting with the Rotary Club of San Fernando, La Union. The event served as both an annual report and a tribute to the late Atty. Rodolfo "Rudy" Nisce, the club's first District Governor. The bank remains a major donor to the foundation and its activities.



A key highlight was the review of Sparks of Skill, a welding program at Technical Education and Skills Development Authority (TESDA) Regional Office I, sponsored by the Foundation and the Rotary Club. The initiative promotes skills development and is supported by Rang-ay Bank in honor of its first president, Atty. Nisce-also the first Rotary District Governor from the Ilocos.

DTI F3 FAIR

The La Union Micro, Small and Medium Enterprise Development Council recently held its F3 Event, which stands for Franchising, Financing, and Mini Fair. The activity highlighted opportunities for entrepreneurs to expand their businesses through partnerships and financial support.

Rang-ay Bank actively participated by providing a booth dedicated to assisting mSMEs interested in exploring financing options for their franchise ventures. The bank also offers a specialized mSME Loan Program, designed to help entrepreneurs with working capital, equipment acquisition, and business expansion. In fact, Rang-ay Bank released a total of P1.7 Billion in loans to mSMEs in 2024, underscoring its strong commitment to supporting local businesses.

The F3 Event was designed to empower mSMEs and is aligned with this year's Micro, Small and Medium Enterprise Development (MSMED) Celebration, promoting inclusive growth and entrepreneurial development in the province.



BANKERS PLANT THE SEEDS FOR A GREENER NORTH LUZON

Rang-ay Bank continues to champion sustainable countryside development as an active member of the La Union Micro, Small and Medium Enterprise Development Council (MSMED Council). Rooted in its mission, "Panag Rang-ay Ti Amianan," the Bank supports the UNESCO 17 Sustainable Development Goals (SDGs), particularly Climate Action (SDG 13), Life on Land (SDG 15), and Partnerships for the Goals (SDG 17). These global goals guide Rang-ay Bank in empowering communities that are economically dynamic, environmentally responsible, and united for shared progress.

On October 29 at Poro Point Baywalk, San Fernando City, La Union, Rang-ay Bank joined partner organizations in the BAYgainvillea Planting Project, an initiative dedicated to enhancing La Union's natural beauty and strengthening its identity as the heart of tourism in Northern Luzon. By helping create greener and more vibrant public spaces, the Bank supports a future where development and environmental care grow hand in hand.



DONATION OF HOPE: SUPPORT TO LAOAG CITY JAIL

Rang-ay Bank – Laoag City extended its support to Persons Deprived of Liberty (PDLs) through a Christmas outreach by donating mattresses to the Laoag City Jail. The activity was conducted in coordination with the Acting Jail Warden of Laoag City Jail. Through this initiative, Rang-ay Bank continues to uphold its commitment to social responsibility—reaching out to communities and sharing hope, dignity, and care, especially during the Christmas season.



CORPORATE SOCIAL RESPONSIBILITY

(Celebrating 70 years with Local Communities)

FREE FINANCIAL LITERACY TRAININGS

Since 2019, Rang-ay Bank has actively conducted Financial Literacy sessions reaching students, farmer groups, senior citizens, Parent-Teacher Associations (PTAs), BFP, PNP, mSME's, and other community organizations. To date, the Bank has successfully held over a hundred trainings, empowering thousands of participants across Northern Luzon.



FINANCIAL LITERACY FOR BANGAR (LU) LOOM WEAVERS



On December 13, 2024, Rang-ay Bank was invited to conduct a Financial Literacy training for the loom weavers in Bangar. The session, which also included a product presentation equipped loom weavers with essential financial skills to manage their finances and plan for a secure future. Loom weaving is one of La Union's heritage industries, showcasing its history, craftsmanship, and cultural identity. Passed down through generations, this art form preserves the province's heritage.

Additionally, Rang-ay Bangar (LU) Branch donated food packages to the loom weavers, a gesture of appreciation for their hard work and dedication, and to further strengthen the bond between the bank and the local community.

EMPOWERING ROSALES (P) TODA MEMBERS

Rang-ay Bank conducted a Financial Literacy Briefing for the members of Rizal-2 Tricycle Operators and Drivers Association (TODA) in Rosales, Pangasinan to promote financial awareness and responsible money management. Since October 2009, Rang-ay Bank's Rosales Branch has been a trusted financial partner, offering loans, deposits, SSS e-Collections, remittances, and bills payment to support local businesses and individuals.



FINANCIAL LITERACY FOR FISHERFOLK IN TAGUDIN (IS)

Rang-ay Bank was invited to conduct a financial literacy training for fisherfolk in Tagudin, Ilocos Sur. The session aimed to equip participants with essential financial knowledge to help them manage their income, savings, and overall financial well-being. This initiative is part of the bank's commitment to community development through financial education.

The training conducted in support of the Lambaklad Project — a sustainable set-net fishing initiative backed by the Bureau of Fisheries and Aquatic Resources (BFAR). Combining traditional Filipino fishing methods with sustainable practices, the project empowers local communities by promoting responsible fishing and improved livelihoods.



EMPOWERING GALIMUYOD (IS) FARMERS

Rang-ay Bank was invited to conduct a Financial Literacy training session for the Federated Farmers of Galimuyod, Ilocos Sur, held at the Legislative Building in Galimuyod. The federation is composed of 26 Presidents representing various farmers' associations in the municipality. The training aimed to empower local farmers by teaching the fundamentals of financial management, including budgeting, saving, and responsible borrowing—helping them make informed financial decisions and improve their livelihood.



TRAINING FOR SENIOR CITIZENS OF DAGUPAN CITY

Rang-ay Bank was invited to conduct a Financial Literacy training session for the Senior Citizen Association of Brgy. Pogo Chico, Dagupan City, held on March 14, 2025, at the Brgy. Pogo Covered Court. Present during the event was Ms. Melba Blanco, President of the Senior Citizen Association of Brgy. Pogo Chico, who welcomed the team and expressed association's appreciation for the initiative. The training aimed to support senior citizens by teaching the fundamentals of financial management, including budgeting, saving, and responsible borrowing—equipping them to make informed financial decisions and better manage their retirement funds and daily expenses.



ARINGAY (LU) YOUNG LEARNERS ON FINANCIAL WELLNESS

Rang-ay Bank was invited to introduce basic financial concepts to the pupils of Aringay (La Union) Central Elementary School at the school's multi-purpose hall. The pupils, guided by their parents and teachers, learned about basic banking services and Rang-ay Bank's youth-friendly products, such as savings accounts for students and other accessible services, encouraging them to start saving early and develop good financial habits. Rang-ay Aringay (LU) Branch also donated hygiene kits to young learners, a thoughtful gesture to promote health awareness and support their daily needs. This initiative strengthens the connection between the bank and the local community.



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.

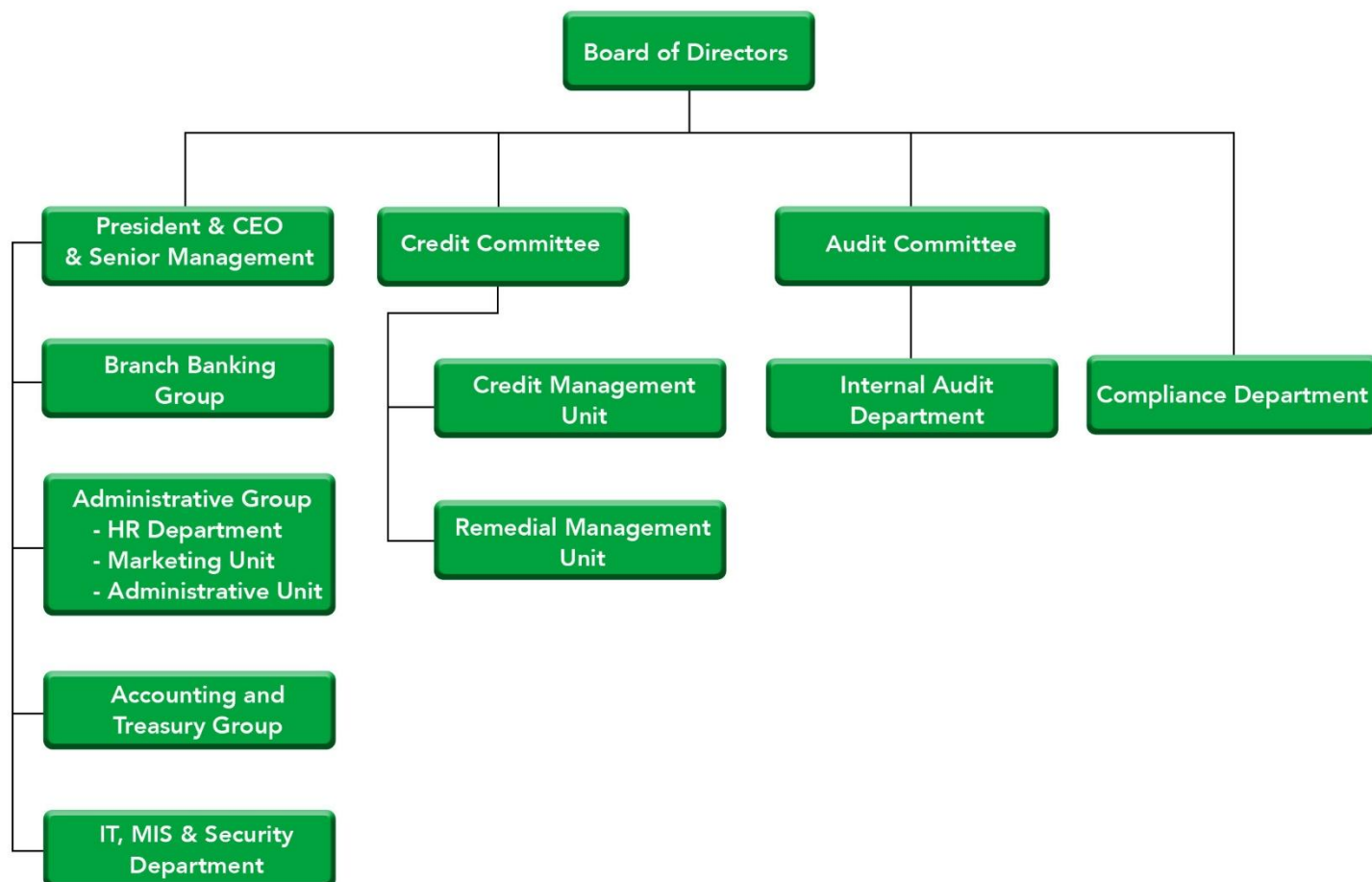
➤ RISK APPETITE AND STRATEGY

The Bank's risk appetite statement outlines the level and types of risk the bank is willing to accept in pursuit of its strategic and operational objectives, while remaining financially sound and compliant with regulatory requirements. 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.	➤ Credit Management Unit ➤ Remedial Management Unit	Vice President-Credit and Remedial Management Department
2. Operational	Operational Risk is a multi-department concern. This risk area is a result from deficiencies in system design, implementation, or ongoing maintenance of systems or equipment. Operational risk can increase when a bank hires outside contractors to design products, services, delivery channels and processes that do not fit with the bank's system. On one hand, Operational Risk can be seen as a largely people-related risk area. This is how bank officers and staff adhere to internal systems of control and reporting. Human Resources Department ensures that bank staff are sufficiently trained to know the bank's reportorial systems and operational processes. This is further reinforced by the fact that all employees are "home grown" which is also evidence of the bank's conservative nature. On the other hand, operational risk can also be seen as Information Technology Risk by how the management information system of the bank ensures correctness of data and information. The bank is not an IT company and thus relies on the expertise of IT solutions providers. The system is managed primarily by the IT provider. However, the bank employs an IT Department and MIS (Management Information System Unit) staff which is the first level support of the bank.	➤ Accounting Department ➤ Information Technology Department ➤ Management Information System Unit ➤ Area Managers ➤ Human Resource Training and Assessment Team	General Bookkeeper People Development and Systems Manager Marketing/FCPAM Heads Senior Manager, People & Organizations
3. Liquidity	Liquidity Risk is one of the primary risk areas of the bank. The ability to service depositor withdrawals in particular is of the highest priority. Depositor base of the bank is widespread to reduce market risk. A large majority of depositors can be classified as micro-deposits limiting risk of one time big withdrawals. The bank's treasury unit reports to the President & CEO funds of the bank daily. Management maintains a high level of liquidity with most of the bank's funds in easily callable short term placements.	➤ Treasury Cash Management Unit	Senior Manager; Cash & Remittance Management
4. Compliance	Compliance Risk is the risk to earnings or capital arising from violations of, or nonconformance with laws, rules, regulations, prescribed practices, or ethical standards. Compliance risk also arises in situations where the laws or rules governing certain bank products or activities of the bank's clients may be ambiguous or untested. Compliance risk exposes the institution to fines, civil money penalties, payment of damages, and the voiding of contracts. While Compliance Risk encompasses several areas of	➤ Compliance Department	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.	➤ Area Managers ➤ Marketing Unit ➤ Business Units	Financial Consumer Protection Assistance Mechanism (FCPAM) Heads Marketing Officer Senior Branch Managers
6. Business Continuity	Business Continuity risk arises from the failure to undertake appropriate advanced planning related to critical processes to ensure the ability to recover and maintain business operations in the event of a disruption of critical operations due to internal and external threats, which may be natural, man-made or technical in origin.	➤ Accounting Department ➤ Treasury Cash Management Unit ➤ Information Technology Department Unit ➤ MIS Unit	General Bookkeeper Senior Manager; Cash & Remittance Management Vice President- IT & Security People development and Systems Manager
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 Unit	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. 105 dated October 20, 2025. 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 2025.

DATE	SEMINAR/ORIENTATION	CONDUCTED BY	ATTENDEES
May 2, 2025	AML Seminar for First Timers	PETNET Training Center	45
May 16, 2025	Basic Concepts on Anti-Money Laundering and Combating Terrorism and Proliferation Financing	Rural Bankers Research and Development Foundation, Inc	2
October 4, 2025	AML Refresher and Orientation for New Hirees	Rang-ay Bank Compliance Department	110
October 8, 2025	Basic Concepts on Anti-Money Laundering and Combating Terrorism and Proliferation Financing (AML/CTPF)	Rural Bankers Research and Development Foundation, Inc.	1

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 2025.

COMPLIANCE MEMO	DESCRIPTION	DATE
001-2025	Risk Ranking Criteria	January 2, 2025
002-2025	Reminder on Vote-buying Schemes	March 25, 2025
003-2025	Valid Identification Documents	April 01, 2025
004-2025	Guidelines in Verification of National ID	September 23, 2025
005-2025	Regulations on Large Value Cash Transactions	October 08, 2025

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 submits to Compliance Department a list of all sold ROPA for the day and the same is 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 Twelfth Edition was approved by the Board of Directors under Board Resolution No. 105 dated October 20, 2025.

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

Name:	Ives Q. Nisce
Board Position:	Director since August 15, 1973 and Chairman of the Board since August 13, 2008 to the present
No. & Percentage of Shares:	Common: 2,928,780 (29.1%) Preferred: 52,460 (35.1%)
Board Committee:	Chairman of the Board of Directors
Current Positions:	Chairman of Eso-Nice Realty Dev't, Inc.; President of Nisce Northern Ventures Corp., Niscan Foods Inc. and Niscan Development Corporation. Trustee of St. Louis College & Trustee of the Rotary PDG Rudy Nisce Foundation, Inc. Member of La Union Multi-Sectoral Governance Council and the City of San Fernando Smart City Council. Board Member of the Regional Tripartite Wages & Productivity Board (RTWPB-1) representing the Employers' Sector, and Board Director of Lorma Medical Center.
Age & Nationality:	72 years old; Filipino
Name:	Flora M. Ignacio, CPA, MBA
Board Position:	Non-Executive Director since 1995 to present
No. & Percentage of Shares:	Common: 5,926 (0.06%) 125 (0.01%)
Board Committee:	Member of the Credit Committee
Current Positions:	Part Time Faculty 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:	76 years old, Filipino
Name:	Ivy Rose N. Martinez, MD, FPCP, FPSEDM
Board Position:	Non-Executive Director since 2014 to present
No. & Percentage of Shares:	Common: 515,268 (5.1%) Preferred: 2,798 (1.9%)
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.
Age & Nationality:	45 years old; Filipino

Name:	Ives Jesus C. Nisce II
Board Position:	Executive Director since February 2007 to present
No. & Percentage of Shares:	Common: 518,313 (5.1%) Preferred: 2,793 (1.9%)
Board Committee:	Member of the Credit Committee
Current Positions:	President & CEO since January 1, 2019 to present, Treasurer of La Union Chamber of Rural Banks, Director of Niscan Development Corporation, Director of Chamber of Real Estate Builders Associations (CREBA), Auditor 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)
Age & Nationality:	43 years old, Filipino
Name:	Nina Francisca T. Palabay
Board Position:	Non-executive Director since May 10, 2025 to present
No. & Percentage of Shares:	Common: 1 (qualifying)
Board Committee:	Chairman of the Credit Committee
Past Positions:	Vice President for Credit & Remedial Management (January 1, 2019 - June 1, 2023); Senior Manager - Remedial Management (January 1, 2012 - december 31, 2018); Remedial Management Manager (January 1, 2008 - December 31, 2011); Rediscounting Clerk (January 1, 1984 - December 31, 2007); Loan Assistant (January 1, 1981 - December 31, 1983); Filing Clerk (December 10, 1979 - December 31, 1980).
Age & Nationality:	67 years old; Filipino
Name:	Jose Z. Osias, MBM
Board Position:	Non-Executive Director since 1994
No. & Percentage of Shares:	Common: 114 (negligible)
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 Nayon1 Automation, Inc. and Director of Telenym Philippines, Inc.
Age & Nationality:	79 years old, Filipino
Name:	Marlyn M. Ubaldo
Board Position:	Independent Director since May 4, 2024
No. & Percentage of Shares:	Common: 1 (qualifying)
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:	67 years old, Filipino

BOARD OF DIRECTORS

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



NINA FRANCISCA T. PALABAY
Director (Non-Executive)



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



IVES JESUS C. NISCE II
Director (Executive)



MARLYN M. UBALDO
Director (Independent)



IVES Q. NISCE
Chairman



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



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
NINA FRANCISCA T. PALABAY*	Chair
IVES JESUS C. NISCE II	Member
FLORA M. IGNACIO	Member

*(Elected: May 10, 2025)

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 (Independent Director)	Chair
JOSE Z. OSIAS	Member
IVY ROSE N. MARTINEZ	Member

BOARD & COMMITTEE ATTENDANCE

For the One (1) Year Period: January 01, 2025 to December 31, 2025

NAME OF DIRECTORS	NUMBER OF BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		CREDIT COMMITTEE MEETINGS	
	ATTENDED	%	ATTENDED	%	ATTENDED	%
IVES Q. NISCE	13	100.00%				
FLORA M. IGNACIO	13	100.00%			48	100.00%
IVY ROSE N. MARTINEZ	13	100.00%	11	91.67%		
IVES JESUS C. NISCE II	13	100.00%			48	100.00%
JOSE Z. OSIAS	4	30.77%	1	8.33%		
NINA FRANCISCA T. PALABAY*	9*	100.00%			31	100.00%
MARLYN M. UBALDO	13	100.00%	12	100.00%		
Total Number of Meetings Held During the Year	13		12		48	

* Elected: May 10, 2025

CONTINUING EDUCATION PROGRAM FOR DIRECTORS

BOARD OF DIRECTORS		MOST RECENT RELEVANT SEMINARS ATTENDED
IVES Q. NISCE	Chairman of the Board Filipino, 72 years old A.B. Economics Management Development Program	Eco-Innovation of Japanese SMEs (DTI & NEDA) DOLE/NWPP 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
FLORA M. IGNACIO	Director (Non-Executive) Filipino, 76 years old B.S. in Business Administration Certified Public Accountant Master in Business Administration	Advance Corporate Governance for Bank Directors and Officers Risk-Based Internal Audit Conducting Internal Audit Engagements Corporate Governance and Risk Management Corporate Governance and Credit Risk Management for Microfinance Institutions COVID-19 Impact on Internal Audit
IVY ROSE N. MARTINEZ	Director (Non-Executive) Filipino, 45 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 AMLA Refresher
IVES JESUS C. NISCE II	Director (President & CEO) Filipino, 43 years old A.B. Social Sciences Diploma Course in Banking	Banking on the Future: Creating a Customer-Centric and Digital-First Organization Angel Network Roadshow (Risk Management Governance For Bank Directors) Basic Corporate Governance for Bank Directors and Officers AFASA Protocol Industry Cascade Updated on MSME Lending: Road to Inclusive Recovery and Growth How Finetech is Shaping the Future of Banking Exploring the FIST Law: How it impacts the bank's management of Non Performing Assets
JOSE Z. OSIAS	Director (Non-Executive) Filipino, 79 years old A.B. Economics Master in Business Management	Introduction to IT Auditing Corporate Governance and Risk Management Advanced Corporate Governance Course AMLA Refresher Customer Service Excellence: Championing the Bank's Clients
NINA FRANCISCA T. PALABAY	Director (Non-Executive) Filipino, 67 years old B.S Commerce - Accounting	Corporate Governance and Credit Risk Management for Microfinance Institutions Risk Management Basic Course Improving Women's Access to Credit through the CIC Credit Report MSME Forum: The Future of Bank Financing Briefing on Financial Institutions Strategic Transfer (FIST) Act First Online Expo: Reforms and Policies for a Strengthened Credit Registry Basic Corporate Governance for Bank Directors & Officers Advanced Corporate Governance: Strengthening Governance for Sustainability and Growth
MARLYN M. UBALDO	Director (Independent) Filipino, 67 years old B.S Commerce-Accounting	Internal Audit Seminar Advance Corporate Governance for Bank Directors and Officers Basic Corporate Governance for Bank Directors & Officers ORM Oversight and Risk Control and Self Assessment Process 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 Auditing Briefing on Top Withholding Agents and New Revenue Issuances and Tax Updates

SENIOR MANAGEMENT

SENIOR MANAGEMENT	CONTINUING EDUCATION PROGRAM (Most Recent Relevant Seminars Attended)
President & CEO Filipino, 43 years old A.B Social Sciences Diploma Course in Banking Employed since May 01, 2004	Banking on the Future: Creating a Customer-Centric and Digital-First Organization Angel Network Roadshow (Risk Management Governance For Bank Directors) Basic Corporate Governance for Bank Directors and Officers AFASA Protocol Industry Cascade Updated on MSME Lending: Road to Inclusive Recovery and Growth How Finetech is Shaping the Future of Banking Exploring the FIST Law: How it impacts the bank's management of Non Performing Assets
VP for Remedial & Credit Management Filipino, 49 years old B.S. Accounting Employed since June 01, 1997	Account Profitability Analysis Financial Analysis and Forecasting OECD – BSP Virtual Workshop Credit Fund Line for ACPD Partner Lending Conduits Loan Administration and Operations Credit 101: Understanding the Importance of Credit Information
Senior Audit Manager/Concurrent Chief Compliance Officer Filipino, 51 years old B.S. Accountancy Employed since June 15, 1998	COIA Townhall Forum — CIC Regulatory Supervisory Issues and BSP Enforcement AFASA Protocol Industry Cascade Circular no. 1158 on the Guidelines on Recovery Plans for Banks Strategic Risk and Strategic Risk Management System AFASA's Radical Impact on Financial transaction Compliance Officers and Internal Auditors : 3rd Annual Convention



**IVES JESUS C.
NISCE II**



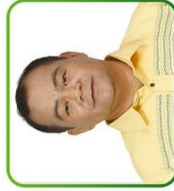
**ROWENA L.
ROSALES**



**JANET B.
ZAMORANOS**

SENIOR MANAGEMENT

SENIOR MANAGEMENT	CONTINUING EDUCATION PROGRAM (Most Recent Relevant Seminars Attended)
Area Manager, North Branches Filipino, 51 years old B.S in Commerce Employed since May 01, 1996	High Performance for Rural Banks PDIC Bankers Dialogue Bank Branch Management in the Digital Age Presentation of Regional Economic Indicators and Dialogue With the Banker's Associations of Ilocos sur and Ilocos Norte 30 Effective Techniques to Improve Sales and Marketing Training on Understanding Land Titles and Mortgage-Rules Accounting for Non-Accountants: Understanding the Language of Business Sales and Marketing Seminar Anti-Money Laundering Act (AMLA)
Area Manager, South Branches Filipino, 41 years old B.S Hotel & Restaurant Management Employed since July 25, 2007	PRP 2025 Summit Unlock, Let's Win Together High Performance Management for Rural Banks Bank Branch Management in the Digital Age 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 BSP Regional Training on Anti-Money Laundering, Countering Terrorism and Proliferation (AML/CTPF) Training
Area Manager, Central Branches Filipino, 32 years old B.S. Information Technology Employed since December 23, 2014	High Performance Management for Rural Banks Economic Financial Learning Program Session for the Workforce Bank Branch Management in the Digital Age



**DENNIS O.
DOSONO**



**JOEY B.
DINGLE**



**AERI B.
SHAMBEY**

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%
	TOTAL:	100%	100%

B. BRANCH

	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%
	TOTAL:	100%	100%

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

The Board created an internal self-rating system and procedures to determine and measure compliance with good governance principles and practices: (i) Each Director self-rates and collectively rates the Board, the 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

»» BANGKO SENTRAL NG PILIPINAS (BSP) TRAINING OF TRAINORS

Rang-ay Bank Marketing Officers Jan Michaela Julian (North Branches), Novelyn Luebben (Central Branches), Shakyla Atluna (South Branches), Fretzy Mikaella Bernardo (Head Office), Zi Dean Tagayuna (North Branches), and Micah Ashley Sison (South Branches) took part in the Bangko Sentral ng Pilipinas (BSP) “Training of Trainors” program held on May 6–8, 2025, at the BSP Regional Office in Baguio City. The three-day capacity-building activity aimed to strengthen the participants’ ability to deliver financial education and advocacy programs within their communities.

The training gathered representatives from various financial institutions and featured modules on financial literacy, inclusive finance, and consumer protection. In support of BSP’s initiatives, Rang-ay Bank remains committed to advancing financial inclusion and community empowerment through education. The Bank conducts financial literacy sessions for farmers’ groups, PNP personnel, students, TODA, senior citizens, and others.



»» ORIENTATION & AMLA SEMINAR FOR NEW HIREEES

Rang-ay Bank regularly conducts seminars on the Anti-Money Laundering Act (AMLA) for its newly hired employees as part of their onboarding and compliance training. The session aimed to raise awareness and reinforce the importance of anti-money laundering measures in the banking sector.

Led by the bank’s Compliance Officer, the seminar covered key provisions of Republic Act No. 9160, as amended, including identifying suspicious transactions, customer due diligence, record-keeping, and reporting requirements. Practical case studies and real-world examples were also discussed to equip employees with the knowledge and skills to detect and prevent financial crimes effectively.

This initiative underscores Rang-ay Bank’s firm commitment to upholding regulatory standards and ensuring all team members play an active role in protecting the integrity of the financial system. By instilling a strong culture of compliance from day one, the bank continues to safeguard its clients and contribute to a safer, more transparent banking environment.



➤➤➤ BUILDING COMPETENCE: LOAN REFRESHER TRAINING FOR EMPLOYEES

Rang-ay Bank conducts a Loan Refresher Courses to strengthen employees' knowledge in loan processing, credit evaluation, and compliance, reinforcing its commitment to service excellence and continuous learning. The training enhances client servicing and risk assessment skills, ensuring sustainable credit facilities that support countryside development.

Rang-ay Bank also provides a wide range of loan products such as car refinancing, mSME financing, construction, OFW, housing, and agri-business loans, along with government-supported programs like Agri-KAYA and Agri-ANYO, plus credit lines and multi-purpose loans. These offerings ensure individuals, entrepreneurs, and farmers across Northern Luzon have access to flexible, affordable funding that drives growth, stability, inclusion, and new opportunities.



SCHEDULE OF SEMINARS/WEBINARS & TRAININGS:

		No. of Seminars/ Trainings	No. of Officers Attended	No. of Employees Attended	Total
I.	Seminars/Trainings (In-house)	14	273	534	807
II.	Conducted by Other Agencies through Webinars	31	184	43	227
III.	Seminars/Trainings outside La Union (Face-to-Face)	31	46	18	64
	TOTAL	76	503	595	1,098

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:

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

III. Late Retirement

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

IV. Disability Benefit

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

V. Severance Benefit

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

VI. Dismissal for Cause

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

VII. Death Benefit

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

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

VIII. Waiver of Claims

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

SUCCESSION POLICY

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

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

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

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

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

REMUNERATION POLICY

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

a. Non-Executive Director

Of the seven-man Board of Directors, six (6) are non-executive directors. Said directors do not receive a salary but receive per diems and travelling allowance for attendance to board 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, Sinait, Magsingal, Burgos, Sta. Lucia, Sta. Cruz, Tagudin, Bangar, Luna, Aringay, Tubao, Caba, San Juan		Bangued, Narvacan, Candon, Balaoan, Bacnotan, Agoo, Rosario, La Trinidad, Rosales, Naguilian		Laoag, Vigan, Baguio, Dagupan, San Fernando City	
JOB LEVEL		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Officer 5	P					80,000.00	++++
Officer 4	P					40,000.00	++++
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, Nagauilan		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 <i>(Upon end of contract)</i>	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 <i>(Upon end of contract)</i>	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 (RPT) aims to recognize that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to Rang-ay Bank. It is generally allowed, provided this is done on an arm's length basis. It also aims to exercise appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to the bank and its depositors, creditors and other stakeholders. The policy will ensure that every RPT is conducted in a manner that will protect Rang-ay Bank from conflict of interest which may arise between 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 lot	PERF Restaurant, Inc. (Lessee)	₱ 96,833.85 per month	2018-2038 (20 years)
2. Lease of building space	Philippine Seven Corp. (Lessee)	₱ 60,000.00 per month	2021-2026 (5 years)
3. Lease of building space	Niscan Development Corp. (Lessee)	With Rental Exchange Agreement	2017-2027 (10 years)
4. Lease of Rang-ay Bank Agoo (LU) Branch	Niscan Development Corp. (Lessor)	With Rental Exchange Agreement	2017-2027 (10 years)
5. Lease of Rang-ay Bank Downtown Branch	Ives Q. Nisce (Lessor)	₱ 27,088.00 per month	2025-2028 (3 years)
6. Lease of Rang-ay Bank SFLU Highway Branch	Niscan Development Corp. (Lessor)	₱ 71,297.58 per month	2017-2027 (10 years)
7. Lease of Parking Lot	Niscan Development Corp. (Lessor)	₱ 10,325.50 per month	2025-2026 (1 year)
8. Lease of bank storage space	Niscan Development Corp. (Lessee)	₱ 19,372.50 per month	2024-2026 (2 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	22	13 months	₱ 1,139,900.00	₱ 613,715.96
	10	18 months	683,500.00	493,619.54
	34	24 months	2,979,000.00	2,170,830.23
	64	36 months	9,207,680.00	7,062,529.70
Total	130		14,010,080.00	10,286,758.43

Pabahay Loan Program	1	Three (3) years	₱ 222,000.00	₱ 125,219.11
	1	Five (5) years	1,000,000.00	719,176.18
Total	2		1,222,000.00	844,467.43

Motor Vehicle Loan Program	2	Four (4) years	₱ 681,400.00	₱ 523,522.12
	2	Five (5) years	477,900.00	262,503.73
	2	Ten (10) years	646,200.00	109,243.76
Total	6		1,805,500.00	895,269.61

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.

An essential responsibility of the Bank's internal audit function is the effective communication of audit findings to both Management and the Board of Directors, ensuring transparency, accountability, and informed decision-making. It is the policy of the Internal Audit function that written audit reports shall be issued to Management upon the completion of each audit examination. Internal Audit reports contain audit findings, exceptions, and observations, together with suggestions or recommendations to further strengthen the Bank's operational internal controls. Management is required to provide responses and an action plan with committed timelines to address these findings. Internal Audit Reports are provided to the Board Internal Audit Committee via email prior to the scheduled monthly joint meeting of the Internal Audit Department and the Audit Committee. The Internal Auditor reviews these responses and strictly follows up to ensure that the appropriate corrective actions are implemented within the committed timeline.

An effective and efficient Internal Audit function constitutes the third line of defense within the Bank's system of internal control. In carrying out its responsibilities, 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 seven (7) Audit Associates. This staffing allows the Department to form three (3) Audit Teams to do the fieldwork. The Senior Audit Manager takes the responsibility of overseeing the Audit Teams. There are now forty four (44) auditable units: thirty (31) branches and fourteen (14) 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.

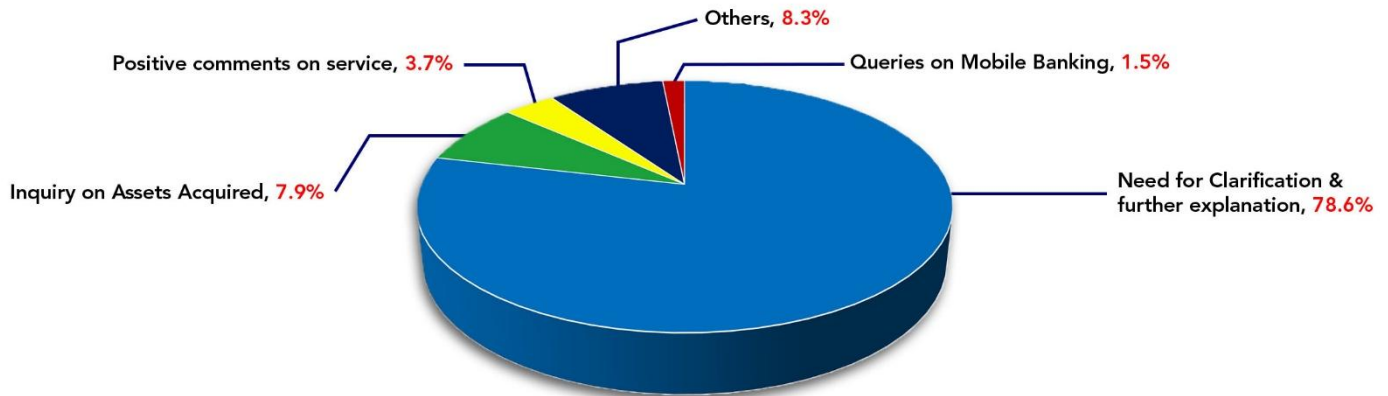
- Designation of Consumer Assistance Officer as lead implementer of the program responsible for monitoring of consumer assistance process and reporting to Senior Management.

- 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, 2025

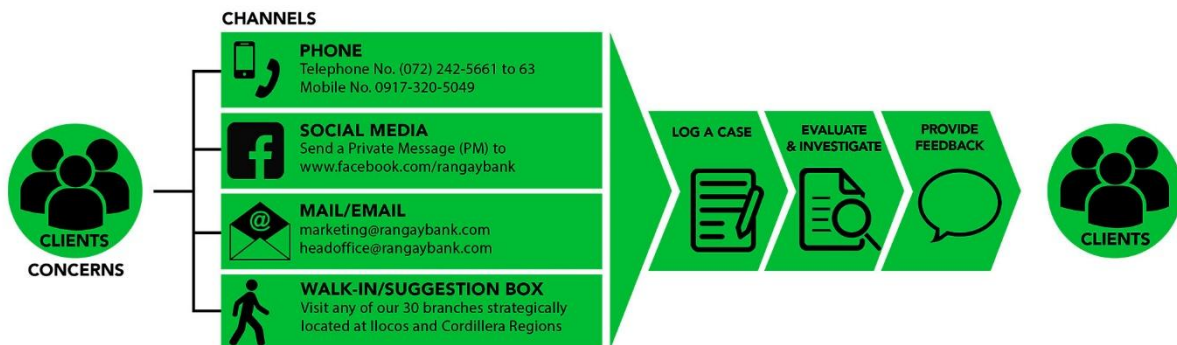


PROCESS FLOW OF CONSUMER ASSISTANCE MANAGEMENT SYSTEM

WE ARE HERE TO LISTEN.

Rang-ay Bank is regulated by Bangko Sentral ng Pilipinas.

For any feedback, inquiry, request, complaints or concerns, you may contact us through any of these channels:



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

GUIDELINES/PROCEDURES IN CUSTOMER COMPLAINTS HANDLING

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

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

1.1 Client/Customer

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

1.2 Officers and staff

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

1.3 Office of the President/Operation Risk Management

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

1.4 Support Unit

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

1.5 Financial Consumer Protection Assistance Mechanism Group

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

1.6 Internal Audit Department

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

1.7 Compliance Department

- a) Checks and updates on regulatory issuances.
- b) Checks for compliance of quarterly reporting of Financial Consumer Protection Assistance Mechanism Group to BSP.

2. TELEPHONE/CELLPHONE

2.1 Client/Customer

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

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

2.2 Officers and staff

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

2.3 Office of the President/Operation Risk Management

- a) Shall acknowledge the complaints received from the Branch/Support unit .
- b) Shall obtain and record the details of the complaints.
- c) Assigns the validated complaint to the concerned Support Unit.
- d) Generates and submits the complaint report daily to President & CEO
- e) Once a complaint has been resolved by the Support Unit, complaint shall be tagged as 'resolved' in the complaint report.
- f) Complaint report to be forwarded to 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.

GREEN	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.
AMBER	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.
RED	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:

	GREEN	AMBER	RED
NO POVERTY	• Purchase of seeds, fertilizers & equipment for existing agricultural production business • Vegetable Trading (Buy & Sell) • Palay & Corn Production	• Financing private lending business	• Online/Actual Gambling • Child labor/Forced labor
ZERO HUNGER	• Purchase of livestock, poultry, and/or fisheries • Additional capital for sari-sari store business • Purchase of farm inputs • Purchase of poultry equipment • Purchase of poultry trucks for delivery • Additional capital on eatery (carinderia) business	• Construction of poultry sheds and cages • Construction of Elevated Tunnel Vent Poultry Building	• Chemical-based farming practices • Agricultural Irrigation Technologies (High-powered pumps, dams & pipelines)
GOOD HEALTH & WELL-BEING	• Additional cash/fund to pay hospital bills	• Improvement/Construction of healthcare facilities	• Production of coal/chemical plants

	• Purchase of diagnostic equipment, hospital beds, and other medical necessities • Purchase of Gym equipment (For Gym Business)	• Improvement/ Construction of Gym Business • Production of essential medicines	• Improper disposal of pharmaceutical waste/ E-waste
QUALITY EDUCATION	• Educational expense (To pay miscellaneous/ tuition fees) • Purchase of television and/or teaching aids • Improvement of tools and equipment under TESDA (Program)	• Improvement/ construction of educational building/ facilities	• Discrimination towards LGBTQ+ students • Bribery in education (Involves money or non-monetary advantages) • Selling of unauthorized textbooks/ educational materials
GENDER EQUALITY	• Additional capital to finance beauty parlor business	• Construction/ Improvement of beauty parlor shop	• Harmful activities/practices to Women and LGBTQ+ Community
CLEAN WATER AND SANITATION	• Green Technology Financing (Solar Panels, Rainwater Harvesting System, Thermal Water Heaters, LED Lights & Dual Flush Bathroom) • Water Refilling Station	• Construction/ Improvement of water refilling station	• Large-scale Water Projects • Resorts without Environmental Compliance Certificate
AFFORDABLE AND CLEAN ENERGY	• Financing solar/ wind panel installations	• Financing Hydropower Projects	• Extraction or Burning of fossil fuels (Oil, Gas & Coal) for electricity generation
DECENT WORK & ECONOMIC GROWTH	• Additional capital for motorcycle parts business • Additional capital for marketing and distribution of products (Soft drinks, Ready-to-wear clothes, etc.)	• Car Trading/ Carwash and Detailing Services • Vulcanizing Shop/Machine Works and Automotive • Additional fund to purchase Trucks for Trucking Business	• Real Estate Activities without Environmental Compliance Certificate • Office-based Lending/Financial Business
INDUSTRY, INNOVATION & INFRASTRUCTURE	• Financing production facilities and equipment • Additional capital for contractors/sub-contractors for LGU and other Government Agency/ies project	• Construction of production facilities/buildings • Developing/ Improving Infrastructures	• Build & Sell of Houses • Gasoline Station without Environmental Compliance Certificate

			• Construction of Roads/Highways (In need of cutting of trees) • Habitat fragmentation and loss
REDUCED INEQUALITIES	• Additional fund to finance/start entrepreneurial ventures (Start-up capital for business)	• Construction of commercial building for rent	• Discrimination in the workplace based on age, gender, sexual orientation, migratory status and ethnic racial group
SUSTAINABLE CITIES & COMMUNITIES	• Additional fund to purchase amenities (Accommodation business)	• Construction/Improvement of beauty parlor shop • Construction/Improvement of apartment, dormitory, transient or hotel (For long/short-term rent)	• Subdivision without Environmental Compliance Certificate
RESPONSIBLE CONSUMPTION & PRODUCTION	• Financing Food Reform for Sustainability & Health Projects (Crop rotation, Integrated pest management, Organic Fertilizers and No-till Framing)	• Purchase of gadgets	• Fast fashion Industry • Improper waste disposal
CLIMATE ACTION	• Financing Food Production/Manufacturer that practices zero-waste management	• Purchase of food production/manufacturer equipment • Construction/Improvement of food production facilities	• Production or trade of woods, animals and plants including Timber and Charcoal • Exploration, production/transportation of fossil fuel, fossil-fuel power generation related projects
LIFE BELOW WATER	• Financing sustainable fish farming • Financing vessel/boat maintenance	• Purchase of Plumbing and water pumps for fish farming business • Fish and Shrimp Producer and Exporter • Purchase of fishing equipment	• Illegal use of dynamite/destructive chemical that cause harm to aquatic resources • Ocean acidification • Fuel/Chemical Leakages
LIFE ON LAND	• Financing responsible forestry practices • Financing sustainable agricultural enterprises	• Purchase of Cultivation Equipment for Crop Cultivating business	• Deforestation • Illegal Mining • Wildlife Poaching/Illegal Wildlife Trade

PEACE, JUSTICE & STRONG INSTITUTIONS	• Solo practitioner law firm • Green Militarization (Use of military & paramilitary personnel, training, technologies & partnerships)	• Digitalization of Justice (Purchase of necessary tools and funding)	• Illicit finance and arms, corruption and bribery • Exploitation and Human Trafficking
PARTNERSHIPS FOR THE GOALS	• Financing Local Government Organizations' Sustainable Development Projects • Financial assistance & partnerships with organizations/government	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

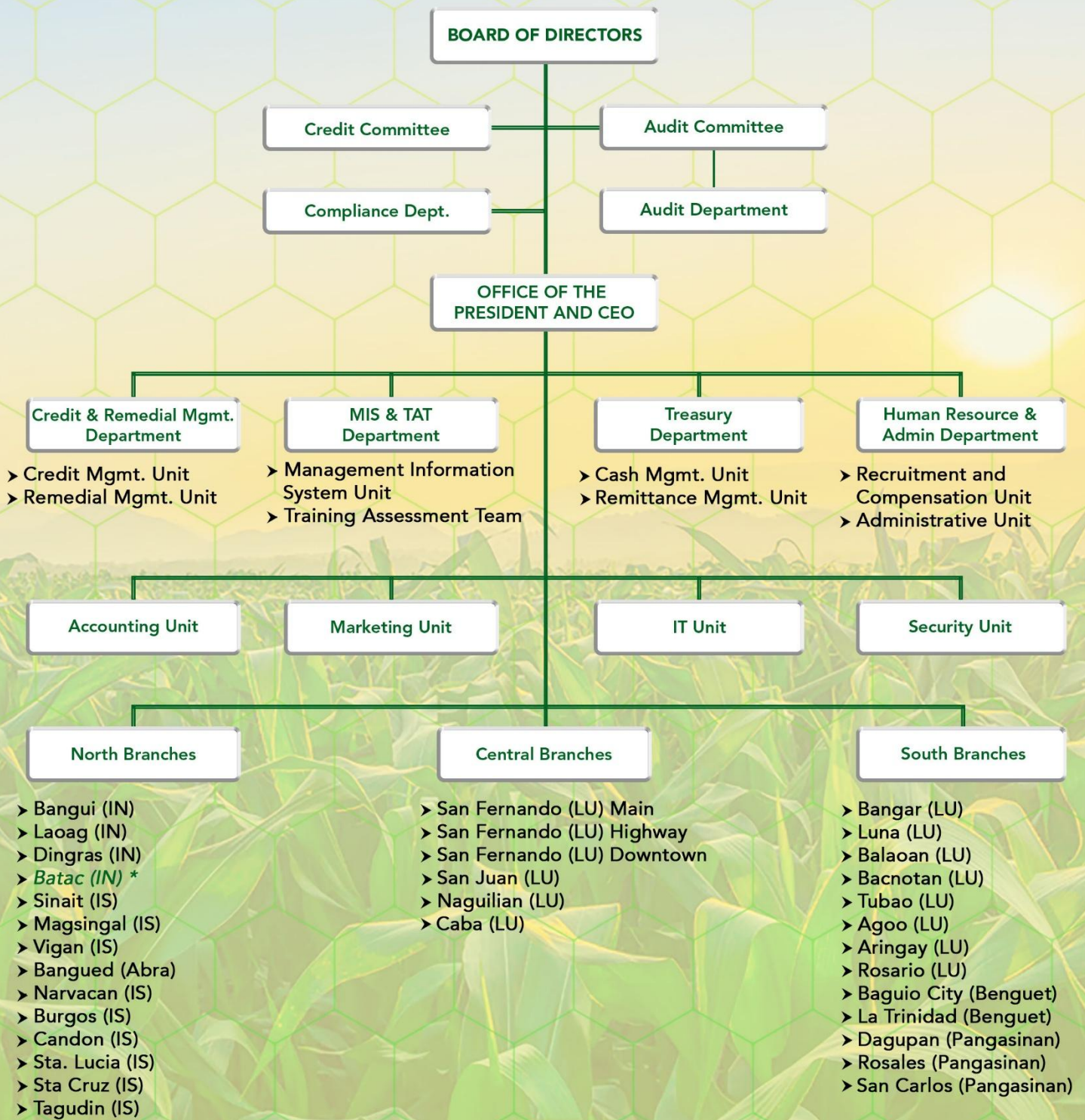
The bank supports national or LGU initiatives on climate change, water, air and biodiversity projects (tree planting, coastal clean-ups, environmental campaign drives, etc.) through Corporate Social Responsibility. Partnering with local environmental groups to promote Sustainable Development in our community. 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	• Adoption of Sustainable practices in Credit Management Process (Credit Memo No.03.2021) • Proper waste disposal
2023	• Use of sustainable materials, supplies & equipment (implemented) • Reduction of use of single-use plastics (Applied) • Promotion of Climate Change Awareness (Already promoted to bank employees) • Identifies risk to Bank officers & staff • Pilot Program for Solar Panels at Agoo Branch (Installed: December 16, 2023) • Require DENR ECC Clearance for high pollution or environmental detrimental process
2024	• Replacement of light energy to LED for 5 branches (Implemented to Caba, San Juan, Luna, Narvacan & Agoo branches) • To have indoor plants at 3 banking offices (All banking offices already have indoor plants)
2025	• To have indoor plants at 3 banking offices (All banking Offices already have indoor plants) • Phase out use of leaded gasoline (All bank vehicles now use unleaded gasoline) • Phase out lending to high polluting & destructive industry projects • Develop Programs to finance Sustainability Development Projects • Solar Panel Financing (Partnered with NIES SOLAR Company) • Tree planting (Seeds of a Greener Northern Luzon - October 29, 2025)

2026	• Replacement of light energy to LED for 5 branches • To have indoor plants at 3 banking offices • Partnering with local environmental groups to promote Sustainable Development in the community • 70th CSR anniversary > Tree planting > Support LGU conservation initiatives > Environmental Campaign drives > Eco-Friendly Giveaways • Install Solar Panels at Head Office
2027	• Replacement of light energy to LED for 5 branches • To have indoor plants at 3 banking offices • Pilot Paperless Accounting system at Head Office • Use of Unleaded gasoline for all bank vehicles • Install Solar Panels at Bangued Branch
2028	• Replacement of light energy to LED for 5 branches • To have indoor plants at 3 banking offices • Paperless Accounting system for 4 branches • Install Solar Panels at Rosario Branch
2029	• Replacement of light energy to LED for 5 branches • To have indoor plants at 5 banking offices • Paperless Accounting system for 5 branches • Install Solar Panels at Tagudin Branch
2030	• All branches use energy efficient light bulbs or LED • To have indoor plants at 5 banking office • Paperless Accounting system for 10 branches • Develop Programs to finance Sustainability Development Projects > Electric Vehicles > Green Buildings • Install Solar Panels at Candon Branch
2031	• Majority of all bank-owned building use Solar panels • All branches have indoor plants • Paperless Accounting system for 10 branches • Partnering with local environmental groups to promote Sustainable Development in the community • 75th CSR Anniversary > To plant 75 Trees per banking offices > Support conservation initiatives of LGUs > Environmental campaign drives > Eco-Friendly Giveaways • Install Solar Panels at Naguilian Branch
2032	• All banking offices practice paperless accounting system • Majority of all bank-owned building use Solar panels

ORGANIZATIONAL STRUCTURE



*Opens in 2026

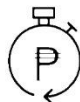
PRODUCTS AND SERVICES

DEPOSIT SERVICES



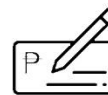
SAVINGS DEPOSIT

- 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



ACPC UNSECURED FARMERS LOAN



INSTANT SALARY LOANS



DepEd TEACHERS LOANS



BARANGAY & MICRO-BUSINESS ENTERPRISE PROGRAM



SSS PENSIONER LOANS



OFW PROGRAMS



PABAHAY & HOME RENOVATION



MOTOR VEHICLE ACQUISITION



MULTI-PURPOSE LOANS



micro, SMALL & MEDIUM ENTERPRISE BUSINESS LOAN



AGRICULTURAL & AGRI-BUSINESS LOANS

REMITTANCES



WESTERN UNION
• Foreign
• Domestic



RIA MONEY TRANSFER



TRANSFAST



EMQ LIMITED



REMITLY



XOOM



CEBUANA



TRANGLO



METROBANK



AI ANSARI EXCHANGE



USSC



PANGEA MONEY TRANSFER



MONEYGRAM



GCASH

- Cash In
- Cash Out



PAYMAYA

- Cash in



BDO REMIT

ATM



- Bangar (LU) Branch
- Bacnotan (LU) Branch
- Main (LU) Branch
- Balaoan (LU) Branch
- Luna (LU) Branch
- Sta Lucia (IS) Branch
- Sta. Cruz (IS) Branch

NATIONAL RETAIL PAYMENT SERVICES



INSTAPAY

- ↳ Send-out
- ↳ Receiving

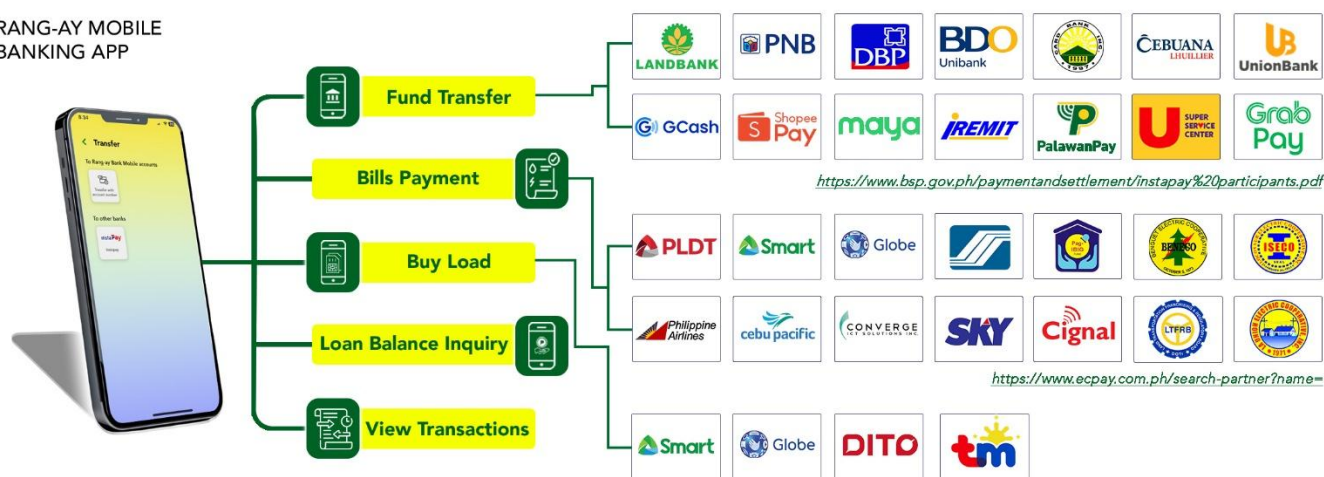


PESONET

- ↳ 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.

LOAN PRODUCTS

1. **ACPC Unsecured 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.
2. **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.
3. **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.
4. **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.
5. **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.
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. **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.
8. **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.
9. **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.
10. **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.
11. **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.

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. **Moneygram** – is a global financial services company specializing in quick, secure, and affordable international money transfers to over 200 countries and territories. Users can send funds via a mobile app, website, or physical locations for cash pickup or bank deposit. It also offers money orders and bill payments.
 - h. **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.
 - i. **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.
 - j. **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.
 - k. **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.
 - l. **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.
 - m. **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.

CORPORATE WEBSITE



<https://rangaybank.com/> Discover the following:

- HOME • ABOUT US • SERVICES • NETWORK • NEWS • ASSETS ACQUIRED FOR SALE
- DOWNLOADS • CAREER • CONTACTS • VISION AND MISSION
- HISTORY • TRADITION OF EXCELLENCE • AFS • LEADERSHIP TEAM

BRANCH OFFICERS AND DIRECTORY

North Banking Units



LAOAG BRANCH



JOAN MAE A. ASIA

Senior Branch Manager

📍 2F Laoag Commercial Complex, J.P Rizal St.
Laoag, Ilocos Norte

☎ Telefax No. (77) 600 2591

📱 Mobile No. 0917-802-7987 or 09171643003



DINGRAS BRANCH



JAN MICHAELA B. JULIAN

Branch Manager

📍 New Public Market, Brgy. Albano, Dingras, Ilocos Norte

☎ Telefax No. (77) 600-0001

📱 Mobile No. 0917-870-2959 or 09354203951



BANGUI BRANCH



DOLORES J. JANDOC

Branch Manager

📍 Tiendaan ti Bangui, San Lorenzo, Ilocos Norte

☎ Telefax No. (77) 600 2591

📱 Mobile No. 0995-550-8965 or 09777675132



BANGUED BRANCH



BRENDA FRANCE R. GONZALES

Senior Branch Manager

📍 Rang-ay Bank Bldg., Taft Ave. cor. Manzano St., Bangued, Abra

☎ Telefax No. (74) 752-7554

📱 Mobile No. 0917-870-0956 or 09168641418



VIGAN BRANCH



ROLLY L. RABANAL

Senior Branch Manager

📍 Florentino St., Plaza Burgos, Vigan, Ilocos Sur

☎ Telefax No. (77) 674 2509

📱 Mobile No. 0917-802-7990 or 09178408261



SINAÍT BRANCH



MELANIE R. REBULDELA

Branch-Officer-In-Charge

📍 G/F Public Market, Macabiag, Sinaít, Ilocos Sur
 📠 Telefax No. (77) 674 1965
 📞 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



CANDÓN BRANCH



JANE S. CASTILLO

Senior Branch Manager

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



STA. LUCIA BRANCH



MARIFE B. GALIMA

Branch Manager

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



STA. CRUZ BRANCH



MA. RUBELYN R. HANDOC

Branch Manager

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



TAGUDIN BRANCH



HALEN 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

South Banking Units



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. 0917-870-2101



SAN CARLOS BRANCH



VERONICA B. PEÑARANDA

Branch Manager

📍 Labarento Bldg., Palaris St., City of San Carlos, Pangasinan
 📠 Telefax No. (75) 654-4910
 📞 Mobile No. 09518117075



BAGUIO BRANCH



MILAGROS AIDA G. GUANZO

Senior Branch Manager

📍 G/F Maharlika Complex, Magsaysay Ave., Baguio City
 📠 Telefax No. (74) 442-8142
 📞 Mobile No. 0917-802-7984 or 09171925885



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 Verceles St., Poblacion, Tubao, La Union
 📠 Telefax No. (72) 687-0077
 📞 Mobile No. 0917-802-7983 or 09563321452



ARINGAY BRANCH



DANICA N. COLLADO

Branch Manager

📍 New Public Market., San Benito Sur, Aringay, La Union
 📠 Telefax No. (72) 607-3432
 📞 Mobile No. 09277040023



CABA BRANCH



CEE-JEE B. HART

Branch Manager

📍 Caba Farmers Multi-purpose and Trading Center, Poblacion Norte, Caba, La Union
 📠 Telefax No. (72) 610-7805
 📞 Mobile No. 09568192546



BALAOAN BRANCH



EDEN PRIME O. BALONGCAS

Senior Branch Manager

📍 National Highway, Brgy. Antonino, Balaoan, La Union
 ☎️ Telefax No. (72) 607-0017
 📞 Mobile No. 0917-870-0433 or 09162771026



BACNOTAN BRANCH



DANICA N. COLLADO

Branch Manager

📍 New Public Market, National Highway, Poblacion, Bacnotan, La Union
 ☎️ Telefax No. (72) 619-4272
 📞 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 Banking Units



MAIN BRANCH



NOVELYN G. LUEBBEN

Senior Branch Manager

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



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



ROSEMARIE HUFANA

Branch Manager (Trainee)

📍 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 09506379213



NAGUILIAN BRANCH



KAREN JOY LICLICAN

Branch Manager (Trainee)

📍 Rang-ay Bank Bldg., #29 Naguilian Rd., Ortiz, Naguilian, La Union
 ☎️ Telefax No. (72) 609-1199
 📱 Mobile No. 0917-870-0435 or 09468099345



SAN JUAN BRANCH



SHIELA MAE N. SUNIO

Branch Manager (Trainee)

📍 G/F Public Market, Ili Sur, San Juan, La Union
 ☎️ Telefax No. (72) 607-4196
 📱 Mobile No. 0917-870-2960 or 09385917915

33 BANKING UNITS



* Opens in 2026

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

COMMON STOCKHOLDERS

Name of Stockholder	Nationality
28. NISCE, Ramon M.	Filipino
29. NISCE, Reynaldo Q.	Filipino
30. OSIAS, Jose Z.	Filipino
31. PAGTAKHAN, Ma. Cristina K.	Filipino
32. PALABAY, Nina Francisca T.	Filipino
33. RETUTA, Romelia P.	Filipino
34. UBALDO, Marlyn M.	Filipino
35. ZANDUETA, Ramon Jr. L	Filipino
36. 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. FLORES, Domiciano O.	Filipino
11. GOCHUICO, Reylita K.	Filipino
12. IGNACIO, Flora M.	Filipino
13. KAGAOAN, Elizabeth N.	Filipino
14. KAGAOAN, Flora N.	Filipino
15. KAGAOAN, Teresita N.	Filipino
16. LIGOT, Ma. Rosario K.	Filipino
17. MACEDA, Manuel F. II	Filipino
18. MARQUEZ, Teresita F.	Filipino
19. MARTINEZ, Ivy Rose N.	Filipino
20. Niscan Development Corp.	100% Filipino owned
21. NISCE, Anna Maria Z.	Filipino
22. NISCE, Augusto Q.	Filipino
23. NISCE, Ives Jesus C. II	Filipino
24. NISCE, Ives Q.	Filipino
25. NISCE, Jose Ma. Q.	Filipino
26. NISCE, Michael Ross C.	Filipino
27. NISCE, Mikael Querol C.	Filipino

PREFERRED STOCKHOLDERS

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

VOTING RIGHTS

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

STATEMENT OF FINANCIAL POSITION

	December 31		
	2025	2024	
			Increase/ Decrease
			Percentage
ASSETS			
Cash and Other Cash Items	28,720,545	31,230,090	(2,509,545)
Due from BSP and Other Banks	1,110,407,734	1,134,871,465	(24,463,731)
Held to Maturity Investment	1,070,504,122	909,217,725	161,286,397
Sub Total	2,209,632,401	2,075,319,280	134,313,121
Loans and Receivables, Net	2,025,683,451	1,875,583,888	150,099,563
Bank Premises, Furniture, Fixtures and Equipment (Net)	102,366,798	99,183,011	3,183,787
Investment Property (Net)	88,320,454	94,104,830	(5,784,376)
Deferred Tax Assets	4,204,959	8,504,052	(4,299,093)
Other Intangible Assets	767,550	-	767,550
Other Assets	28,589,029	28,305,052	283,977
TOTAL ASSETS	4,459,564,642	4,181,000,113	278,564,529
LIABILITIES & SHAREHOLDERS EQUITY			
LIABILITIES			
Deposit Liabilities	3,565,709,973	3,295,855,159	269,854,814
Accrued Interest, Taxes and Other Expenses Payable	15,740,452	17,861,292	(2,120,840)
Income Tax Payable	365,015	-	365,015
Treasurer's/Cashier's/Manager's and Gift Checks	37,643	37,643	-
Other Liabilities	88,541,824	121,283,925	(32,742,101)
TOTAL LIABILITIES	3,670,394,907	3,435,038,019	235,356,888
SHAREHOLDERS' EQUITY			
Share Capital			
Common	503,041,600	377,376,400	125,665,200
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	146,838,398	103,629,616	43,208,782
Stock dividend distributable	-	125,666,341	(125,666,341)
Appraisal Increment Reserve	26,672,978	26,672,978	-
TOTAL SHAREHOLDERS' EQUITY	789,169,735	745,962,094	43,207,641
TOTAL LIABILITIES & EQUITY ACCOUNTS	4,459,564,642	4,181,000,113	278,564,529
			7%

Financial Statements audited by: Pagulo, Dumayas and Associates, CPA's
Accreditations with BSP & SEC: 5614-BSP; BIR Accreditation No. 08-800011-000-2025; and BOA No. 5614.

STATEMENT OF INCOME AND EXPENSE

	Year Ended December 31		Increase/ Decrease	Percentage
	2025	2024		
INTEREST INCOME				
Loans & Receivables	176,269,832	175,239,910	1,029,222	0.59%
Due from Other Banks	29,982,554	29,650,006	332,248	1.12%
Investments	45,576,746	34,102,426	11,474,320	33.65%
TOTAL INTEREST INCOME	251,828,832	238,992,342	12,836,490	5.37%
INTEREST EXPENSE				
Savings Deposits	18,201,954	15,650,902	2,551,052	16.30%
Time Deposits	14,381,672	12,860,445	1,521,227	11.83%
Demand Deposits	225,449	205,564	19,885	9.67%
Bills Payable	116,996	122,055	(5,059)	0.00%
TOTAL INTEREST EXPENSE	32,926,071	28,838,966	4,087,105	14.17%
NET INTEREST INCOME	218,902,761	210,153,376	8,749,385	4.16%
PROVISION FOR CREDIT LOSSES	13,790,457	30,180,558	(16,390,101)	(54.31%)
NET INTEREST INCOME AFTER PROVISION	205,112,304	179,972,818	25,139,486	13.97%
OTHER INCOME	59,036,923	57,234,833	1,802,090	3.15%
TOTAL INCOME BEFORE OPERATING EXPENSES	264,149,227	237,207,651	26,941,576	11.36%
OTHER OPERATING EXPENSE				
Compensation & Fringe Benefits	94,129,447	83,068,671	11,060,776	13.32%
Depreciation & Amortization	14,892,226	16,839,838	(1,947,612)	(11.57%)
Other Operating Expenses	80,372,594	73,133,552	7,239,042	9.90%
Taxes & Licences	9,406,112	9,401,731	4,381	0.05%
Interest Expense from Finance Liability	891,372	1,689,107	(797,735)	(47.23%)
Bad Debts	-	59,673	(59,673)	-
NET INCOME BEFORE INCOME TAX	199,691,751	184,192,572	15,499,179	8.41%
INCOME TAX EXPENSE				
Current Income Tax	(3,980,818)	(3,776,739)	(204,079)	(5.40%)
Income Tax Benefit	3,589,522	7,888,615	(4,299,093)	(54.50%)
NET INCOME AFTER INCOME TAX	64,066,180	57,126,955	6,939,225	12.15%
EARNINGS PER SHARE	6.37	7.57	(1.20)	(15.85%)

Financial Statements audited by: Paguio, Dumayas and Associates, CPA's
Accreditations with BSP & SEC: 5614-BSP; BIR Accreditation No. 08-800011-000-2025; and BOA No. 5614.

CAPITAL STRUCTURE AND ADEQUACY

PART 1 CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO

ITEM	NATURE OF ITEM	AMOUNT
A.	Calculation of Qualifying Capital	
A.1	Net Tier 1 Capital	Php 730,371,498
A.2	Net Tier 2 Capital	48,404,175
A.3	Total Qualifying Capital [Sum of A.1 and A.2]	778,775,673
B.	Calculation of Risk-Weighted Assets	
B.1	Total Credit Risk-Weighted Assets	3,053,123,776
B.2	Total Operational Risk-Weighted Assets	355,695,040
B.4	Total Risk-Weighted Assets	3,408,818,816
C.	RISK-BASED CAPITAL ADEQUACY RATIO	22.85%

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

PART 2 QUALIFYING CAPITAL

ITEM	NATURE OF ITEM	AMOUNT
A	Tier 1 (Core plus Hybrid) Capital	
A.1	Core Tier 1 Capital	
[1]	Paid up common stock	Php 503,041,600
[2]	Additional paid-in capital	85,146,459
[3]	Retained earnings	82,772,218
[4]	Undivided profits	64,066,180
[5]	Sub-total	735,026,457
A.2	Deductions from Core Tier 1 Capital	
[1]	Total outstanding unsecured credit accommodations	450,000
[2]	Deferred tax asset, net of deferred tax liability	4,204,959
[3]	Total Deductions	4,654,959
A.3	Total Core Tier 1 Capital	730,371,498
B	Tier 2 (Supplementary) Capital	
B.1	Upper Tier 2 Capital	
[1]	Paid-up perpetual and cumulative preferred stock	7,470,300
[2]	Appraisal increment reserve-bank premises, as authorized by the Monetary Board	26,672,978
	General loan loss provision [limited to 1.00% of total credit risk-weighted assets]	14,260,897
[3]	Sub-Total	48,404,175
	Gross Qualifying Capital	778,775,673
C.	Total Tier 1 Capital	730,371,498
[1]	Total Tier 2 Capital	48,404,175
[2]	Total Qualifying Capital	Php 778,775,673



AUDITED FINANCIAL STATEMENT

December 31, 2025



From: eafs@bir.gov.ph [mailto:eafs@bir.gov.ph]
Sent: Friday, May 15, 2026 4:48 PM
To: GENERALBK@RANGAYBANK.COM
Cc: GENERALBK@RANGAYBANK.COM
Subject: Your BIR AFS eSubmission uploads were received

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

Valid files

- EAFS006109136TCRTY122025-01.pdf
- EAFS006109136ITRTY122025.pdf
- EAFS006109136OTHTY122025.pdf
- EAFS006109136AFSTY122025.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-Q2N1M4SW06GG89AAAPM1SMNWV03QQYYW14**
Submission Date/Time: **May 15, 2026 04:47 PM**
Company TIN: **006-109-136**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** (the Bank), which comprise the statement of financial position as at **December 31, 2025**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at **December 31, 2025**, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Other Matter

The financial statements of the Bank as at **December 31, 2024**, were audited by another auditor whose report dated April 11, 2025, expressed an unmodified opinion on those statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS Accounting Standards, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements, 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 have no realistic alternative 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level of assurance but is not a guarantee that an audit conducted in accordance with PSA 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 the users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and to 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the 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, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and BSP Circular No. 1074

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the BSP under Circular No. 1074 and by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 as disclosed in Notes 31 and 32, respectively, to the financial statements is presented for purposes of filing with the BSP and BIR, and is not a required part of the basic financial statements. Such information is the responsibility of the Management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)

Tax Identification Number 008-662-265-000

BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028

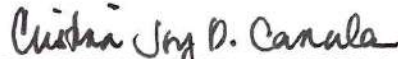
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614, March 1, 2026, valid until February 28, 2029

BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 124-AF, January 15, 2025 valid until January 14, 2030

For the Firm:



CRISTINA JOY D. CANCELA

Senior Partner

CPA Certificate No. 144101

Tax Identification Number 426-848-021-000

BIR Accreditation No. 08-800011-003-2025, February 3, 2025, valid until February 2, 2028

BOA Accreditation No. 5614/P-003, March 1, 2026 valid until February 28, 2029

BSP Accreditation No. 144101-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 1929, October 15, 2024 valid until October 14, 2029

IC Accreditation No. IC-EA-2025-0085-N (Group A), valid for 2025 to 2027 financial statements audit

PTR No. 5087829, issued on January 14, 2026, Muntinlupa City

April 30, 2026

Muntinlupa City, Metro Manila

NOT VALID WITHOUT SEAL

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Stockholders and the Board of Directors

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

Nisce-Querol Bldg., #67 Gov. Luna St.,
Brgy. IV, San Fernando City, La Union

We have audited the financial statements of **RANG-AY BANK (A RURAL BANK), INC.** for the year ended **December 31, 2025**, on which we have rendered the attached report dated April 30, 2026.

In compliance with Revenue Regulation V-20, we are stating that we are not related by consanguinity or affinity to the president, manager, or principal stockholders of the Bank.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Bank has a total number of thirty-seven (37) stockholders owning one hundred (100) or more shares each.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)

Tax Identification Number 008-662-265-000

BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028

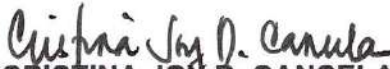
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614, March 1, 2026, valid until February 28, 2029

BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 124-AF, January 15, 2025, valid until January 14, 2030

For the Firm:


CRISTINA JOY D. CANCELA

Senior Partner

CPA Certificate No. 144101

Tax Identification Number 426-848-021-000

BIR Accreditation No. 08-800011-003-2025, February 3, 2025, valid until February 2, 2028

BOA Accreditation No. 5614/P-003, March 1, 2026 valid until February 28, 2029

BSP Accreditation No. 144101-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 1929, October 15, 2024 valid until October 14, 2029

IC Accreditation No. IC-EA-2025-0085-N (Group A), valid for 2025 to 2027 financial statements audit

PTR No. 5087829, issued on January 14, 2026, Muntinlupa City

April 30, 2026
Muntinlupa City, Metro Manila



CERTIFICATION

April 30, 2026

BETTY CHRISTINE C. BUNYI

Director

Financial Supervision Department II

Bangko Sentral ng Pilipinas

8TH Floor, Multi-Storey Building

A. Mabini St. Malate 1004, Manila

Dear Director Bunyi,

Relative to the audit of our client **Rang-Ay Bank (A Rural Bank), Inc.** for the year ended **December 31, 2025**, we confirm that there were no findings noted involving fraud, dishonesty, potential losses, significant doubt on the ability to continue as a going concern, breach of laws, material weakness or breach in the internal control and risk management systems, and matters of corporate governance that may require urgent action by the Bangko Sentral ng Pilipinas.

(Signature page follows)

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)

Tax Identification Number 008-662-265-000

BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028

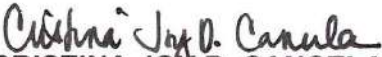
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614, March 1, 2026, valid until February 28, 2029

BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 124-AF, January 15, 2025, valid until January 14, 2030

For the Firm:


CRISTINA JOY D. CANCELA

Senior Partner

CPA Certificate No. 144101

Tax Identification Number 426-848-021-000

BIR Accreditation No. 08-800011-003-2025, February 3, 2025, valid until February 2, 2028

BOA Accreditation No. 5614/P-003, March 1, 2026 valid until February 28, 2029

CDA Accreditation No. 1929, October 15, 2024 valid until October 14, 2029

IC Accreditation No. IC-EA-2025-0085-N (Group A), valid for 2025 to 2027 financial statements audits

BSP Accreditation No. 144101-BSP (Group B), valid for 2021 to 2025 financial statements audit

PTR No. 5087829, issued on January 14, 2026, Muntinlupa City

April 30, 2026

Muntinlupa City, Metro Manila

SUBSCRIBED AND SWORN to before me this APR 30 2026, 2026 at MUNTINLUPA CITY. Affiant exhibited to me his/her PRC Identification Card No. _____ issued at _____ on _____

Doc. No. 25;
Page No. 06;
Book No. 278;
Series of 2026.

NOT VALID WITHOUT SEAL


ATTY. GRISTETO REY R. GONZALODO
NOTARY PUBLIC
FOR AND IN THE CITY OF MUNTINLUPA, PHILIPPINES
UNTIL DECEMBER 31, 2027

PTR NO.	- MCF5019875/MUNTINLUPA/05JAN26
MCLE COMPLIANCE NO.	- VIII-0025777/14APR2025-14APR2028
ROLL OF ATTORNEY NO.	- 44299
IBP LIFETIME MEMBER NO.	- 95114/OR. NO. 637852/01-27-2005
IBP CHAPTER	- PPLM
NOTARIAL COMMISSION NO.	- 26-005

405 DLA Bldg., National Road, Brgy. Putatan, Muntinlupa City
Email Address: atty.gonzalodo@gmail.com / Phone No. 0995-833-6828



CERTIFICATION

April 30, 2026

BETTY CHRISTINE C. BUNYI

Director

Financial Supervision Department II
Bangko Sentral ng Pilipinas
8TH Floor, Multi-Storey Building
A. Mabini St. Malate 1004, Manila

Dear Director Bunyi,

In compliance with the BSP Circular No. 1074, we certify the following in relation to the audit of our client, **RANG-AY BANK (A RURAL BANK), INC.** for the year ended December 31, 2025.

1. We have not discovered any material finding involving fraud or error;
2. There are no actual or potential losses the aggregate of which amounts to at least ten percent (10%) of the total assets;
3. There is no significant doubt as to the ability of the Bank to continue as a going concern;
4. We have not discovered any material breach of laws of BSP rules and regulations such as, but not limited to:
 - a. Capital adequacy ratios
 - b. Minimum liquidity ratios
 - c. Adequacy of allowance for credit losses
 - d. Fair value measurement methodology
 - e. Money laundering and combating the financing of terrorism
5. There are no material internal control weaknesses which may lead to financial reporting problems; and
6. There are no findings on matters of corporate governance that may require urgent action by the BSP.

It is, however, understood that the accountability of an external auditor is based on matters within the normal coverage of an audit conducted in accordance with generally accepted auditing standards.

(Signature page follows)

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)

Tax Identification Number 008-662-265-000

BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028

SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614, March 1, 2026, valid until February 28, 2029

BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 124-AF, January 15, 2025, valid until January 14, 2030

For the Firm:

Cristina Joy D. Cancela

CRISTINA JOY D. CANCELA

Senior Partner

CPA Certificate No. 144101

Tax Identification Number 426-848-021-000

BIR Accreditation No. 08-800011-003-2025, February 3, 2025, valid until February 2, 2028

BOA Accreditation No. 5614/P-003, March 1, 2026 valid until February 28, 2029

CDA Accreditation No. 1929, October 15, 2024 valid until October 14, 2029

IC Accreditation No. IC-EA-2025-0085-N (Group A), valid for 2025 to 2027 financial statements audits

BSP Accreditation No. 144101-BSP (Group B), valid for 2021 to 2025 financial statements audit

PTR No. 5087829, issued on January 14, 2026, Muntinlupa City

April 30, 2026

Muntinlupa City, Metro Manila

SUBSCRIBED AND SWORN to before me this ____ day of APR 30 2026, 2026 at _____, Muntinlupa City. Affiant exhibited to me his/her PRC Identification Card No. _____ issued at _____ on _____

Doc. No. 26

Page No. 07

Book No. 278

Series of 2026.

ATTY. CRISTETO REY R. GONZALODD
NOTARY PUBLIC
FOR AND IN THE CITY OF MUNTINLUPA, PHILIPPINES
UNTIL DECEMBER 31, 2027

PTR NO. - MCF5019875/MUNTINLUPA/05JAN26
MCLE COMPLIANCE NO. - VIII-0025777/14APR2025-14APR2028
ROLL OF ATTORNEY NO. - 44299
IBP LIFETIME MEMBER NO. - 65114/OR. NO. 637852/01-27-2005
IBP CHAPTER - PPLM
NOTARIAL COMMISSION NO. - 26-005
405 DLA Bldg., National Road, Brgy. Putatan, Muntinlupa City
Email Address: atty.gonzalodo@gmail.com / Phone No. 0995-833-5828

NOT VALID WITHOUT SEAL

CERTIFICATION

April 30, 2026

BETTY CHRISTINE C. BUNYI

Director

Financial Supervision Department II
Bangko Sentral ng Pilipinas
8TH Floor, Multi-Storey Building
A. Mabini St. Malate 1004, Manila

Dear Director Bunyi,

Pertinent to the Report of Examination (ROE) issued by the Bangko Sentral ng Pilipinas (BSP) and the disclosures requirements under Section 174 as amended by BSP Circular No. 1074 and other information that may be required, we certify that:

We were given a read-only access by **Rang-Ay Bank (A Rural Bank), Inc** to the ROE;

1. We shall treat the contents of the ROE appropriately and with utmost confidentiality; and
2. We have complied with the disclosure requirements under Section 174 *Audited Financial Statements* of the MORB and other information that may be required.

(Signature page follows)

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)

Tax Identification Number 008-662-265-000

BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028

SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025

BOA Accreditation No. 5614, March 1, 2026, valid until February 28, 2029

BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit

CDA Accreditation No. 124-AF, January 15, 2025, valid until January 14, 2030

For the Firm:

Cristina Joy D. Cancela
CRISTINA JOY D. CANCELA

Senior Partner

CPA Certificate No. 144101

Tax Identification Number 426-848-021-000

BIR Accreditation No. 08-800011-003-2025, February 3, 2025, valid until February 2, 2028

BOA Accreditation No. 5614/P-003, March 1, 2026 valid until February 28, 2029

CDA Accreditation No. 1929, October 15, 2024 valid until October 14, 2029

IC Accreditation No. IC-EA-2025-0085-N (Group A), valid for 2025 to 2027 financial statements audits

BSP Accreditation No. 144101-BSP (Group B), valid for 2021 to 2025 financial statements audit

PTR No. 5087829, issued on January 14, 2026, Muntinlupa City

April 30, 2026

Muntinlupa City, Metro Manila

SUBSCRIBED AND SWORN to before me this 30 day of APR 30 2026, 2026 at MUNTINLUPA CITY. Affiant exhibited to me his/her PRC Identification Card No. _____ issued at _____ on _____.

Doc. No. 27;

Page No. 27;

Book No. 278;

Series of 2026.

ATTY. CRISTETO REY R. GONZALODO
NOTARY PUBLIC
FOR AND IN THE CITY OF MUNTINLUPA, PHILIPPINES
UNTIL DECEMBER 31, 2027

PTR NO. - MCF5019875/MUNTINLUPA/05JAN26
MCLE COMPLIANCE NO. - VIII-0025777/14APR2025-14APR2026
ROLL OF ATTORNEY NO. - 44299
IBP LIFETIME MEMBER NO. - 05114/OR. NO. 637852/01-27-2005
IBP CHAPTER - PPLM
NOTARIAL COMMISSION NO. - 26-005
405 DLA Bldg., National Road, Brgy. Putatan, Muntinlupa City
Email Address: atty.gonzalodo@gmail.com / Phone No. 0995-833-5826

NOT VALID WITHOUT SEAL

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 year ended December 31, 2025, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

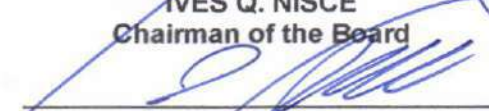
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

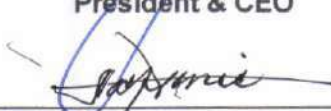
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.



IVES Q. NISCE
Chairman of the Board



IVES JESUS C. NISCE II
President & CEO

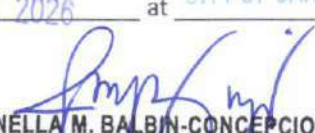


LETICIA O. ASENCI
Treasurer

Signed this APR 30 2026

SUBSCRIBED AND SWORN to before me this 15 MAY 2026 at CITY OF SAN FERNANDO, LA UNION

Doc. No.: 110
Page No.: 023
Book No.: 120
Series of 2026



RONELLA M. BALBIN-CONCEPCION
Notary Public until December 31, 2026
Notarial Commission ANC Case No. 184-2024
Roll of Attorney No. 46022; May 25, 2001
IBP Lifetime No. 04046; June 26, 2002
PTR No. LU 1044308; January 5, 2026
MCLE Exemption No. VIII-BEP003779; 08-22-24
P. Burgos St., Brgy. 1, San Fernando City, La Union

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 ANNUAL INCOME TAX RETURN"**

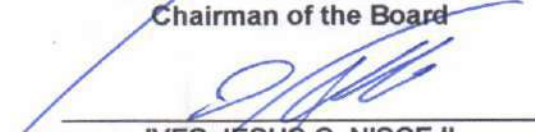
The Management of **RANG-AY BANK (A RURAL BANK), INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the calendar year ended December 31, 2025. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the calendar year ended December 31, 2025 and the accompanying Annual Income Tax Return are in accordance with the books and records of **RANG-AY BANK (A RURAL BANK), INC.** is complete and correct in all material respects. Management likewise affirms that:

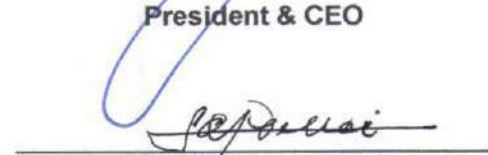
- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) **RANG-AY BANK (A RURAL BANK), INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



IVES Q. NISCE
Chairman of the Board



IVES JESUS C. NISCE II
President & CEO



LETICIA O. ASENCI
Treasurer

Signed this APR 30 2026

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2025 and 2024
(All Amounts in Philippine Peso)

<u>A S S E T S</u>	<u>Notes</u>	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Cash and other cash items	7	P 28,720,545	P 31,230,090
Due from other banks	7	1,069,002,024	1,099,579,387
Due from Bangko Sentral ng Pilipinas	7	41,405,710	35,292,078
Debt securities measured at amortized cost	8	1,070,504,122	909,217,725
Loan and receivables (net)	9	2,025,683,451	1,875,583,888
Bank premises, furniture and fixture and equipments (net)	10	102,366,798	99,183,011
Investment property (net)	11	88,320,454	94,104,830
Deferred tax assets	13	4,204,959	8,504,052
Other intangible assets		767,550	-
Other assets	12	28,589,029	28,305,052
		<u>4,459,564,642</u>	<u>4,181,000,113</u>
TOTAL ASSETS		<u><u>4,459,564,642</u></u>	<u><u>4,181,000,113</u></u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES			
Deposit liabilities	14	3,565,709,973	3,295,855,159
Accrued interest and other expense payable	16	15,740,452	17,861,292
Income tax payable	26	365,015	-
Treasurer's/cashier/manager's and gift checks		37,643	37,643
Other liabilities	17	88,541,824	121,283,925
		<u>3,670,394,907</u>	<u>3,435,038,019</u>
TOTAL LIABILITIES		<u><u>3,670,394,907</u></u>	<u><u>3,435,038,019</u></u>
TOTAL STOCKHOLDERS' EQUITY (Exhibit C)		<u><u>789,169,735</u></u>	<u><u>745,962,094</u></u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u><u>P 4,459,564,642</u></u>	<u><u>P 4,181,000,113</u></u>

(See accompanying notes to the financial statements)

EXHIBIT A

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2025 and 2024
(All Amounts in Philippine Peso)

	Notes	2 0 2 5	2 0 2 4
INTEREST INCOME	19		
Loans and receivables	19, 9	P 176,269,832	P 175,239,910
Due from deposit with other banks	19	29,982,254	29,650,006
Debt securities measured at amortized cost	19, 8	45,576,746	34,102,426
Total		251,828,832	238,992,342
INTEREST EXPENSE	14		
Savings deposit		(18,201,954)	(15,650,902)
Time deposit		(14,381,672)	(12,860,445)
Demand deposit		(225,449)	(205,564)
Bills payable	15	(116,996)	(122,055)
Total		(32,926,071)	(28,838,966)
NET INTEREST INCOME		218,902,761	210,153,376
PROVISION FOR CREDIT LOSSES	9	(13,790,457)	(30,180,558)
NET INCOME AFTER PROVISION		205,112,304	179,972,818
OTHER INCOME	20	59,036,923	57,234,833
INCOME BEFORE OPERATING EXPENSES		264,149,227	237,207,651
OPERATING EXPENSES			
Compensation and other benefits	21	(94,129,447)	(83,068,671)
Other operating expenses	23	(80,372,594)	(73,133,552)
Taxes and licenses	28	(9,406,112)	(9,401,731)
Depreciation and amortization	24	(14,892,226)	(16,839,838)
Interest expense from finance lease liability	9	(891,372)	(1,689,107)
Bad debts written off		-	(59,673)
Total		(199,691,751)	(184,192,572)
INCOME BEFORE TAX (To Exhibit D)		64,457,476	53,015,079
PROVISION FOR INCOME TAX			
Current income tax		(3,980,818)	(3,776,739)
Income tax benefit		3,589,522	7,888,615
Total		(391,296)	4,111,876
NET INCOME AFTER INCOME TAX (To Exhibit C)		64,066,180	57,126,955
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		64,066,180	57,126,955
EARNINGS PER SHARE		P 6.37	P 7.57

(See accompanying notes to the financial statements)

EXHIBIT B

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended December 31, 2025 and 2024
(All Amounts in Philippine Peso)

		<u>2 0 2 5</u>	<u>2 0 2 4</u>
SHARE CAPITAL			
Common shares			
Authorized shares - 19,200,000 shares at P50 par value			
Beginning	P	377,376,400	P 377,376,400
Subscription during the year		<u>125,665,200</u>	<u>-</u>
End - subscribed and paid-up - 10,060,832 and 7,547,528 shares, respectively at P50 par value	18	<u>503,041,600</u>	<u>377,376,400</u>
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>510,511,900</u>	<u>384,846,700</u>
ADDITIONAL PAID-IN CAPITAL		<u>85,146,459</u>	<u>85,146,459</u>
RETAINED EARNINGS			
Balance beginning		103,629,616	181,730,875
Income for the year (Exhibit B)		64,066,180	57,126,955
Dividends paid	18	(11,545,401)	(9,621,168)
Stock dividend distributable		-	(125,666,341)
Prior period adjustments	18	(9,311,997)	59,295
Total		<u>146,838,398</u>	<u>103,629,616</u>
SURPLUS RESERVE	18	<u>20,000,000</u>	<u>20,000,000</u>
STOCK DIVIDEND DISTRIBUTABLE		<u>-</u>	<u>125,666,341</u>
APPRAISAL INCREMENT		<u>26,672,978</u>	<u>26,672,978</u>
TOTAL STOCKHOLDERS' EQUITY (To Exhibit A)		<u><u>P 789,169,735</u></u>	<u><u>P 745,962,094</u></u>
BOOK VALUE PER COMMON SHARE	18	<u><u>P 77.70</u></u>	<u><u>P 97.85</u></u>

(See accompanying notes to the financial statements)

EXHIBIT C

RANG-AY BANK (A RURAL BANK), INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2025 and 2024
(All Amounts in Philippine Peso)

	Notes	2 0 2 5	2 0 2 4
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income taxes		P 64,457,476	P 53,015,079
Adjustments to reconcile net income to net cash			
Used in operating activities			
Prior period adjustment	19	(9,311,997)	59,295
Depreciation and amortization	24	9,651,337	11,802,238
Reclassification of leasehold improvements and building under construction	24	2,697,500	-
Gain from sales of non-financial assets	20	(21,238)	(193,400)
Interest income	19	(251,828,832)	(238,992,342)
Interest expense	14	32,926,071	28,838,966
Deferred tax asset	13	4,299,093	(6,258,533)
Dividends paid	18	(11,545,401)	(9,621,168)
Income tax benefit		3,589,522	7,888,615
Decrease (increase) in			
Debt securities measured at amortized cost, net	8	(161,286,397)	(165,783,889)
Loan and receivables, net	9	(150,099,563)	6,944,812
Other intangible assets		(767,550)	-
Other assets	12	(283,977)	(1,302,548)
Increase (decrease) in			
Deposit liabilities	14	269,854,814	254,218,414
Accrued interest and other expenses payable	16	(2,120,840)	5,914,659
Other liabilities	17	(32,742,101)	48,751,588
Income tax payable	26	365,015	-
Bills payable		-	(30,000,000)
Addition on subscribe and paid-up capital		125,665,200	-
Cash used in operations		(106,501,868)	(34,718,213)
Interest received	19	251,828,832	238,992,342
Interest paid	14	(32,926,071)	(28,838,966)
Income tax paid	26	(3,980,818)	(3,776,739)
Net cash generated from (used in) operating activities		108,420,075	(171,658,424)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash payments on premises, furniture & equipment	10	(15,563,377)	(10,906,925)
Cash receipts from disposals of premises, furniture & equipment		50,850	324,571
Cash receipts from investment properties		5,784,376	5,880,086
Net cash used in investing activities		(9,728,151)	(4,702,268)
CASH FLOW FROM FINANCING ACTIVITY			
Cash proceeds from issuance of additional shares		(125,665,200)	-
Proceeds from bills payable		-	30,000,000
Net cash generated from (provided by) financing activities		(125,665,200)	30,000,000
NET DECREASE IN CASH AND CASH EQUIVALENT		(26,973,276)	(166,956,156)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		1,166,101,555	999,145,399
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	7	P 1,139,128,279	P 1,166,101,555

(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, 2025 and 2024
(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 seven (7) on-site automated teller machine in partnership with Development Bank of the Philippines (DBP) wherein one is located each at Main Branch, Sta. Lucia Branch, Bangar Branch, Sta. Cruz Branch, Luna Branch, Balaoan Branch and Bacnotan Branch. The Bank currently operates thirty-two (32) branches and one (1) head office situated in the following locations:

Branch / Head Office	Address
<u>La Union</u>	
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 Verceles 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

	Old Public Market, Nat'l Highway, Brgy. Albano, Dingras, Ilocos Norte
Dingras	
Bangui	Tiendaan ti Bangui, San Lorenzo, Bangui, Ilocos Norte
Batac	Batac, 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
San Carlos	Palaris 2420 City of San Carlos, Pangasinan

Benguet

Baguio	G/F Maharlika Complex Magsaysay Ave., Baguio City
La Trinidad	Caplas Building, Sitio Balangabang, Pico, La Trinidad, Benguet

Abra

Bangued	Rang-ay Bank Bldg., Taft Ave. cor. Manzano St., Bangued, Abra
---------	---

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

The Bank reached its maximum of fifty (50) legal years of existence, and it was extended to 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 Bank. 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, 2025 (including the comparative for the year December 31, 2024) were approved and authorized for issue by the Board of Directors on April 30, 2026.

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 when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2 *Share-based Payment*, leasing transactions that are within the scope of PFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 *Inventories* or value in use in PAS 36 *Impairment of Assets*.

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 financial statements have been prepared on a going concern basis.

Management performed an assessment of the Bank's ability to continue as a going concern and prepared cash flow forecasts covering at least twelve (12) months from the reporting date. The forecasts reflect assumptions on expected loan collections, deposit behavior, and planned operational and financing activities.

During the year, the Bank experienced an increase in past due loans and a decline in liquidity ratios, as well as a buildup of real and other properties acquired (ROPA). Management has evaluated these conditions and implemented mitigating measures, including enhanced collection strategies, restructuring of non-performing accounts, and plans for disposal of acquired assets.

Based on the results of the assessment and the implementation of these measures, management believes that no material uncertainty exists that would cast significant doubt on 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 revised Philippine Financial Reporting Standards (PFRSs)

The Philippine Financial and Sustainability Reporting Standards Council (PFSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and Philippine Financial Reporting Interpretations Committee (PFRIC) which have been approved by the PFSRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Bank. When applicable, the adoption of the new standards was made in accordance with their transitional recognizes, otherwise the adoption is accounted for as change in accounting policy under PAS 8: “Accounting Policies, Changes in Accounting Estimates and Errors”.

New and amended PFRS Accounting Standards that are Effective for the Current Year

The following new standards impacting the Bank has been adopted in the annual financial statements for the year ended December 31, 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity’s ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity’s objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:

- a spot exchange rate for a purpose other than that for which an entity assesses exchangeability
- the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate, including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of PAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying PAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

In addition, the IASB made consequential amendments to PFRS 1 to align with and refer to the revised PAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

New and Revised PFRS Accounting Standards in Issue but not yet Effective

At the date of authorization of these financial statements, the Bank has not applied the following new and revised PFRS Accounting Standards that have been issued but are not yet effective.

- **Amendments to PFRS 9 and PFRS 7 - *Amendments to the Classification and Measurement of Financial Instruments***

The amendments in Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7) are:

Derecognition of a financial liability settled through electronic transfer

The amendments permit an entity to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be discharged (and derecognized) before the settlement date if specified criteria are met. If an entity elects to apply this accounting policy, it must do so for all settlements made through the same electronic payment system.

Classification of financial assets

- *Contractual terms that are consistent with a basic lending arrangement.*

The amendments provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. This is intended to assist an entity to apply the requirements for assessing contractual cash flow characteristics to financial assets with features linked to environmental, social and governance (ESG) concerns.

- *Assets with non-recourse features.*

The amendments enhance the description of the term 'non-recourse', in particular to specify that a financial asset has non-recourse features if an entity's ultimate right to receive cash flow is contractually limited to the cash flows generated by specified assets.

- *Contractually linked instruments.*

The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Specifically, the amendments highlight that in such instruments a prioritization of payments to the holders of financial assets using multiple contractually linked instruments (tranches) is established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of losses between the holders of different tranches. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

Disclosures

- *Investments in equity instruments designated at FVTOCI.*

The requirements in PFRS 7 are amended to require an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period.

- *Contractual terms that could change the timing or amount of contractual cash flows.*

The amendments require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortized cost or FVTOCI and each class of financial liability measured at amortized cost.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

If an entity elects to apply these amendments for an earlier period, it is required to either: apply all the amendments at the same time and disclose that fact or apply only the amendments to the classification of financial assets for that earlier period and disclose that fact.

The amendments are required to be applied retrospectively, in accordance with PAS 8, with specific exceptions.

• Annual Improvements to PFRS Accounting Standards – Volume 11

PFRS 1 First-time Adoption of International Financial Reporting Standards—Hedge accounting by a first-time adopter

For consistency with the requirements in PFRS 9, PFRS 1:B5-B6 were amended to refer to the ‘qualifying criteria’ for hedge accounting (instead of the ‘conditions’) and to add cross-references to PFRS 9:6.4.1 to improve the understandability of PFRS 1.

PFRS 7 Financial Instruments: Disclosures—Gain or loss on derecognition

The amendments remove an obsolete cross-reference in PFRS 7:B38 to a paragraph that had been deleted when PFRS 13 was issued and align the wording of this paragraph with the terms used in PFRS 13.

Guidance on implementing PFRS 7—Disclosure of deferred difference between fair value and transaction price

The amendments update PFRS 7:IG14 to make the wording of that paragraph consistent with PFRS 7:28 and improve the internal consistency of the wording in the example in PFRS 7:IG14.

Guidance on implementing PFRS 7—Introduction and credit risk disclosures

The amendments add a statement to PFRS 7:IG1 clarifying that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7. The amendments also simplify the explanation of the aspects of the requirements that are not illustrated in PFRS 7:IG20B.

PFRS 9 Financial Instruments—Derecognition of lease liabilities

The amendments add a cross-reference to PFRS 9:3.3.3 in PFRS 9.2.1(b)(ii) to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply PFRS 9:3.3.3 and therefore recognize any resulting gain or loss in profit or loss.

PFRS 9 Financial Instruments—Transaction price

The amendments replace ‘their transaction price (as defined in PFRS 15)’ in PFRS 9.5.1.3 with ‘the amount determined by applying PFRS 15’ to address inconsistency between PFRS 9.5.1.3 and the requirements of PFRS 15 which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognized as revenue. Additionally, the reference to ‘transaction price’ (as defined in PFRS 15) is deleted from Appendix A of PFRS 9.

PFRS 10 Consolidated Financial Statements—Determination of a ‘de facto agent’

The amendments address concerns that the requirements in PFRS 10:B73-B74 might, in some situations, be contradictory. PFRS 10:B73 refers to ‘de facto agents’ as parties acting on the investor’s behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of PFRS 10:B74 includes more conclusive language and states that a party is a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor’s behalf. The amendments update PFRS 10:B74 to use less conclusive language and to clarify that the relationship described in PFRS 10:B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.

PAS 7 Statement of Cash Flows—Cost method

The amendment replaces the term ‘cost method’ with ‘at cost’ in PAS 7:37 in line with the removal of the definition of ‘cost method’ from the PFRS Accounting Standards. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. An entity is required to apply the amendments to PFRS 9:2.1(b)(ii) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. No specific transition provisions are provided in respect of the other amendments.

• **Amendments to PFRS 9 and PFRS 7 - *Contracts Referencing Nature-dependent Electricity Amendments to PFRS 9 Financial Instruments***

The following requirements of PFRS 9 are affected by the amendments:

- the own-use requirements in PFRS 9 are amended to include the factors an entity is required to consider when applying PFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of the electricity is nature-dependent; and
- the hedge accounting requirements in PFRS 9 are amended to permit an entity using a contract for nature-dependent renewable electricity with specified characteristics as a hedging instrument:
 - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
 - to measure the hedged item using the same volume assumptions as those used for the hedging instrument.

• **Amendments to PFRS 7 Financial Instruments: *Disclosures* and PFRS 19 Subsidiaries without Public Accountability: *Disclosures***

PFRS 7 and PFRS 19 were amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

The amendments to the own use exemption are required to be applied retrospectively in accordance with IAS 8 using the facts and circumstances at the date of initial application. The amendments to the hedge accounting requirements are to be applied prospectively to new hedging relationships designated on or after the date of initial application.

• **PFRS 18 Presentation and Disclosures in Financial Statements**

PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some paragraphs from IAS 1 have been moved to PAS 8 and PFRS 7. Furthermore, the IASB has made minor amendments to PAS 7 and PAS 33 Earnings per Share.

PFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

• **PFRS 19 Subsidiaries without Public Accountability: *Disclosures***

PFRS 19 permits an eligible subsidiary (defined as a subsidiary that does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with PFRS Accounting Standards) to provide reduced disclosures when applying PFRS Accounting Standards in its financial statements.

The new standard is effective for reporting periods beginning on or after January 1, 2027 with earlier application permitted.

Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer 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. Methods 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 Sentral ng Pilipinas

This represents the balance of the deposit account in local currency maintained with the Bangko Sentral ng Pilipinas to meet reserve requirement subject to existing rules and regulations. 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 non-performing due to non-payment of any amortization due may only be upgraded restored to unclassified and/or performing status after a satisfactory track record of at least three (3) consecutive payments of the required amortization of principal and/or interest has been established.

Debt Securities Measured at Amortized Cost

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

Debt securities measured at amortized cost is measured upon recognition at its fair value plus, transaction costs that are directly attributable to the acquisition of the security. After initial measurement, debt securities measured at amortized cost is measured at amortized cost using 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 recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment at the reclassification date.

Financial Liabilities

Classification and Measurement

A financial liability is any liability that is:

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

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

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

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

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

Deposit Liabilities

The deposit liability account includes savings deposits and term deposits. Savings deposits are interest bearing or non-interest bearing and are 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 shareholders, 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, 2025 and 2024, 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 borrowers 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 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 financial assets but assumes a contractual obligation to pay those cash flows, the Bank treats the transaction as a transfer of financial assets 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 conditions. 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 original loans 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 that 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 expenditure has 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 conditions 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 Bank 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, and 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 Sheriff's Certificate of Sales in case extrajudicial foreclosure; and
- c. Upon notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

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

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

The Bank assesses impairment on assets whenever events change in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank

- 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 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 than 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 receivables pertain to uncollected portions of subscribed stocks. The Bank accounted for the subscription receivable as a contra equity account.

Retained Earnings

Retained earnings represent 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 principally 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 discounts are 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 sales 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 were 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 are determined by 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 by 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 costs plus amortization of past service costs, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the employees covered. 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 leave based on historical leave availment 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 my accounting income nor taxable income; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

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

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

Related Party Relationships and Transactions

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

Provisions

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

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

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

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

Contingencies

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

Events after Reporting Date

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

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 of 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 require 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 management's estimate of probable losses inherent in the portfolio, after considering the prevailing and anticipated economic conditions, prior loss experience, estimated recoverable value based on fair market values of underlying collaterals and prospect of support from guarantors, subsequent collections and evaluations made by the BSP. The BSP observes certain criteria and guidelines for 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 are 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 accommodation:

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 accommodation that exhibit the characteristics for classified accounts are being provided with allowance for credit losses as follows:

Classification	Minimum ACL	Stage
Especially 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 accommodation 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 include 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 loans which fall below the Bank's materiality threshold for individual assessment.

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

For unsecured loans and other credit accommodation:

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 are 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, 2025 and 2024:

2025	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	163,923,622	-	-	163,923,622
Agriculture, forestry and fishing	468,385,632	-	-	468,385,632
Financial institution	34,471,981	827,372,851	468,767,713	1,330,612,545
Government	-	283,034,883	601,736,409	884,771,292
Construction	238,040,216	-	-	238,040,216
Manufacturing	14,967,538	-	-	14,967,538
Accommodation and food service activities	207,214,011	-	-	207,214,011
Education	113,970,276	-	-	113,970,276
Transportation and storage	38,756,016	-	-	38,756,016
Real estate activities	476,917,338	-	-	476,917,338
*Activities of households as employers and in differentiated goods and services producing activities of households for own use	72,278,726	-	-	72,278,726
Electricity, gas, steam and air-conditioning supp.	39,980,588	-	-	39,980,588
Mining and quarrying	8,744,566	-	-	8,744,566
Water supply, sewerage, waste management and remediation activities	12,957,341	-	-	12,957,341
Human health and social work activities	6,522,392	-	-	6,522,392
Arts, Entertainment and Recreation	70,256,826	-	-	70,256,826
Other services activities	73,924,272	-	-	73,924,272
Loans to individual primarily for personal use purposes	28,499,508	-	-	28,499,508
Less: Allowance for credit losses	(49,831,402)	-	-	(49,831,402)
Total	2,019,979,447	1,110,407,734	1,070,504,122	4,200,891,303

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

**Amount includes of unamortized premium/discount

2024	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, steam 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

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, 2025 and 2024:

2025	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	41,405,710	-	-	-	41,405,710
Due from other banks	1,069,002,024	-	-	-	1,069,002,024
Debt securities measured at amortized cost	1,070,504,122	-	-	-	1,070,504,122
Receivable from customer:					
Microfinance loan	4,944,126	96,914	103,916	-	5,144,956
Other loan	1,879,583,863	115,441,258	69,021,415	619,356	2,064,665,892
Other receivables:					
Sales contract receivable	15,200,317	-	1	-	15,200,318
Accounts receivable	9,874,425	-	-	-	9,874,425
	<u>4,090,514,587</u>	<u>115,538,172</u>	<u>69,125,332</u>	<u>619,356</u>	<u>4,275,797,447</u>
2024	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	35,292,078	-	-	-	35,292,078
Due from other banks	1,099,579,387	-	-	-	1,099,579,387
Debt securities measured at amortized cost	909,217,725	-	-	-	909,217,725
Receivable from customer:					
Microfinance loan	2,932,024	-	412	-	2,932,436
Other loan	1,803,116,519	84,443,441	23,178,930	886,079	1,911,624,969
Other receivables:					
Sales contract receivable	19,679,333	234,515	-	-	19,913,848
Accounts receivable	7,626,854	-	-	-	7,626,854
	<u>3,877,443,920</u>	<u>84,677,956</u>	<u>23,179,342</u>	<u>886,079</u>	<u>3,986,187,297</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 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, 2025 and 2024.

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, 2025 and 2024.

2 0 2 5	Less than 30 days	31 to 60 days	61 to 90 days	Total
Receivable from customers:				
Microfinance loan	-	-	103,916	103,916
Other loans	-	-	69,640,771	69,640,771
	-	-	69,744,687	69,744,687
2 0 2 4	Less than 30 days	31 to 60 days	61 to 90 days	Total
Receivable from customers:				
Microfinance loan	-	-	412	412
Other loans	-	-	24,065,009	24,065,009
	-	-	24,065,421	24,065,421

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, 2025 and 2024, 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 59.21 per US \$1 for December 31, 2025.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flow 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, 2025 and 2024, the Bank's exposure to interest rate risk is minimal.

The Bank's receivables earn interest rates ranging from 6.05% to 12.00% in 2025 and 2024. The shortest term of loan is one month while the longest term is ten years.

For the year 2025 and 2024, 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 4.25% and 1.50% to 4.50%, for the year 2025 and 2024, respectively, while its gold saver 5 carries interest rate ranging from 4.25% to 4.50% and 4.25% 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 5	0 - 3 months	3 - 6 months	6 - 12 months	Beyond 1 year	Total
Financial liabilities:					
Deposit liabilities	2,985,234,304	261,808,268	86,811,353	231,856,048	3,565,709,973
Other liabilities:					
Accrued interest payable	7,320,259	1,781,307	757,949	442,683	10,302,198
Accounts payable	54,612,222	-	-	-	54,612,222
Lease liabilities	-	-	-	21,774,883	21,774,883
Total financial liabilities	3,047,166,785	263,589,575	87,569,302	254,073,614	3,652,399,276
Financial assets:					
Cash and other cash items	28,720,545	-	-	-	28,720,545
Due from BSP	41,405,710	-	-	-	41,405,710
Due from other banks	762,002,024	160,000,000	147,000,000	-	1,069,002,024
Debt securities at amortized cost	154,730,611	192,590,689	361,334,680	361,848,142	1,070,504,122
Loans and receivable	662,351,951	209,120,793	323,979,305	838,788,294	2,034,240,343
Sales contract receivable	-	-	-	5,704,004	5,704,004
Accounts receivable	9,874,425	-	-	-	9,874,425
Total financial assets	1,659,085,266	561,711,482	832,313,985	1,206,340,440	4,259,451,173
Liquidity position	1,388,081,519	(298,121,907)	(744,744,683)	(952,266,826)	(607,051,897)
2 0 2 4	0 - 3 months	3 - 6 months	6 - 12 months	Beyond 1 year	Total
Financial liabilities:					
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
Total financial liabilities	2,887,881,619	231,327,708	69,374,637	231,442,193	3,420,026,157
Financial assets:					
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
Total financial assets	1,732,199,827	614,987,549	643,308,117	984,298,727	3,974,794,220
Liquidity position	1,155,681,792	(383,659,841)	(573,933,480)	(752,856,534)	(554,768,063)

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.

As of December 31, 2025, the Bank is subject to the minimum MLR requirement of 20% and is in compliance with the prescribed regulatory requirement.

LIQUIDITY RATIO

Part I. Minimum liquidity ratio (MLR)	2 0 2 5	2 0 2 4
A. Stock of liquid assets	2,207,114,390	2,066,388,602
B. Qualifying liabilities	2,758,670,809	2,562,489,306
Liquidity ratio	80.01%	80.64%
A. Stock of Liquid Assets	2 0 2 5	2 0 2 4
Cash on hand	26,202,534	22,299,412
Bank reserves in the BSP	41,405,710	35,292,078
Debt securities representing claims on or guaranteed by the Philippine National Government and the BSP	1,070,504,122	909,217,725
Deposit in other banks	1,069,002,024	1,099,579,387
Total	2,207,114,390	2,066,388,602

B. Qualifying liabilities

	2 0 2 5		2 0 2 4	
	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%)	1,823,448,196	911,724,098	1,745,097,426	872,548,713
2. Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar	-	-	-	-
3. Obligations arising from operational expenses	5,438,254	-	5,212,617	-
4. Total on balance sheet liabilities	3,670,394,907	-	3,435,038,019	-
5. Deduct: (Sum of A1 to A2)	1,846,946,711	-	1,689,940,593	-
B. Other non-balance sheet liabilities (Item A.3 Less A.4)	-	1,846,946,711	-	1,689,940,593
C. Irrevocable obligations under off-balance sheet items	-	-	-	-
D. Total (Sum of adjusted amount of item A(1),A(2),B and C		<u>2,758,670,809</u>		<u>2,562,489,306</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, 2025 and 2024:

	2 0 2 5		2 0 2 4	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	1,139,128,279	1,139,128,279	1,166,101,555	1,166,101,555
Debt securities measured at amortiz	1,070,504,122	1,070,504,122	909,217,725	909,217,725
Loans and receivable, net	2,025,683,451	2,025,683,451	1,875,583,888	1,875,583,888
Accounts receivable, net	5,973,361	5,973,361	7,626,854	7,626,854
Total financial asset	<u>4,241,289,213</u>	<u>4,241,289,213</u>	<u>3,958,530,022</u>	<u>3,958,530,022</u>
Financial liabilities:				
Deposit liabilities	3,565,709,973	3,565,709,973	3,295,855,159	3,295,855,159
Accrued interest and other expense	15,740,452	15,740,452	17,861,292	17,861,292
Other liabilities	54,612,222	54,612,222	89,144,043	89,144,043
Total	<u>3,636,062,647</u>	<u>3,636,062,647</u>	<u>3,402,860,494</u>	<u>3,402,860,494</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 approximately 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, 2025 and 2024, 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 5	Carrying value	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	1,139,128,279	-	-	1,139,128,279
Debt securities measured at amortized cost, net	1,070,504,122	-	1,070,504,122	-
Loans and receivable, net	2,025,683,451	-	-	2,025,683,451
Accounts receivable, net	5,973,361	-	-	5,973,361
Total	4,241,289,213	-	1,070,504,122	3,170,785,091
2 0 2 4	Carrying value	Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	1,166,101,555	-	-	1,166,101,555
Debt securities measured at amortized cost, net	909,217,725	-	909,217,725	-
Loans and receivable, net	1,875,583,888	-	-	1,875,583,888
Accounts receivable, net	3,725,790	-	-	3,725,790
Total	3,954,628,958	-	909,217,725	3,045,411,233

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 position as follows:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
<i>Cash and other cash items</i>		
Cash on hand and in vault	26,202,534	22,299,412
Cash and other cash items	<u>2,518,011</u>	<u>8,930,678</u>
Subtotal	<u>28,720,545</u>	<u>31,230,090</u>
<i>Cash in bank</i>		
Due from BSP	41,405,710	35,292,078
Due from other banks	<u>1,069,002,024</u>	<u>1,099,579,387</u>
Subtotal	<u>1,110,407,734</u>	<u>1,134,871,465</u>
Total	<u>1,139,128,279</u>	<u>1,166,101,555</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 closure 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.

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.

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 is as follows:

Bank Name	2 0 2 5	%	2 0 2 4	%
Banco De Oro	190,541,360	17.82%	146,082,801	13.29%
Landbank of the Philippines	149,416,792	13.98%	66,306,335	6.03%
Bank of the Philippine Islands	120,000,000	11.23%	100,000,000	9.09%
Development Bank of the Philippines	92,212,380	8.63%	93,561,854	8.51%
MetroBank	86,793,587	8.12%	101,793,590	9.26%
Philippine National Bank	75,000,000	7.02%	75,000,000	6.82%
Rizal Commercial Banking Corporation	55,020,000	5.15%	75,020,000	6.82%
Eastwest Bank	50,000,000	4.68%	50,000,000	4.55%
China Banking Corporation	49,942,069	4.67%	100,714,807	9.16%
Asia United Bank	45,000,000	4.21%	50,000,000	4.55%
Bank of Commerce	35,000,000	3.27%	55,000,000	5.00%
PS Bank	25,000,000	2.34%	30,000,000	2.73%
PBCOM	25,000,000	2.34%	25,000,000	2.27%
Philtrust Bank	25,000,000	2.34%	25,000,000	2.27%
Philippine Veterans Bank	15,000,000	1.40%	10,000,000	0.91%
Philippine Business Bank - Head Office	15,000,000	1.40%	10,000,000	0.91%
Security Bank Corporation	5,000,000	0.47%	55,000,000	5.00%
Bank of Makati	2,500,000	0.23%	2,500,000	0.23%
Producers Savings Bank Corp.	2,000,000	0.19%	2,000,000	0.18%
Sterling Bank of Asia - Head Office TD	2,000,000	0.19%	-	0.00%
China Bank Savings	1,975,836	0.18%	25,000,000	2.27%
Malayan Bank	1,500,000	0.14%	1,500,000	0.14%
Union Bank of the Philippines	100,000	0.01%	100,000	0.01%
Total	<u>1,069,002,024</u>	<u>100.00%</u>	<u>1,099,579,387</u>	<u>100.00%</u>

Under Sec. 362G of the Manual of Regulations for Banks, loans, and other credit accommodation as well as deposits and usual guarantees by a bank to any other bank whether locally or abroad, which 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, 2025, the Bank's SBL was registered at P167,086,464, which the bank is fully compliant on it.

As of December 31, 2025 and 2024, due from other banks includes dollar-denominated deposits amounting to \$44,047 and \$19,571, respectively.

Cash in bank represents current account in local bank, savings account, and time deposits. Current account and savings account earn interest at 0.05% to 0.0625%. Also, time deposits earn interest at 3.25% to 6.25% in 2025 and 3.50% to 6.25% in 2024.

Interest income from bank accounts and short-term cash deposits amounting to P29,982,254 and P29,650,006 for the years ended December 31, 2025 and 2024, respectively (Note 19).

As of audit date the Bank holds no cash and cash equivalents in 2025 and 2024 which are not available for use by bank.

NOTE 8 - DEBT SECURITIES MEASURED AT AMORTIZED COST

The account consists of the following:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Treasury bonds	1,096,830,478	934,493,850
Less: Unamortized discount/premium	<u>26,326,356</u>	<u>25,276,125</u>
Total	<u><u>1,070,504,122</u></u>	<u><u>909,217,725</u></u>

**Includes Treasury bill*

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

2 0 2 5					
Issuer/Obligor	Interest rate	Date issued	Maturity date	Face value	Book Value
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 - 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 - 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	6.300%	13/07/2023	14/02/2026	10,000,000	10,000,000
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 - RTB 5-17	6.020%	10/09/2024	22/08/2028	5,000,000	5,000,000
Chinabank - ROP\$100K	4.261%	10/10/2024	17/07/2028	5,663,633	5,663,633
Chinabank - RTB 5-18	4.652%	11/11/2024	28/02/2029	10,000,000	10,000,000
Chinabank - TB	5.910%	10/01/2025	07/01/2026	5,000,000	5,000,000
Chinabank - TB	5.855%	14/01/2025	07/01/2026	5,000,000	5,000,000
Chinabank - TB	5.710%	14/02/2025	11/02/2026	10,000,000	10,000,000
Chinabank - TB	5.723%	18/02/2025	11/02/2026	10,000,000	10,000,000
Chinabank - TB	5.685%	24/03/2025	18/03/2026	5,000,000	5,000,000
Chinabank - TB	5.720%	28/03/2025	26/03/2026	10,000,000	10,000,000
Chinabank - TB	5.785%	04/04/2025	01/04/2026	5,000,000	5,000,000
Chinabank - TB	5.725%	16/04/2025	15/04/2026	5,000,000	5,000,000
Chinabank - TB	5.700%	21/04/2025	15/04/2026	10,000,000	10,000,000
Chinabank - TB	5.690%	24/04/2025	22/04/2026	5,000,000	5,000,000
Chinabank - TB	5.690%	28/04/2025	22/04/2026	10,000,000	10,000,000
Chinabank - FXTN 10-73	6.368%	29/04/2025	28/04/2035	20,000,000	20,000,000
Chinabank - ROP\$100K	4.999%	09/05/2025	17/07/2033	5,844,872	5,844,872
Chinabank - TB	5.615%	09/05/2025	21/01/2026	10,000,000	10,000,000

Chinabank - TB	5.703%	09/05/2025	06/05/2026	10,000,000	10,000,000
Chinabank - TB	5.690%	23/05/2025	13/05/2026	10,000,000	10,000,000
Chinabank - TB	5.695%	30/05/2025	27/05/2026	10,000,000	10,000,000
Chinabank - TB	5.655%	11/06/2025	10/06/2026	10,000,000	10,000,000
Chinabank - FXTN 7-70	6.000%	18/06/2025	17/07/2030	10,000,000	10,000,000
Chinabank - TB	5.655%	14/07/2025	08/07/2026	10,000,000	10,000,000
Chinabank - TB	5.650%	08/08/2025	22/07/2026	5,000,000	5,000,000
Chinabank - TB	5.605%	15/08/2025	05/08/2026	10,000,000	10,000,000
Chinabank - TB	5.425%	04/09/2025	26/08/2026	5,000,000	5,000,000
Chinabank - TB	5.300%	12/09/2025	09/09/2026	10,000,000	10,000,000
Chinabank - TB	5.245%	26/09/2025	23/09/2026	10,000,000	10,000,000
Chinabank - TB	5.285%	02/10/2025	30/09/2026	10,000,000	10,000,000
Chinabank - TB	5.250%	10/10/2025	07/10/2026	10,000,000	10,000,000
Chinabank - TB	5.150%	17/10/2025	14/10/2026	10,000,000	10,000,000
Chinabank - TB	5.145%	04/11/2025	26/10/2026	10,000,000	10,000,000
Chinabank - TB	5.145%	10/11/2025	04/11/2026	10,000,000	10,000,000
Chinabank - TB	5.060%	14/11/2025	04/11/2026	5,000,000	5,000,000
Chinabank - TB	5.065%	14/11/2025	11/11/2026	10,000,000	10,000,000
Chinabank - TB	5.010%	03/12/2025	02/12/2026	10,000,000	10,000,000
Chinabank - TB	5.010%	11/12/2025	25/11/2026	10,000,000	10,000,000
Chinabank - TB	5.020%	11/12/2025	02/12/2026	5,000,000	5,000,000
Chinabank - TB	5.035%	12/12/2025	02/12/2026	10,000,000	10,000,000
Chinabank - TB	5.035%	12/12/2025	09/12/2026	10,000,000	10,000,000
Chinabank - TB	5.050%	15/12/2025	02/12/2026	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 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 7-62	5.863%	21/07/2022	14/02/2026	5,000,000	5,000,000
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 - RTB 5-14	6.050%	27/03/2024	02/06/2027	10,000,000	10,000,000
LBP - RTB 5-16	6.025%	27/03/2024	07/03/2028	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	5.865%	17/01/2025	14/01/2026	10,000,000	10,000,000
LBP - TB	5.710%	14/02/2025	04/02/2026	10,000,000	10,000,000
LBP - TB	5.695%	24/03/2025	11/03/2026	10,000,000	10,000,000
LBP - TB	5.725%	28/03/2025	11/03/2026	10,000,000	10,000,000
LBP - TB	5.753%	04/04/2025	25/03/2026	5,000,000	5,000,000
LBP - TB	5.685%	24/04/2025	15/04/2026	10,000,000	10,000,000
LBP - FXTN 10-73	6.375%	24/04/2025	28/04/2035	10,000,000	10,000,000
LBP - TB	5.650%	09/05/2025	29/04/2026	10,000,000	10,000,000
LBP - TB	5.700%	09/05/2025	06/05/2026	10,000,000	10,000,000
LBP - TB	5.680%	23/05/2025	20/05/2026	10,000,000	10,000,000
LBP - TB	5.695%	30/05/2025	20/05/2026	10,000,000	10,000,000
LBP - TB	5.640%	09/06/2025	06/05/2026	10,000,000	10,000,000
LBP - TB	5.660%	09/06/2025	03/06/2026	10,000,000	10,000,000
LBP - TB	5.668%	18/06/2025	17/06/2026	10,000,000	10,000,000
LBP - FXTN 20-16	6.000%	18/06/2025	27/05/2030	10,000,000	10,000,000
LBP - FXTN 7-68	5.855%	07/07/2025	13/10/2029	10,000,000	10,000,000
LBP - TB	5.638%	07/07/2025	01/07/2026	10,000,000	10,000,000
LBP - TB	5.646%	11/07/2025	01/07/2026	10,000,000	10,000,000
LBP - TB	5.635%	14/07/2025	17/06/2026	10,000,000	10,000,000
LBP - TB	5.655%	16/07/2025	08/07/2026	5,000,000	5,000,000
LBP - FXTN 10-64	5.775%	17/07/2025	10/01/2029	10,000,000	10,000,000
LBP - TB	5.645%	18/07/2025	15/07/2026	10,000,000	10,000,000
LBP - TB	5.651%	18/07/2025	08/07/2026	5,000,000	5,000,000
LBP - TB	5.635%	08/08/2025	05/04/2026	5,219,000	5,219,000
LBP - TB	5.640%	08/08/2025	05/04/2026	10,000,000	10,000,000

LBP - RTB 5-19	6.000%	12/08/2025	20/08/2030	10,000,000	10,000,000
LBP - RTB 5-19	6.000%	20/08/2025	20/08/2030	5,000,000	5,000,000
LBP - RTB 5-19	6.000%	20/08/2025	20/08/2030	5,021,000	5,021,000
LBP - TB	5.570%	22/08/2025	19/08/2026	10,000,000	10,000,000
LBP - TB	5.300%	12/09/2025	29/07/2026	10,000,000	10,000,000
LBP - TB	5.200%	26/09/2025	16/09/2026	10,000,000	10,000,000
LBP - TB	5.235%	26/09/2025	23/09/2026	10,000,000	10,000,000
LBP - TB	5.202%	02/10/2025	15/07/2026	10,000,000	10,000,000
LBP - TB	5.285%	02/10/2025	30/09/2026	10,000,000	10,000,000
LBP - TB	5.100%	07/11/2025	14/10/2026	10,000,000	10,000,000
LBP - TB	5.100%	07/11/2025	21/10/2026	10,000,000	10,000,000
LBP - TB	5.145%	07/11/2025	04/11/2026	5,000,000	5,000,000
LBP - TB	5.060%	14/11/2025	04/11/2026	10,000,000	10,000,000
LBP - TB	5.000%	03/12/2025	02/12/2026	10,000,000	10,000,000
LBP - TB	5.000%	04/12/2025	02/12/2026	10,000,000	10,000,000
LBP - TB	4.980%	11/12/2025	26/08/2026	10,000,000	10,000,000
LBP - TB	5.010%	11/12/2025	21/10/2026	10,000,000	10,000,000
LBP - TB	5.020%	11/12/2025	11/11/2026	10,000,000	10,000,000
MTB - RTB 20-1	6.000%	01/03/2012	01/03/2032	15,000,000	15,000,000
DBP - RTB 5-18	6.250%	28/02/2024	28/02/2029	20,000,000	20,000,000
DBP - RTB 5-17	6.030%	30/01/2025	22/08/2028	10,000,000	10,000,000
DBP - RTB 5-18	6.085%	30/01/2025	28/02/2029	10,000,000	10,000,000
DBP - TB	5.710%	12/02/2025	04/02/2026	10,000,000	10,000,000
DBP - TB	5.775%	19/02/2025	18/02/2026	10,000,000	10,000,000
DBP - TB	5.755%	06/03/2025	04/03/2026	10,000,000	10,000,000
DBP - TB	5.718%	28/03/2025	06/03/2026	5,000,000	5,000,000
DBP - FXTN 10-73	6.355%	30/04/2025	28/04/2035	20,000,000	20,000,000
Total					<u>1,095,578,722</u>

2024

Issuer/Obligor	Interest rate	Date issued	Maturity date	Face value	Book Value
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

Debt securities measured at amortized cost earn interest income amounting to P45,576,746 and P34,102,426 for the years ended December 31, 2025 and 2024, respectively (Note 19).

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 5</u>	<u>%</u>	<u>2 0 2 4</u>
Current loans	1,908,849,104	91.15%	1,829,751,014
Past due loans-Performing	115,538,172	5.52%	84,443,441
Past due loans-Non-performing	69,125,331	3.30%	23,041,934
Items in litigation	<u>619,356</u>	<u>0.03%</u>	<u>975,993</u>
Total	2,094,131,963	100.00%	1,938,212,382
Less: Unamortized discounts	<u>(24,321,115)</u>		<u>(23,702,471)</u>
Total	<u>2,069,810,848</u>		<u>1,914,509,911</u>
Less: Allowance for credit losses			
Specific	(35,570,504)		(28,336,302)
General	<u>(14,260,897)</u>		<u>(16,264,198)</u>
Total Loans receivable, net	2,019,979,447		1,869,909,411
Sales contract receivables,net	<u>5,704,004</u>		<u>5,674,477</u>
Total Loans and other receivables, net	<u><u>2,025,683,451</u></u>		<u><u>1,875,583,888</u></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 from 6.50% to 12% and 6.50% to 12% in 2025 and 2024, respectively.

Total interest income earned amounting to P176,269,832 and P175,239,910 for the years ended December 31, 2025 and 2024, respectively. (Note 19)

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 loans and receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets.

As of December 31, 2025 and 2024, there are no receivables that were used as collateral.

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

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Balance at the beginning of the year	44,600,500	41,771,755
Provision for credit losses	13,790,457	30,180,558
Write-off	(7,189,611)	(24,372,852)
Other credits	<u>(1,369,945)</u>	<u>(2,978,961)</u>
Balance at the end of the year	<u><u>49,831,401</u></u>	<u><u>44,600,500</u></u>

The total allowance for credit losses of P49,831,402 which is 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 the total amount of loan receivable amounting P7,189,611. 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 5		2 0 2 4	
	Amount	Percentage	Amount	Percentage
Due within one year	1,170,159,371	56%	1,246,738,800	64%
Due beyond one year but within 5 years	907,069,255	43%	679,958,114	35%
Due beyond 5 years	16,903,337	1%	11,515,468	1%
Total	2,094,131,963	100%	1,938,212,382	100%

Sales Contract Receivable

This account consists of:

	2 0 2 5	2 0 2 4
Performing	15,200,317	19,679,333
Non-performing	1	234,515
Total	15,200,318	19,913,848
Less: Allowance for credit losses	7,623	7,623
Unearned income	9,488,691	14,231,749
Sales contract receivables, net	5,704,004	5,674,477

NOTE 10 - BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

This accounts consist of:

	Land	Building	Building Under Construction	Furniture & Fixtures	Info. Tech. Equipment	Appraisal Increment	Transportation Equipment	Leasehold Improvements	Right of Used Asset	Total
December 31, 2025										
Cost	31,286,230	36,460,134	1,641,000	54,765,585	9,347,917	26,672,978	35,249,924	31,069,527	53,700,666	280,193,961
Accumulated Dep and Amort	-	25,647,734	-	47,102,848	4,853,818	11,824,177	29,802,784	21,501,969	37,093,833	177,827,163
Net carrying amount	31,286,230	10,812,400	1,641,000	7,662,737	4,494,099	14,848,801	5,447,140	9,567,558	16,606,833	102,366,798
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	20,489,052	99,183,011

The reconciliation of the carrying amount of property and equipment at the beginning and end of 2025 and 2024 is presented.

2 0 2 5	Land	Building	Building Under Construction	Furniture & Fixtures	Info. Tech. Equipment	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	-	57,959,428	-	26,672,978	33,915,924	27,682,027	54,298,388	268,275,109
Additions	-	-	3,251,000	4,127,630	2,973,469	-	1,334,000	4,475,000	-	16,161,099
Adjustments	-	-	-	-	-	-	-	-	(597,722)	(597,722)
Disposal	-	-	-	(947,024)	(1)	-	-	-	-	(947,025)
Reclassification	-	-	(1,610,000)	(6,374,449)	6,374,449	-	-	(1,087,500)	-	(2,697,500)
Balance end of year	31,286,230	36,460,134	1,641,000	54,765,585	9,347,917	26,672,978	35,249,924	31,069,527	53,700,666	280,193,961
<u>Accumulated Depreciation and Amortization</u>										
Balance at beginning of year	-	24,505,479	-	46,359,218	3,962,749	11,824,177	28,136,826	20,494,312	33,809,336	169,092,097
Depreciation and amortization	-	1,142,255	-	1,659,900	891,069	-	1,665,958	1,007,657	4,113,937	10,480,776
Adjustments	-	-	-	-	-	-	-	-	(829,440)	(829,440)
Disposal	-	-	-	(916,270)	-	-	-	-	-	(916,270)
Balance end of year	-	25,647,734	-	47,102,848	4,853,818	11,824,177	29,802,784	21,501,969	37,093,833	177,827,163
Net Book Value	31,286,230	10,812,400	1,641,000	7,662,737	4,494,099	14,848,801	5,447,140	9,567,558	16,606,833	102,366,798
2 0 2 4	Land	Building	Building Under Construction	Furniture & Fixtures	Info. Tech. Equipment	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
Net Book Value	31,286,230	11,954,656	-	7,637,461	-	14,848,801	5,779,097	7,187,715	20,489,053	99,183,011

**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 P10,480,776 and P11,885,870 for the years ended December 31, 2025 and 2024, respectively, are shown as separate components of operating expenses in the statements of income. (Note 24)

During the year, the Bank purchased furniture and fixtures amounting to P4,127,630. Leasehold improvements were recognized at a total cost amounting to P4,475,000. In addition, motor vehicles amounting to P1,334,000 were 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 P21,238 and P196,400 for the years ended 2025 and 2024, respectively.

The value of the Bank premises, furniture, fixtures and equipment of P102,366,798, net of accumulated depreciation, as of December 31, 2025, is 12.97% 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, 2025 and 2024 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 5</u>	<u>2 0 2 4</u>
Land	73,494,824	73,352,962
Building	36,904,595	39,011,216
Other Properties	-	-
Less: Accumulated depreciation	<u>(21,118,041)</u>	<u>(17,298,424)</u>
Net amount	89,281,378	95,065,754
Less: Allowance for credit losses	<u>(960,924)</u>	<u>(960,924)</u>
Net carrying amount	<u><u>88,320,454</u></u>	<u><u>94,104,830</u></u>

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

2 0 2 5	<u>Land</u>	<u>Building</u>	<u>Other properties</u>	<u>Total</u>
<u>Cost</u>				
Beg. Balance January 1	73,352,962	39,011,216	-	112,364,178
Additions	2,410,092	3,305,958	-	5,716,050
Disposal	(2,268,230)	(354,272)	-	(2,622,502)
Impairment	<u>-</u>	<u>(5,058,307)</u>	<u>-</u>	<u>(5,058,307)</u>
Balance December 31	<u>73,494,824</u>	<u>36,904,595</u>	<u>-</u>	<u>110,399,419</u>
<u>Accumulated Depreciation</u>				
Beg. Balance January 1	-	17,298,424	-	17,298,424
Depreciation expense	-	4,140,409	-	4,140,409
Disposal	<u>-</u>	<u>(320,792)</u>	<u>-</u>	<u>(320,792)</u>
Balance December 31	<u>-</u>	<u>21,118,041</u>	<u>-</u>	<u>21,118,041</u>
Carrying amount	73,494,824	15,786,554	-	89,281,378
Allowance for credit losses	<u>(960,924)</u>	<u>-</u>	<u>-</u>	<u>(960,924)</u>
Net carrying amount	<u><u>72,533,900</u></u>	<u><u>15,786,554</u></u>	<u><u>-</u></u>	<u><u>88,320,454</u></u>

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	21,712,792	-	95,065,754
Allowance for credit losses	(960,924)	-	-	(960,924)
Net carrying amount	74,313,886	21,712,792	-	94,104,830

A reconciliation of the carrying amounts of the Bank's investment property at the beginning and end of 2025 and 2024 is shown below:

	2 0 2 5	2 0 2 4
Balance beginning	94,104,830	99,984,916
Additions	5,716,050	10,760,524
Disposals	(2,301,710)	(5,230,253)
Reclassification	-	(261,215)
Impairment	(5,058,307)	(6,334,125)
Depreciation	(4,140,409)	(4,815,017)
Total	88,320,454	94,104,830

There is no movement of allowance for credit losses for the years ended December 31, 2025 and 2024.

As of December 31, 2025 and 2024, 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 P2,301,710 which resulted in a gain on sale of P4,223,110 the year ended December 31, 2025. During 2024, the Bank sold an investment property (ROPA) with cost of P5,230,253 which resulted in gain on sale of P4,833,940.

The Bank conducts periodic valuation of its investment properties to ensure that their carrying amounts reflect current market conditions. These valuations are performed through a combination of in-house assessments and independent appraisals.

The Bank maintains a structured and comprehensive plan for the disposition of its investment properties, particularly those held for more than five (5) years. This plan includes active marketing strategies, periodic review of selling prices based on updated appraisals, and engagement with qualified brokers and potential buyers to facilitate timely disposal

NOTE 12 - OTHER ASSETS

The account consists of the following:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Account receivables	9,874,425	7,626,854
Stationery and supplies on hand	1,171,044	2,777,396
Petty cash fund	102,000	97,000
Accrued Interest - HTMI - Treasury Bill	9,167	-
Shortages	2,000	-
Creditable income tax	-	287,003
Documentary stamps	-	3,834
Miscellaneous assets	<u>21,331,457</u>	<u>21,414,031</u>
 Total	 32,490,093	 32,206,117
Less: Allowance for Probable Losses	<u>3,901,064</u>	<u>3,901,064</u>
 Net other assets	 <u><u>28,589,029</u></u>	 <u><u>28,305,053</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 advanced 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 receivable from customers follow:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Balance beginning	3,901,064	3,601,064
Provision	<u>-</u>	<u>300,000</u>
 Balance end	 <u><u>3,901,064</u></u>	 <u><u>3,901,064</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 5	2 0 2 4
Beginning balance	20,815,873	10,062,763
Additions/(deductions) from temporary differences		
Right-of-used assets	2,137,905	3,207,971
Provision for credit losses	3,447,614	7,545,139
Additions on lease liability	-	-
Movement on lease liability	-	-
Total	<u>22,953,778</u>	<u>20,815,873</u>
Deferred tax liabilities:		
Beginning balance	12,311,821	7,817,243
Additions/(deductions) from temporary differences		
Lease liability	6,436,998	4,494,578
Additions on right of use asset	-	-
Depreciation of ROUA	-	-
Total	<u>18,748,819</u>	<u>12,311,821</u>
Net deferred tax assets	<u>4,204,959</u>	<u>8,504,052</u>

NOTE 14 - DEPOSIT LIABILITIES

The account consists of the following:

	2 0 2 5	%	2 0 2 4	%
Savings deposit	2,925,538,437	82.05%	2,755,847,643	83.62%
Demand deposit	196,962,309	5.52%	138,168,109	4.19%
Time deposit	443,209,227	12.43%	401,839,407	12.19%
Total deposit liabilities	<u>3,565,709,973</u>	<u>100.00%</u>	<u>3,295,855,159</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 P269,854,814 or 8.19% over the figures of 2024.

For the year 2025 and 2024, 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 rates ranging from 1.50% to 4.25% and 1% to 4.50%, for the years 2025 and 2024 respectively, while its gold saver 5 carries interest rate ranging from 4.25% to 4.50% and 4.25% to 4.50%, respectively

Interest expense on deposit liabilities charged to profit or loss in 2025 and 2024 amounting to P32,926,071 and P28,838,966, respectively.

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

As of December 31, 2025, 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 P116,995 and P122,055 for the years ended December 31, 2025 and 2024, respectively.

NOTE 16 - ACCRUED INTEREST AND OTHER EXPENSES PAYABLE

The account consists of the following:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Accrued interest payable	10,302,198	9,451,109
Accrued other expenses payable	<u>5,438,254</u>	<u>8,410,183</u>
Total	<u><u>15,740,452</u></u>	<u><u>17,861,292</u></u>

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31, 2025, 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 5</u>	<u>2 0 2 4</u>
Accounts payable	54,612,222	89,144,043
Lease liability (Note 24)	21,774,883	25,575,846
SSS, Medicare, and Pag-ibig Contribution Payable	1,634,428	1,482,271
Withholding tax payable	626,820	534,342
Overages	117,362	98,845
Due to treasurer of the Philippines	11,757	11,757
Loans payable - Others	1,510,666	2,753,123
GRT payable	8,214,771	1,644,783
Special liability account	<u>38,915</u>	<u>38,915</u>
Total	<u><u>88,541,824</u></u>	<u><u>121,283,925</u></u>

The above liabilities are either settled by cash or check payments. As of December 31, 2025 and 2024, no amount of assets was used as collateral, security or guarantee for the above liabilities.

Accounts payable represent 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 2026.

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.

The authorized ordinary share capital consists of 19,200,000 shares with a par value of P50 per share. As of January 1, 2025, subscribed and paid-up shares amounted to P377,376,400. During the year, the Bank recognized additional subscriptions amounting to P125,665,200. As of December 31, 2025, total subscribed and paid-up shares reached P503,041,600, equivalent to 10,060,832 shares.

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 Bank, 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, 2025, 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, 2025.

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

	2025		2024	
	Shares	Amount	Shares	Amount
Common stock - P50 par value 19,200,000				
Authorized shares:				
Common stock at the beginning of the year	7,547,528	377,376,400	7,547,528	377,376,400
Subscription during the year	2,513,304	125,665,200	-	-
Common stock at the ending of the year	10,060,832	503,041,600	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	10,210,238	510,511,900	7,696,934	384,846,700

18.3. Surplus Free

The Bank distributed cash dividends totaling P11,545,401 to individuals and corporations. These declarations were made under the Bank's Board Resolution No. 2025-43 and Stockholder Resolution No. 2025-43.

The declaration of cash dividend is summarized below:

Type of Dividends	Date of Declaration	Date of Record	Date of Distribution	Amount
Cash	04/11/25	12/31/24	05/06/25	11,545,401
Total				11,545,401

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:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Balance - beginning	103,629,616	181,730,875
Dividends paid	(11,545,401)	(9,621,168)
Stock dividend distributable	-	(125,666,341)
Prior period adjustments	<u>(9,311,997)</u>	<u>59,295</u>
Restated beginning balance	82,772,218	46,502,661
Income for the year (Exhibit B)	<u>64,066,180</u>	<u>57,126,955</u>
Retained earnings -free	146,838,398	103,629,616
Retained earnings - reserved	<u>-</u>	<u>-</u>
Total retained earnings - ending	<u><u>146,838,398</u></u>	<u><u>103,629,616</u></u>

18.4 Surplus Reserve

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Balance, beginning	20,000,000	20,000,000
Additions (usage)	-	-
Adjustment	<u>-</u>	<u>-</u>
Balance, ending	<u><u>20,000,000</u></u>	<u><u>20,000,000</u></u>
Reserves for contingencies	10,000,000	10,000,000
Other surplus reserves	<u>10,000,000</u>	<u>10,000,000</u>
Total surplus reserves	<u><u>20,000,000</u></u>	<u><u>20,000,000</u></u>

18.5. Prior period adjustments

The following are the components of the provision and adjustments for the years ended December 31, 2025 and 2024:

	2025	2024
To record creditable income tax for 4th quarter	612,559	-
Auditor's adjustment on acc dep of building - not taken up	235,846	-
To correct entry dated 01-16-2025 erroneously taken up as Int. Income instead of Retained Earnings Free	27,422	-
To recognize depreciation of LRI	(56,478)	-
To book the depreciation starting from August 2024 - February 2025 New Location of Narvacan (Leasehold Rights and Improvements)	(65,625)	-
Auditor's adjustment on acc dep of furniture and fixtures- not taken up	(187,732)	-
To fully depreciate the remaining balance of the old location of Narvacan - Leasehold Rights and Improvements	(95,859)	-
unaccounted prior period expense	(117,309)	-
Adjustments for lease liability 2023	(168,621)	(2,026,817)
To recognize 4th quarter creditable income tax for the year 2023	(325,557)	94,812
To recognize depreciation of ROUA	(327,435)	-
Unaccounted prior period expense 2023	(1,333,839)	473,245
Adjustments for lease liability 2024	(2,026,817)	-
To record adjustments of lease liability for the year 2023, 2024 and 2025	(2,284,985)	-
To take up accrual of percentage tax for the 4th quarter 2024	(3,197,567)	-
Adjustments for lease liability 2023	-	2,789,492
Partial payment of breach of contract of employee 2023	-	7,500
To take up tax deficiency for year 2023	-	(1,278,937)
Total	(9,311,997)	59,295

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.

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank maintains sufficient capital necessary to support its primary purpose and/or undertaking which it has initiated and promoted.

The Bank management involves maintain funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations of unanticipated events created by consumer behavior or capital market conditions.

The Bank managed its capital structure and makes adjustment to it light changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

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, 2025 and 2024, 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, 2025, is presented as follows:

CAPITAL ADEQUACY RATIO

Capital adequacy ratio	<u>Amount</u>	
Qualifying capital	778,775,673	
Risk-weighted assets		
credit risk-weighted assets	3,053,123,776	
operational risk-weighted assets	<u>355,695,040</u>	<u>3,408,818,816</u>
Capital adequacy ratio		<u><u>22.85%</u></u>

QUALIFYING CAPITAL

Tier 1 Capital	<u>Amount</u>
CET 1	
Paid up common stocks	503,041,600
Additional paid-in capital	85,146,459
Retained earnings	<u>146,838,398</u>
Total	735,026,457
Deduction from CET 1	
Outstanding Unsecured credit	(450,000)
Deferred tax asset	<u>(4,204,959)</u>
Total	730,371,498
Additional tier 1 capital	<u>-</u>
Total Tier 1 capital	<u><u>730,371,498</u></u>
Tier 2 Capital	<u>Amount</u>
Upper Tier 2	
Preferred shares	7,470,300
General loan loss provision	14,260,897
Appraisal Increment Reserve	<u>26,672,978</u>
Total	48,404,175
Deduction from tier 2 capital	<u>-</u>
Total	48,404,175
Tower Tier 2	<u>-</u>
Total Tier 2 capital	<u><u>48,404,175</u></u>
Total Qualifying capital	<u>Amount</u>
Tier 1 capital	730,371,498
Tier 2 capital	<u>48,404,175</u>
Total	<u><u>778,775,673</u></u>

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>21.43%</u>	
Tier ratio	<u>21.43%</u>	
Operational risk-weighted assets		<u>Amount</u>
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	55,089,142	228,916,584
Gross income 2024		
Interest Income	238,992,342	
Interest Expense	(28,838,966)	
Fees and Commissions Income		
Other Income	<u>57,234,833</u>	<u>267,388,209</u>
Total		711,390,075
Divided by		<u>3</u>
Average gross income		237,130,025
Multiplied by capital charge percentage		<u>12%</u>
Operational risk capital charge		28,455,603
Multiplied by		<u>125%</u>
Adjusted capital charge		35,569,504
Multiplied by		<u>10</u>
Total operational risk-weighted assets		<u>355,695,040</u>

Credit risk-weighted assets	Book value	Risk rate	Risk-weighted amount
Cash on hand	26,202,534	0%	-
Due from BSP	41,405,710	0%	-
Investment in bonds, at amortized cost	1,070,504,122	0%	-
Checks and other cash items	2,518,011	20%	503,602
Loans to individual for housing purposes, fully secured by first mortgage on residential property	115,823,503	50%	57,911,752
Qualified micro,small and medium enterprise loan	1,106,146,921	75%	829,610,191
All non-performing loan (except NPL- to ind. For housing)	27,836,450	150%	41,754,675
ROPA net of allowance	88,320,454	150%	132,480,681
Other assets*	1,990,862,875	100%	1,990,862,875
Total			<u>3,053,123,776</u>

Other Assets	Amount
Total asset per balance sheet	4,459,564,642
General loan loss provision per balance sheet	<u>14,260,897</u>
Total	4,473,825,539
Total exposure excluding other asset	<u>(2,478,757,705)</u>
Subtotal	1,995,067,834
Deductions from other assets	
Deferred tax asset	<u>(4,204,959)</u>
Net other assets	<u>1,990,862,875</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, 2025 and 2024, the Bank was compliant with the CAR requirement.

Financial Performance

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

	2025	2024
Return on average equity	8.35%	7.91%
Return on average assets	1.48%	1.42%
Net interest margin	5.44%	5.65%
Debt to equity ratio	4.65:1	4.60:1
Earnings per share	6.37	7.57
Book value per common share	77.70	97.85

A. Return on average equity

	2 0 2 5	2 0 2 4
Net income	64,066,180	57,126,955
Shareholder's equity		
2025	789,169,735	
2024	745,962,094	745,962,094
2023		698,397,012
Total	1,535,131,829	1,444,359,106
Average equity	767,565,915	722,179,553
Return on average equity	8.35%	7.91%

B. Return on average assets

	2 0 2 5	2 0 2 4
Net income	64,066,180	57,126,954
Assets		
2025	4,459,564,642	
2024	4,181,000,113	4,181,000,113
2023		3,854,550,370
Total	8,640,564,755	8,035,550,483
Average assets	4,320,282,377	4,017,775,241
Return on average assets	1.48%	1.42%

C. Net interest margin

	2 0 2 5	2 0 2 4
Net interest income	218,902,761	210,153,376
Interest earning assets		
2025	4,165,189,597	
2024	3,884,381,000	3,884,381,000
2023		3,553,136,845
Total	8,049,570,597	7,437,517,845
Average interest earning	4,024,785,299	3,718,758,922
Net interest margin	5.44%	5.65%

D. Debt to Equity Ratio

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Total liabilities	3,670,394,907	3,435,038,019
Total equity	<u>789,169,735</u>	<u>745,962,094</u>
Debt to Equity Ratio	<u>4.65</u>	<u>4.60</u>

E. Earnings per share

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Net income	64,066,180	57,126,954
Number of shares ordinary	<u>10,060,832</u>	<u>7,547,528</u>
Earnings per share ordinary	<u>6.37</u>	<u>7.57</u>

F. Book value per share

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Total equity	789,169,735	745,962,094
Available to common shares	781,699,435	738,491,794
Number of common shares	<u>10,060,832</u>	<u>7,547,528</u>
Book value per common share	<u>77.70</u>	<u>97.85</u>
Available to preferred shares	286,128,134	368,585,694
Number of preferred shares	<u>149,406</u>	<u>149,406</u>
Book value per preferred share	<u>1,915.10</u>	<u>2,467.01</u>

NOTE 19 - INTEREST INCOME

The account consists of the following:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Income from loans and other receivables	176,269,832	175,239,910
Income from Due from Other Banks	29,982,254	29,650,006
Income from DSMAC	<u>45,576,746</u>	<u>34,102,426</u>
Total	<u>251,828,832</u>	<u>238,992,342</u>

NOTE 20 - OTHER INCOME

The account consists of the following:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Fees and commission	42,966,569	39,438,828
Recovery on Charged-off Assets	8,952,675	9,106,192
Gain (Loss) on sale/derecognition of non-financial asset (Note 10,11)	4,244,348	5,027,340
Others - Other income	2,450,175	3,414,452
Fx Profit (loss)	<u>423,156</u>	<u>248,022</u>
Total	<u><u>59,036,923</u></u>	<u><u>57,234,833</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 5</u>	<u>2 0 2 4</u>
Salaries and wages	64,757,974	57,284,086
Fringe benefits - officers and employees	16,887,358	14,475,094
Directors fee	1,262,000	1,278,500
Contribution to retirement fund	3,240,000	3,240,000
Premium and PAGIBIG Contribution	<u>7,982,115</u>	<u>6,790,991</u>
Total	<u><u>94,129,447</u></u>	<u><u>83,068,671</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 P38,230,853 for the year ended December 31, 2025. 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 was recognized as contribution to retirement funds for the years ended December 31, 2025 and 2024, 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 5</u>	<u>2 0 2 4</u>
Advertising and publicity	7,342,646	7,407,666
Security services	7,131,168	6,708,160
Insurance – PDIC	6,672,304	6,150,894
Information technology expense	6,245,516	4,474,407
Repair and maintenance	5,885,555	6,471,905
Power	5,647,260	5,506,092
Rent	5,133,913	5,110,415
Impairment loss	5,058,307	6,334,125
Traveling expense	4,795,340	4,495,681
Stationery and supplies used	4,703,174	2,226,783
Postage	4,136,882	4,327,932
Fuel and lubricants	2,926,977	2,457,903
Representation and entertainment	2,515,596	2,566,519
Litigation/asset acquired expense	2,273,188	2,703,333
Management and other professional fees	2,191,919	1,778,736
70th anniversary expenses	1,263,172	-
Insurance - others	1,237,110	1,647,700
Documentary stamps used	783,204	14,821
Membership fees and dues	529,219	318,370
Supervision fees	423,692	424,679
Fines	85,250	1,025
Donations and other charitable contributions	82,807	21,017
Other expenses	<u>3,308,395</u>	<u>1,985,389</u>
Total	<u><u>80,372,594</u></u>	<u><u>73,133,552</u></u>

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

NOTE 24 - DEPRECIATION AND AMORTIZATION

The account consists of the following:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Depreciation - Bank Premises - Buildings	1,142,255	1,142,255
Depreciation - Furniture Fixtures & Equipment	1,659,900	1,135,991
Depreciation - Information Technology	891,069	565,266
Depreciation - Transportation Equipment	1,665,958	1,786,059
Depreciation - ROPA - Building	4,140,409	4,668,949
Depreciation - Other Assets Acquired	-	146,068
Depreciation - Leasehold Rights & Improvements	1,007,657	997,960
Depreciation - Right of Used Asset	4,113,937	6,258,339
Amortization - Market Rights	138,951	138,952
Amortization of other intangible asset	<u>132,090</u>	<u>-</u>
Total	<u><u>14,892,226</u></u>	<u><u>16,839,838</u></u>

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

As of December 31, 2025, the Banks has short-term lease and lease on its branch offices rental of printer, amounting to P939,200.

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, 2025.
- 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 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, 2025, 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	Bacnotan 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 porion	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	Ground Floor Caplas Building	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 divide 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 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 damage 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 signboard of any size in whatever

NOTE 26 - INCOME TAXATION

REGULAR CORPORATE INCOME TAX (RCIT)	2 0 2 5	2 0 2 4
Income before tax (Exhibit B)	64,457,476	53,015,079
Less: Non-taxable income and income subjected to final tax		
Interest income on bank deposit	(75,559,000)	(63,752,432)
Interest income from housing loan under HGC	(92,858)	(84,431)
Payment of lease liability	(3,546,309)	(4,884,436)
Accounts written off	(7,189,611)	(24,372,852)
Add: Non-deductible expense		
Provision for losses (loans and receivables)	13,790,457	30,180,558
Interest expense from finance lease liability	891,372	1,689,107
Impairment loss - land	-	1,097,873
Fines and penalties	85,250	1,025
Depreciation of right of use asset	4,113,938	6,258,339
Interest expense reduced by 20%	18,889,750	15,938,108
Income reported in retained earnings	-	-
Gain on sale reported in retained earnings	-	-
Donations and other charitable contributions	82,807	21,017
Net operating Income	15,923,272	15,106,955
	2 0 2 5	2 0 2 4
Subject to 25% Corporate income tax	15,923,272	15,106,955
Rate	25%	25%
Provision for income tax	3,980,818	3,776,739

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 corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000 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 5</u>	<u>2 0 2 4</u>
Revenue	251,828,832	238,992,342
Other Income	59,036,923	57,234,833
Gain on sale reported in retained earnings	-	-
Less: Interest Income subjected to final tax	(75,651,858)	(63,836,862)
Cost of services	<u>(155,029,414)</u>	<u>(139,231,988)</u>
Gross income subjected to MCIT	<u>80,184,483</u>	<u>93,158,325</u>
	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Minimum corporate income tax	80,184,483	93,158,325
Rate	<u>2%</u>	<u>2%</u>
Minimum corporate income tax (a)	<u>1,603,690</u>	<u>1,863,167</u>
<u>INCOME TAX PAYABLE (CREDITABLE INCOME TAX)</u>	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Income tax due (higher between RCIT and MCIT)	3,980,818	3,776,739
Less: Prior year excess tax credit	287,002	43,814
Creditable tax withheld (3) Quarters	410,915	557,301
Creditable tax withheld - 4th quarter	65,969	612,559
Quarterly payments	<u>2,851,917</u>	<u>2,850,067</u>
Income tax payable (creditable income tax)	<u>365,015</u>	<u>(287,002)</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 members of key management personnel and entities
- Which are controlled, significantly influenced by or for which significant voting power is held
- By key management personnel or their close family members,
- Post-employment benefit plans for the benefit of the Bank's employees,

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.

Renumeration of Key Management Personnel

Key management personnel are those people who have 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, 2025 and 2024, the Bank has outstanding loan granted to its directors, officers, stockholders and related interest (DOSRI) amounting to P20,025,154 and P25,519,295, respectively.

The compensation of key management personnel included under "Compensation and other employee benefits" in the statement of income amounting to P4,942,367 and P5,171,771 as of December 31, 2025 and 2024.

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, 2025 and 2024, the Bank is in compliance with the regulatory requirements.

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

A. Aggregate Ceiling

	2 0 2 5
1.) Total loan portfolio	2,094,131,963
2.) 15% of # 1	314,119,794
3.) Adjusted capital per FRP	788,517,987
4.) Items A.2 or A.3 whichever is lower	314,119,794

B. Ceiling on Unsecured Loans

	2 0 2 5
1.) Secured DOSRI Loans	19,575,154
2.) Unsecured DOSRI Loans	450,000
3.) Total	20,025,154
4.) 30% of Item A.4	94,235,938
5.) 30% of Item B.3	6,007,546
6.) Item B.4 or B.5 whichever is lower	6,007,546

C. Compliance with aggregate ceiling

	2 0 2 5
Item A.4	314,119,794
Item B.3	20,025,154
Total	334,144,948

D. Compliance with ceiling on outstanding unsecured loans

	2 0 2 5
Item B.6	6,007,546
Item B.2	450,000
Total	6,457,546

E. Percent of DOSRI Loan to total loan portfolio

	2 0 2 5
DOSRI Loan	20,025,154
Total loan portfolio	2,094,131,963
Total	0.96%

F. Percent of unsecured DOSRI loans to total DOSRI loan	2 0 2 5
Unsecured DOSRI loan	450,000
Total DOSRI loan	20,025,154
Total	2.25%
G. Percent of past due DOSRI loans to total DOSRI loan	2 0 2 5
Past due DOSRI loan	-
Total DOSRI loan	20,025,154
Total	0.00%
H. Percent of non-performing DOSRI loans to total DOSRI loan	2 0 2 5
Non-performing DOSRI loan	-
Total DOSRI loan	20,025,154
Total	0.00%

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 P6,303,195 and P2,915,131 during the year.

Taxes on Importation

The bank has no importation 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 P5,624,011 and P462,437, respectively, during the year.

Withholding Taxes

	Paid	Accrued
Final withholding tax	4,573,497.69	487,144.15
Expanded	1,217,387.36	158,140.69
Compensation	523,639.72	30,993.41
Total	6,314,524.77	676,278.25

Taxes and Licenses

	2 0 2 5	2 0 2 4
<u>Local</u>		
Business permit	1,332,739	1,319,550
Real Property Taxes	547,224	318,103
Registration and other licenses	1,011,090	249,583
Subtotal	2,891,113	1,887,236
<u>National</u>		
Percentage tax	6,303,195	7,229,069
Fringe benefit	129,231	129,231
Filing of SCC	-	83,282
LTO registration	72,133	61,994
Annual Registration-BIR	-	8,500
Documentary stamp	-	60
Others	10,500	2,359
Subtotal	6,515,059	7,514,495
Total	9,406,112	9,401,731

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 2025 statement of comprehensive income, which is based on Philippine Financial Reporting Standards.

Taxable Revenue

The Bank has taxable revenue during the year amounting to P176,269,832 generated from interest income from loans.

Deductible Cost of Services

	2 0 2 5	2 0 2 4
Direct charges - Salaries and wages	94,129,447	83,068,671
Direct charges - material, supplies and facilities	14,487,316	12,060,808
Direct charges - Insurance PDIC	6,672,304	6,150,894
Direct charges - depreciation	10,778,288	10,581,499
Direct charges - Rent expense	8,680,222	9,994,851
Direct charges - Information technology expense	6,245,516	4,474,407
Direct charges - others (interest expense net of limit)		
Interest expense	32,926,071	28,838,966
Less: Limit (20% and 33%)	(18,889,750)	(15,938,108)
Total	<u>155,029,414</u>	<u>139,231,988</u>

Itemized Deductions

The account consists of the following:

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Taxes and licenses	9,406,112	9,401,731
Advertising and publicity	7,342,646	7,407,666
Bad debt written off	7,189,611	24,432,524
Security services	7,131,168	6,708,160
Repair and maintenance	5,885,555	6,471,905
Impairment loss - building	5,058,307	5,236,252
Traveling expense	4,795,340	4,495,681
Fuel and lubricants	2,926,977	2,457,903
Representation and entertainment	2,515,596	2,566,519
Litigation/Asset acquired expense	2,273,188	2,703,333
Management and other professional fees	2,191,919	1,778,736
70th anniversary expenses	1,263,172	-
Insurance - others	1,237,110	1,647,700
Documentary stamps used	783,204	14,821
Membership fees and dues	529,219	318,370
Supervision fees	423,692	424,679
Other expenses	<u>3,308,395</u>	<u>1,985,389</u>
Total	<u><u>64,261,211</u></u>	<u><u>78,051,369</u></u>

Taxable Other Income

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

	<u>2 0 2 5</u>	<u>2 0 2 4</u>
Fees and commission	42,966,569	39,438,828
Recovery on Charged-off Assets	8,952,675	9,106,192
Gain (Loss) on sale/derecognition of non-financial asset (Note 10, 11)	4,244,348	5,027,340
Others - Other income	2,450,175	3,414,452
Fx Profit (loss)	<u>423,156</u>	<u>248,022</u>
Total	<u><u>59,036,923</u></u>	<u><u>57,234,833</u></u>

Deficiency Tax Assessments and Tax Cases

On August 19, 2025, the Bank received Letter of Authority No. eLA202400040029 (AUMD29-003-2025-03116). This is to examine the books of accounts and other accounting records for all internal revenue taxes for the period of January 01, 2024, to December 31, 2024.

On October 29, 2025, the Bank paid P1,450,834.80 excluding interest and surcharge, for settlement of Letter of Authority No. eLA202400040029 (AUMD29-003-2025-03116) for the taxable period from January 01, 2024, to December 31, 2024.

28.3 Requirements under Revenue Regulations No. 19–2020

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.

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 1, 2009, the Bank is required to present a statement of comprehensive income showing the total comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, which are not recognized in profit or loss as required or permitted by other PFRSs. As of 2025 and 2024, 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 5</u>	<u>2 0 2 4</u>
Return on average equity	8.35%	7.91%
Return on average assets	1.48%	1.42%
Net interest margin	5.44%	5.65%
Debt to equity ratio	4.65:1	4.60:1
Earnings per share	6.37	7.57
Book value per common share	77.70	97.85

b. Capital instrument issued.

As of December 31, 2025, the Bank share capital consists of:

	<u>2 0 2 5</u>	
	<u>Shares</u>	<u>Amount</u>
Common stock - P50 par value 19,200,000		
Authorized shares:		
Common stock at the beginning of the year	7,547,528	377,376,400
Subscription during the year	<u>2,513,304</u>	<u>125,665,200</u>
Common stock at the end of the year	<u>10,060,832</u>	<u>503,041,600</u>
Preferred stock - P50 par value 400,000		
Authorized shares:		
At the beginning and at the end of the year	<u>149,406</u>	<u>7,470,300</u>
Total	<u><u>10,210,238</u></u>	<u><u>510,511,900</u></u>

c. Significant credit exposure of loans

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

Percentage per total loan portfolio	2 0 2 5	%	2 0 2 4	%
Wholesale and retail trade, repair of motor vehicle, motorcycle	163,923,622	8%	174,624,263	9%
Agriculture, forestry and fishing	468,385,632	23%	491,965,668	26%
Financial institution	34,471,981	2%		
Construction	238,040,216	12%	227,149,851	12%
Manufacturing	14,967,538	1%	21,229,053	1%
Accommodation and food service activities	207,214,011	10%	259,822,286	14%
Education	113,970,276	6%	91,731,370	5%
Transportation and storage	38,756,016	2%	32,690,506	2%
Real estate activities	476,917,338	23%	349,611,252	18%
Activities of households as employers and indifferentiated goods and services producing activities of households for own use	72,278,726	3%	84,182,150	4%
Electricity, gas, stream and air-conditioning supp.	39,980,588	2%	34,956,442	2%
Mining and quarrying	8,744,566	0%	32,192,509	2%
Water supply, sewerage, waste management and remediation activities	12,957,341	1%	7,309,189	0%
Human health and social work activities	6,522,391	0%	31,364,981	2%
Arts, entertainment and recreation	70,256,826	3%	1,131,955	0%
Other services activities	73,924,272	4%	44,113,908	2%
Loans to individual primarily for personal use purposes	28,499,508	1%	33,790,956	2%
	<u>2,069,810,848</u>	<u>100%</u>	<u>1,917,866,339</u>	<u>100%</u>
Percentage per tier 1 capital	2 0 2 5	%	2 0 2 4	%
Wholesale and retail trade, repair of motor vehicle, motorcycle	163,923,622	22%	174,624,263	26%
Agriculture, forestry and fishing	468,385,632	64%	491,965,668	72%
Financial institution	34,471,981	2%	-	0%
Construction	238,040,216	33%	227,149,851	33%
Manufacturing	14,967,538	2%	21,229,053	3%
Accommodation and food service activities	207,214,011	28%	259,822,286	38%
Education	113,970,276	16%	91,731,370	13%
Transportation and storage	38,756,016	5%	32,690,506	5%
Real estate activities	476,917,338	65%	349,611,252	51%
Activities of households as employers and indifferentiated goods and services producing activities of households for own use	72,278,726	10%	84,182,150	12%
Electricity, gas, stream and air-conditioning supp.	39,980,588	5%	34,956,442	5%
Mining and quarrying	8,744,566	1%	32,192,509	5%
Water supply, sewerage, waste management and remediation activities	12,957,341	2%	7,309,189	1%
Human health and social work activities	6,522,391	1%	31,364,981	5%
Arts, entertainment and recreation	70,256,826	10%	1,131,955	0%
Other services activities	73,924,272	10%	44,113,908	6%
Loans to individual primarily for personal use purposes	28,499,508	4%	33,790,956	5%
	<u>2,069,810,848</u>	<u>280%</u>	<u>1,917,866,339</u>	<u>280%</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, 2025, 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 5				
	Product line	Performing	Non-Performing	Total
	Agrarian reform loans	35,611,966	1,992,701	37,604,667
	Other agricultural credit loans	404,483,215	23,336,955	427,820,170
	Microfinance loans	5,041,041	103,916	5,144,957
	Small scale enterprise loans	400,693,520	16,758,375	417,451,895
	Medium scale enterprise loans	643,803,622	25,988,072	669,791,694
	Loans to private corporations - non financial	253,347,319	-	253,347,319
	Loans to individual for housing	114,530,831	300,226	114,831,057
	Salary based general purpose consumption loans	18,572,340	141,001	18,713,341
	Loans to individual for primarily for personal use purpose	16,685,589	-	16,685,589
	Loans to individuals for other purposes	107,296,719	1,123,440	108,420,159
	Total	2,000,066,162	69,744,686	2,069,810,848
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	658,303,148
	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	1,914,194,454	24,017,926	1,938,212,380

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

A. Aggregate Ceiling

	2 0 2 5
1.) Total loan portfolio	2,094,131,963
2.) 15% of # 1	314,119,794
3.) Adjusted capital per FRP	788,517,987
4.) Items A.2 or A.3 whichever is lower	314,119,794

B. Ceiling on Unsecured Loans

	2 0 2 5
1.) Secured DOSRI Loans	19,575,154
2.) Unsecured DOSRI Loans	450,000
3.) Total	20,025,154

4.) 30% of Item A.4	94,235,938
5.) 30% of Item B.3	<u>6,007,546</u>

6.) Item B.4 or B.5 whichever is lower	<u><u>6,007,546</u></u>
--	-------------------------

C. Compliance with aggregate ceiling	<u>2 0 2 5</u>
--------------------------------------	----------------

Item A.4	314,119,794
Item B.3	<u>20,025,154</u>

Total	<u><u>334,144,948</u></u>
-------	---------------------------

D. Compliance with ceiling on outstanding unsecured loans	<u>2 0 2 5</u>
---	----------------

Item B.6	6,007,546
Item B.2	<u>450,000</u>

Total	<u><u>6,457,546</u></u>
-------	-------------------------

E. Percent of DOSRI Loan to total loan portfolio	<u>2 0 2 5</u>
--	----------------

DOSRI Loan	20,025,154
Total loan portfolio	<u>2,094,131,963</u>

Total	<u><u>0.96%</u></u>
-------	---------------------

F. Percent of unsecured DOSRI loans to total DOSRI loan	<u>2 0 2 5</u>
---	----------------

Unsecured DOSRI loan	450,000
Total DOSRI loan	<u>20,025,154</u>

Total	<u><u>2.25%</u></u>
-------	---------------------

G. Percent of past due DOSRI loans to total DOSRI loan	<u>2 0 2 5</u>
--	----------------

Past due DOSRI loan	-
Total DOSRI loan	<u>20,025,154</u>

Total	<u><u>0.00%</u></u>
-------	---------------------

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

	<u>2 0 2 5</u>
Non-performing DOSRI loan	-
Total DOSRI loan	<u>20,025,154</u>
Total	<u><u>0.00%</u></u>

f. Minimum Liquidity Ratio computed as follows:

	2 0 2 5	2 0 2 4
A. Stock of liquid assets	2,207,114,390	2,066,388,602
B. Qualifying liabilities	2,758,670,809	2,562,489,306
Liquidity ratio	80.01%	80.64%
Leverage Ratio	$\frac{\text{Tier 1 Capital}}{\text{Total Asset Exposure}} = \frac{730,371,498}{4,473,825,538} = 16.33\%$	
Debt to Equity Ratio	$\frac{\text{Total Debt}}{\text{Shareholders' equity}} = \frac{3,670,394,907}{789,169,735} = 465.10\%$	
Debt to Capital	$\frac{\text{Total Debt}}{\text{Total Capital (Tier 1 + Tier 2)}} = \frac{3,670,394,907}{778,775,673} = 471\%$	

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 30, 2026, which is the date the financial statements were available to be issued.