ANNUAL REPORT ASSESSMENT CHECKLIST BANGKO MABUHAY (A RURAL BANK), INC. As of December 31, 2025				
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1. Corporate Policy

a. Bank's Vision and Mission Statements

- Corporate Mission

  Consistent with the statement "the bank works as the engine of economy", Bangko Mabuhay (A Rural Bank), Inc., (the Bank) is committed to contribute to the national development through effective financial intermediation, optimization of its resources and professionalism in the banking industry.

- Corporate Vision

  In attaining its financial strength, the bank envisions to be a leader in the rural banking industry. The Bank also aims to expand its products and services, being constantly guided by its corporate vision and commitment to continuous improvement and development not only of its services, as well as, of its human resources.

b. Introduction of the Bank's Brand

Bangko Mabuhay (A Rural Bank), Inc. was incorporated on January 21, 2015 through the consolidated of Rural Bank of Tanza (Cavite), Inc. (RB Tanza) and Rural Bank of Teresa (Rizal), inc. The Bangko Sentral ng Pilipinas (BSP) granted Bangko Mabuhay the authority to operate as a rural bank on March 23, 2015. The consolidated bank commenced its operation on April 1, 2015.

The consolidated bank adopted its name from RB Tanza's business name "Bangko Mabuhay". This business name was used since 1995 in order to introduce RB Tanza's products and services from a two-unit Bank in Tanza, Cavite to opening of additional three (3) branches in the Province of Cavite in the mid-90s.

The Bank's tagline "Kaagapay sa Buhay" (companion in life) is a testament of the Bank's commitment to provide its clients retail banking services, which include (1) deposit products such checking account, regular and special savings deposit, regular and long-term time deposit and ATM savings accounts; (2) retail loans such as microfinance, small and medium enterprise loans, consumption, and real estate mortgage loans; and (3) other services namely bills payment (thru Bayad Center), remittance service (via Western Union, TransFast, and BDO Remit), electronic payment and financial services (EPFS) receive funds only via InstaPay and PESONet, microinsurance, and automated teller machine (ATM) services.

The Bank's corporate color is red, symbolizing blood which sustains life. As life blood to the economy, the Bank lives up to its name "Mabuhay" (to live) in catering to the banking needs of retail customers such as the micro, small, medium enterprises, households, and other residents of the community.

c. Business model of the Bank

Bangko Mabuhay's business model consists of full branch and branchlite operation with banking services and products, as described below:

Business Model	Deposit Products	Loan Products	Other Services
Full Branch	Regular Savings ATM Savings Special Savings Demand Deposit Regular Time Deposit Long Term Non-Negotiable Time Deposit	Microfinance SME Business Loans Corporate Loan Salary Loan Housing Loan Other Consumer Loan	Bills Payment Remittance Services thru Western Union, and BDO Remit Electronic Payment and Financial Services (EPFS) InstaPay and PESONet receive funds only Accredited SSS Paying Agent
Branchlite	Micro Deposit	Microfinance	Bills Payment Remittance Services thru: Western Union, and BDO Remit.

2. Financial Summary/ Financial Highlights

	2025	2024	Increase (Decrease)	%
Profitability				
Interest Income	₱ 145,302,013	₱ 133,759,124	₱ 11,542,889	9%
Interest Expense	3,169,481	4,368,455	1,198,974	-27%
Net Interest Income	142,132,532	129,390,669	12,741,863	10%
Non-interest income	44,470,828	51,793,692	-7,322,864	-14%
Operating Expenses	147,375,895	145,921,675	1,454,220	1%
Net Income after Tax	37,689,631	35,970,132	1,719,499	5%
Selected Balance Sheet Data				
Liquid Assets	1,054,580,990	1,178,274,825	-123,693,835	-10%
Gross Loans	597,135,011	527,829,195	69,305,816	13%
Total Assets	1,880,780,319	1,929,470,202	-48,689,883	-3%
Total Deposits	1,431,321,514	1,484,926,146	-53,604,632	-4%
Total Stockholders' Equity	390,501,288	396,145,488	-5,644,200	-1%
Selected Financial Ratios				
Return on Assets	1.98%	1.85%		
Return on Equity	9.58%	9.37%		
Net Interest Margin	8.59%	7.63%		
Past Due Ratio	8.46%	7.66%		
Gross Non-Performing Loans	5.71%	5.99%		
Minimum Liquidity Ratio	87.51%	96.01%		
Capital Adequacy Ratio	25.27%	27.51%		
Branches and Manpower				
Branches	8	8		
Branchlite Units	2	2		
ATMs	5	5		
Officers	20	20		
Rank and file	151	152		
Total	171	172		
Shareholder Information				
Earnings Per Share	19.95	19.04		
Book Value per Share	206.75	209.72		
Cash Dividends Paid	41,005,805	12,012,755		

3. **Financial Condition and Results of Operation**

a. Review of Bank's operations and result of operations for the financial year

The year 2025 marked the Bank's 53rd Anniversary (since the founding of RB Tanza in 1972) and continuing recovery from the impact of the COVID-19 pandemic. Net income from operations rose to ₱39.227 Million due mainly to increase of interest income by P11.5 Million or 9% which was attributed to the income from loans, installment sales or SCR and income from investments. In the wake of recovering economy, the demand for micro and small/ medium loans improved that translated into gross loans rising to ₱ 597 Million or 13% increase.

Past due ratio slightly increased from 7.66% in 2024 to 8.46% in 2025, while, gross non-performing loans to gross TLP decreased from 5.99 % in 2024, to 5.71% in 2025 , due mainly to intensive collection effort and write-off of long outstanding microfinance and SLAT Accounts . The Bank continued to advance asset quality by proactively engaging with borrowers. As a result, NPLs remained manageable and were adequately provided for.

The Bank's deposit liabilities went down to ₱1.431 Billion or 4% due mainly to the decrease year-on-year in savings deposit increased by P 25 Million or 2%, special deposit by P13 Million or 8% ,time deposit decreased by P35 Million or 35% while deposits increase by P 20 Million or 9% .

b. Highlight of Major Activities During the Year that Impact Operations

In 2025, Bangko Mabuhay advanced its overall institutional strength by implementing initiatives across business, operations, technology, and people development. The Bank:

- **Business Growth** — Expanded lending activities with calibrated borrower risk rating tools, introduced new deposit products tailored to community needs, and strengthened partnerships with remittance providers to support overseas Filipino workers.
- **Technology Modernization** — Upgraded core banking systems to align with ISO 20022 standards, enhanced digital channels for customer onboarding, and invested in cybersecurity infrastructure to safeguard client data.
- **People & Culture** — Rolled out enhanced training programs, adjusted compensation packages to address attrition, and fostered employee engagement through wellness and professional development initiatives.
- **Risk & Resilience** — Integrated escalation protocols and communication flow diagrams into the Incident Communication Plan, ensuring structured response and coordination before disruptions occur.
- **Community Engagement** — Strengthened financial literacy programs, expanded outreach to underserved sectors, and reinforced the Bank's role in supporting sustainable local development.

c. Major strategic initiatives of the Bank

In 2025, Bangko Mabuhay pursued strategic initiatives that strengthened its financial position, enhanced customer service, and advanced sustainability goals.

- **Loan Portfolio Quality** — Sustained collection programs and borrower relief measures continued to reduce past due loans, complemented by restructuring efforts aligned with projected cash flows. The Bank also implemented targeted write-offs of legacy exposures, resulting in further improvement of the past due ratio.
- **Performance Incentives** — The incentive scheme for Account Managers was expanded to cover broader performance metrics, boosting morale and driving loan growth. Gross loans increased year-on-year, reflecting stronger customer acquisition and retention.

- Digital Payments Expansion — The Bank advanced its electronic payment and financial services (EPFS) by strengthening participation in the National Retail Payment System through InstaPay and PESONet. Mobile banking outsourcing options were actively explored to deliver secure and accessible e-channels for customers.
- Financial Literacy Programs — The Bank expanded its consumer education initiatives, offering training on deposit insurance, digital banking safety, and responsible borrowing. Programs were delivered through community outreach, print, and digital platforms, reinforcing the Bank's Financial Consumer Protection Framework.
- Sustainability Finance Framework — Building on BSP Circulars 1085, 1128, and 1187, the Bank finalized its Sustainable Finance Taxonomy Framework. Implementation in 2025 ensures integration of environmental and social risk management into credit and operational processes, aligning with BSP's sustainability agenda.

d. Challenges, opportunities, and responses during the year

In October 2025, Bangko Mabuhay encountered operational challenges when its core banking infrastructure required urgent upgrades. Building on lessons from the prior year's server failure, the Bank proactively strengthened its technology backbone by procuring two new primary servers and installing two standby back-up servers to ensure uninterrupted operations. This investment not only addressed immediate hardware risks but also created opportunities to enhance system resilience, improve transaction speed, and support future digital initiatives.

The Bank's response demonstrated its commitment to operational continuity and customer service, as banking operations remained stable throughout the transition. The incident underscored the importance of robust IT risk management, and the Board reinforced oversight by integrating contingency planning and escalation protocols into the Bank's Business Continuity and Incident Communication Plans.

4. Risk Management Framework Adopted

Bangko Mabuhay's risk management framework, aligned with BSP regulations and industry best practices, ensures that risks are consistently identified, measured, and managed across the institution. The program is anchored on formal structures — active committees, clear roles, policies and procedures, reporting mechanisms, and technology — producing risk mitigation activities across business units. These activities strengthen the organization, reduce the potential for unexpected losses, and manage volatility in line with the Bank's strategic objectives.

a. Overall Risk Management Culture and Philosophy

Risk management is embedded in all aspects of the Bank's operations and is the responsibility of every staff member. Managers are accountable for evaluating their risk environment, implementing appropriate controls, and monitoring their effectiveness. The Bank's culture emphasizes careful analysis and proactive management of risks, guided by policy statements, Board directives, operating procedures, and training programs.

The framework is applied consistently across the organization under the following principles:

1. Measured Risk Taking — The Bank is in the business of taking risks, which must be managed and controlled through consistent and accurate measurement.
2. Foundation for Safe Operations — An effective risk management system is a critical component of bank management and a foundation for safe and sound operations.
3. Top-Down and Enterprise-Wide — Risk management is a top-down process that operates at all levels, with each individual participating actively.

4. **Culture of Risk Awareness** — The Bank promotes risk awareness aligned with the expectations of regulatory supervisors.
5. **Regulatory and Policy Compliance** — All activities comply with applicable laws, BSP regulations, and internal policies.
6. **Avoidance of Misaligned Incentives** — Policies and practices that encourage inappropriate actions, such as overemphasis on short-term results or ineffective segregation of duties, are avoided.
7. Liquidity Over Profitability — It is the Bank's firm policy that liquidity will never be compromised for profitability, ensuring stability and depositor confidence remain paramount.

b. Risk appetite and strategy

Bangko Mabuhay faces a broad range of risks inherent in its role as a financial intermediary. These include day-to-day operational risks, strategic risks, liquidity risks, credit risks, and human resources-related risks. The Bank manages these through detailed processes that emphasize integrity, accountability, and the importance of maintaining high-quality staff.

The Bank has a low appetite for operational risks, allocating resources to control exposures to acceptable levels. While recognizing that some risk is inherent and necessary to foster innovation, the Bank ensures that all strategic and business plans are consistent with its evolving Risk Appetite Statement, which is regularly reviewed and challenged by the Board.

Key Risk Categories

1. Strategic Risks — The Bank aspires to be among the country's top rural banks. It has a low appetite for threats to the effective delivery of its strategic plan, recognizing that failure to meet objectives could impact both reputation and performance. The Board meets regularly to monitor progress against plan under a structured reporting framework.
2. Liquidity Risks — The Bank has a very low appetite for liquidity risks, given their significant impact on reputation. It is the Bank's firm policy that liquidity will never be compromised for profitability, ensuring depositor confidence and long-term stability.
3. Credit Risks — The Bank maintains a low appetite for credit risks. Risk tolerances are approved by the Board, with performance monitored and reported monthly to Senior Management.
4. Human Resources Risks —
    - Calibre of People — Very low appetite for losses to the value of collective competencies, knowledge, and skills. The Bank fosters an environment where employees are empowered to maximize their abilities.
    - Conduct of People — Very low appetite for behaviors that breach integrity or the Code of Conduct. The Bank expects excellence and public-interest orientation in all staff actions.
    - Work Health & Safety (WHS) — Very low appetite for practices or behaviors that expose staff to harm. The Bank prioritizes a safe and supportive workplace environment.
5. Operational Risks. The Bank's appetite for operational risks is carefully defined to ensure exposures are managed prudently and that the benefits of control measures outweigh their costs. Risks are analyzed across all operational activities, with clear tolerances established for each category:
    1. **Information Technology Risks**
    - **Processing** — Very low appetite for prolonged outages of the Core Banking System or systems supporting critical functions, including inter-bank settlements and financial markets operations. Maximum recovery times are identified and agreed with each business area.
    - **Information Security** — Very low appetite for cyber-attacks or external malicious threats. The Bank invests in strong internal controls and robust technology solutions.
    - **On-going Development** — Low appetite for incidents arising from poor change management during system enhancements.
    2. **Fraud and Corruption**

- No appetite for fraud or corruption perpetrated by staff. Allegations are taken seriously and addressed fully under the Code of Conduct.

3. Physical Security
   - Very low appetite for failures in physical security measures protecting people and assets.
4. Compliance
   - No appetite for deliberate or purposeful violations of law or regulatory requirements. Breaches are remedied promptly, with commitment to high standards of governance.
5. Information Management
   - Very low appetite for compromise of information authenticity, classification, or conservation. No tolerance for deliberate misuse of information.

6. Interest Rate Risk in Banking Books (IRRBB). Bangko Mabuhay actively manages interest rate risk in its banking book by considering the overall impact of interest rate-sensitive assets, liabilities, and off-balance sheet exposures across short-, medium-, and long-term horizons. The objective is to safeguard earnings and capital against adverse movements in interest rates that affect the Bank's position.

   The Bank captures all material sources of IRRBB and regularly assesses the effect of interest rate changes on both earnings and economic value. Measurement is based on outcomes arising from a range of shocks and stress scenarios. To ensure discipline and transparency, the Bank conducts monthly assessments of net interest income under scenarios of 100, 200, and 300 basis point (1%, 2%, and 3%) movements in interest rates.

   This structured approach allows the Bank to:
   1. Identify exposures across portfolios and time horizons.
   2. Quantify impacts on earnings and capital under stress scenarios.
   3. Inform Board oversight by providing regular reporting and analysis.
   4. Strengthen resilience by embedding IRRBB monitoring into the Bank's risk appetite and strategy.

7. Reputational Risks. Bangko Mabuhay has no tolerance for risks to earnings, capital, or liquidity arising from negative perceptions of the Bank by customers, shareholders, investors, employees, market analysts, the media, regulators, or other government agencies. The Bank recognizes that reputation is fundamental to maintaining existing business relationships, establishing new partnerships, and ensuring continuous access to diverse funding sources.

   To safeguard reputation, the Bank:
   1. Monitors stakeholder perceptions through regular feedback and engagement.
   2. Integrates reputational risk into governance and decision-making processes.
   3. Implements proactive communication strategies to address issues before they escalate.
   4. Aligns with regulatory expectations to maintain trust and credibility.

8. Environmental and Social Risks. Bangko Mabuhay has no appetite for environmental and social (E&S) risks that could result in financial, legal, or reputational harm. As part of its credit risk management framework, the Bank strictly avoids financing projects that present adverse E&S impacts, including:
   - Environmental pollution
   - Climate risks — both physical and transition risks
   - Hazards to human health and safety
   - Threats to community and biodiversity
   - Risks to cultural heritage

   This policy reflects the Bank's commitment to responsible lending and alignment with BSP's sustainability agenda. By embedding E&S considerations into credit evaluation, Bangko Mabuhay ensures that financing decisions support long-term resilience, community well-being, and environmental stewardship.

c. Bank-wide risk governance structure and risk management process

Bangko Mabuhay's risk management framework, aligned with BSP regulations and industry standards, ensures that risks are effectively identified, assessed, and managed across the institution. Risk management is integral to all aspects of the Bank's activities and is the responsibility of all staff. Managers are accountable for evaluating their risk environment, implementing appropriate controls, and monitoring their effectiveness. The Bank's culture emphasizes careful analysis and proactive management of risks in all business processes.

Risks are addressed through both enterprise-level oversight ("top-down") and business-unit accountability ("bottom-up"). The governance structure includes:

- Board of Directors — Provides ultimate oversight and ensures risk appetite and strategy are aligned with the Bank's objectives.

- Executive/Credit Committee — Oversees credit and enterprise risk exposures, ensuring controls and mitigation strategies are effective.

- Audit Committee — Monitors compliance, internal controls, and reporting integrity.

This governance structure ensures that risk management processes are consistently applied across the Bank, integrating policy, reporting, communication, and technology.

d. Money Laundering and Terrorist Financing Prevention Program

Bangko Mabuhay's Money Laundering and Terrorist Financing Prevention Program (MTPP) is designed to ensure that the Bank's products, services, and operations are not misused for money laundering (ML) or terrorist financing (TF) purposes. The program is regularly updated to adopt new **AML/CTF regulations** and BSP directives, ensuring alignment with evolving compliance standards.

The Bank is committed to:

- **Developing and implementing** an effective prevention program that integrates controls into daily operations.
- **Taking appropriate action** on detected or potential suspicious activities, including timely reporting of covered and suspicious transactions.
- **Ensuring compliance** with applicable anti-money laundering laws, regulations, and BSP issuances.
- **Promoting AML awareness** among employees through regular training, refresher courses, and scenario-based exercises.

5. Corporate Governance

Bangko Mabuhay's corporate governance framework is anchored on the Board of Directors, composed of **11 directors**, the majority of whom are non-executive. The Board is the highest authority in governance and management of the Bank, charged with exercising sound and objective judgment in the best interest of the institution. It is responsible for promoting and adhering to the principles and best practices of corporate governance to foster the long-term success of the Bank in fulfilling its mission and vision.

The Board is assisted in its governance function by two board-level committees:

- **Executive/Credit Committee** — Oversees credit policies, lending activities, and enterprise risk exposures, ensuring alignment with the Bank's risk appetite and regulatory standards.
- **Audit Committee** — Provides oversight of financial reporting, internal controls, and compliance, ensuring transparency and accountability.

Both committees report regularly to the Board of Directors on their activities, reinforcing structured governance and enabling informed decision-making.

- Executive/ Credit Committee

The Executive/Credit Committee safeguards the quality of Bangko Mabuhay's loan portfolio by applying prudent risk acceptance criteria that consider borrowers' overall risk dimensions amidst prevailing industry and economic conditions. The Committee meets regularly to review and approve credit applications, and to monitor developments relating to watch-listed and classified loan accounts. Beyond credit risk acceptance, the Committee formulates credit policies and provides administrative support, including credit investigation, insurance, securities documentation, custodianship, and disposal of non-performing assets.

In addition to its credit oversight role, the Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. It:

- Evaluates board nominations and qualifications of individuals nominated to positions requiring Board appointment.
- Ensures board effectiveness by overseeing periodic performance evaluations of the Board, its committees, and executive management.
- Conducts annual self-evaluation to assess its own performance.
- Oversees risk management program development and implementation, ensuring alignment with the Bank's governance framework.

- Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by ensuring the integrity of the Bank's financial reporting, internal controls, and compliance processes. It reviews the Bank's financial information, systems of internal control, risk management framework, audit processes, and adherence to significant legal, ethical, and regulatory requirements.
The Committee's responsibilities include:

- Monitoring compliance with internal policies, controls, and statutory regulations, emphasizing adherence to prescribed accounting standards.
- Facilitating communication among Management, Compliance, Risk Management, Internal Audit, external auditors, BSP examiners, and the Committee itself.
- Promoting audit independence by ensuring broad audit coverage, adequate consideration of audit reports, and timely action on recommendations.
- Overseeing external audit engagements, including appointment, compensation, and performance monitoring.
- Reviewing audit reports and resolving financial reporting disputes between management and auditors.

The Committee enjoys sufficient authority to promote independence and ensure that audit findings are addressed promptly, reinforcing transparency and accountability across the Bank.

- Selection process for the Board and Senior Management

The Board of Directors is nominated and elected annually by the stockholders, with each director serving a one-year term until the election of a new set of directors. The Executive/Credit Committee recommends appointments to Senior Management, subject to approval by the Board of Directors.

Through this process, the Bank ensures that all directors and senior executives are qualified based on:

- Integrity and moral standing
- Physical fitness
- Competence and education
- Relevant business or banking experience

The Bank maintains a strict non-discrimination policy, ensuring that gender, age, ethnic, political, religious, or cultural backgrounds do not affect eligibility.
The Board also includes one independent director, whose role is to provide independent judgment, outside experience, and objectivity. In compliance with BSP rules, the independent director has not served for more than the maximum cumulative term of nine years, as defined by the reckoning period rule.

c. Board's Over-All Responsibility

The Board of Directors, composed of **11 members**, is primarily responsible for defining Bangko Mabuhay's vision and mission. The Board carries fiduciary responsibility to the Bank and all its shareholders, including minority shareholders, and ensures that corporate objectives are achieved in a manner consistent with integrity, accountability, and long-term sustainability.

The Board's responsibilities include:

- **Approving and overseeing strategies** to achieve corporate objectives.
- **Implementing the risk governance framework** and ensuring systems of checks and balances are in place.
- **Establishing sound corporate governance** practices aligned with BSP regulations and industry standards.
- **Selecting and overseeing leadership** — approving the appointment of the Chief Executive Officer, key members of Senior Management, and control functions, and monitoring their performance.

d. Role and Contribution of Chairman of the Board, Executive and Non-executive Directors

The Chairperson of the Board provides leadership and ensures the effective functioning of the Board of Directors. Responsibilities include:

- **Maintaining trust** with members of the Board and fostering collaborative relationships.
- **Overseeing meeting agendas** to ensure focus on strategic matters, risk appetite, and governance concerns.
- **Ensuring sound decision-making** processes that encourage critical discussion and allow dissenting views to be expressed.
- **Providing timely information** to directors for informed decisions.
- **Conducting orientation and training** for new directors and continuous learning opportunities for all.
- **Overseeing board performance evaluation** at least once a year.

The **President & General Manager**, as an executive director, is responsible for the **general supervision and management** of the Bank's operations.

The Board also includes **nine non-executive directors**, who provide independent oversight of the Bank's business and affairs. Among them is **one independent director**, whose role is to contribute objective judgment, outside experience, and impartiality. The independent director complies with BSP's maximum cumulative term of nine years under the reckoning period rule.

e. Board composition

Name of Director	i. Type of directorship	ii. No. of years served as director	iii. Number shares held	iv. Percentage of ownership
1. Misael P. Santos	Chairman	8	20,755	1.10%
2. Edwin S. Fojas	Executive	38	103,414	5.48%
3. Raymundo A. Del Rosario	Non-executive	34	157,630	8.35%
4. Joselito C. Fojas	Non-executive	11	7,497	0.40%
5. Elena J. Malabanan	Non-executive	37	163,597	8.66%
6. Emmanuel P. Santos	Non-executive	12	295,552	15.65%
7. Purificacion N. Garcia	Non-executive	34	44,494	2.36%
8. Cynia J. Fojas	Non-executive	34	64,956	3.44%
9. Maria Criselda M. Fojas	Executive	11	9,535	0.50%
10. Sonia N. Fojas	Non-executive	2	22,389	1.19%
11. Roberto U. Teo	Non-executive Independent	8	1	-

f. Board qualification

Name of Director, Nationality and Age	Relevant Qualifications/ experience
1. Misael P. Santos (Filipino, 55 years old)	Dr. Misael P. Santos was elected as member of the Board of Directors on February 18, 2017. He was appointed Chairman by the Board of Directors in 2020. His training includes corporate governance for rural bank directors, Anti-Money Laundering (AML) Regulations and Risk Management. He is a medical doctor by profession. He graduated from the De La Salle University with degrees in Bachelor of Science in Biology and Medicine.
2. Emmanuel P. Santos (Filipino, 64 years old)	Dr. Emmanuel P. Santos was elected as Chairman of the Board on February 10, 2018 and was succeeded by Dr. Misael P. Santos in 2020. He is a member of the Executive/ Credit Committee. His trainings include Corporate Governance, Risk Management for Rural Bank Directors, AML Regulations and risk management. Mr. Santos studied Bachelor of Science in Psychology and Medicine in University of Sto.Tomas.
3. Edwin S. Fojas (Filipino, 74 years old)	Mr. Edwin S. Fojas is the President and General Manager since 1985. Concurrently he holds the chairmanship of the Executive/ Credit Committee. A career banker for more than 30 years, Mr. Fojas started his banking career in a Commercial Bank, where he gained experience and knowledge in banking, prior to his on-boarding with this Bank. His trainings include Corporate Governance Course for rural bank directors; Microfinance Modular Training conducted by the Rural Bankers Association of the Philippines (RBAP) – Microenterprise Access to Banking Services (MABS); Acquired Asset Management and Bank Security; AML Regulations and risk management. Mr. Fojas graduated from De La Salle University with a degree of Bachelor of Science in Commerce and completed post graduate studies of Masters in Business Management at the Asian Institute of Management.
4. Raymundo A. Del Rosario (Filipino, 77 years old)	Mr. Raymundo A. Del Rosario was elected as member of the Board of Directors since 1991. He is the incumbent Vice President and a member of the Executive/ Credit Committee.

	Mr. Del Rosario is also serving a member of the Provincial Board of the Province of Cavite, after being elected in 2020. Aside of his more than 25 years' experience as director of the bank, Mr. Del Rosario had been engaged in construction, real estate, gas service station business. His trainings included Corporate Governance for rural bank directors, AML regulations and risk management. Mr. Del Rosario studied Bachelor of Science in Commerce at the Far Eastern University.
5. Joselito C. Fojas (Filipino, 74 years old)	Mr. Joselito C. Fojas was elected as member of the Board of Directors since 2013, He is the incumbent Treasurer and a member of the Executive/ Credit Committee. He is also a Director and Treasurer of Soleil Capitale Philipines, Inc., a subsidiary of Soleil Chartered Bank with head office in New York, USA and engaged in financial packaging and in the issuance of financial instruments. He is also a member of the Board of Directors of Green House Techno Development Corp., member of the Board of Trustees of the Institute of Reproductive Health, a foundation engaged primarily in the propagation of natural family planning methods, a partner of the Source Organic Market, a company engaged in marketing and distribution of organic produce, and a partner of First Option Realty, a company engaged in real estate marketing and brokering. His trainings include corporate governance for rural bank directors, AML regulations and risk management. Mr. Fojas took up Bachelor of Science in Industrial Engineering in the University of the Philippines and finished post graduate Masters in Business Management at the Asian Institute of Management.
6. Elena J. Malabanan (Filipino, 87 years old)	Dr. Elena J. Malabanan was elected as member of the Board of Directors in 1988. Dr. Malabanan has served as member of the Board of Directors for more than 30 years. She is a member of the Audit Committee. Her trainings included corporate governance for rural bank directors, best practices in crafting a customized risk management manual, AML regulations and risk management. She studied Bachelor of Science in Medicine in University of Sto. Tomas.
7. Purificacion N. Garcia (Filipino, 88 years old)	Ms. Purificacion N. Garica was elected as member of the Board of Directors since 1993. She is a member of the Audit Committee

	Her training includes corporate governance for rural bank directors, AML regulations and risk management. She graduated from National Teachers College with a degree in Bachelor of Science in Education.
8. Cynia J. Fojas (Filipino, 84 years old)	Dr. Cynia J. Fojas was elected as member of the Board of Directors in 1992.Dr. Fojas has served as member of the Board of Directors for more than 2 decades. Her trainings included corporate governance for rural bank directors, best practices in crafting a customized risk management manual, AML regulations and risk management. She studied Bachelor of Science in Medicine in University of Sto. Tomas.
9. Maria Criselda M. Fojas (Filipino, 38 years old)	Ms. Maria Criselda M. Fojas was elected as member of the Board of Directors since 2013. She was formerly a member of the Audit Committee and Corporate Governance Committee. Her trainings include corporate governance and risk management for rural bank directors, AML regulations and risk management. Ms. Fojas graduated from De La Salle University with a degree in Political Science. She also completed her Bachelor of Laws in Arellano University. She serves the Bank as Chief Legal Officer.
10. Sonia N. Fojas (Filipino, 89 years old)	Ms. Sonia N. Fojas was elected as member of the Board of Directors in 2024. She was formerly the Cashier of the bank from 1972 to 2011 and was subsequently elected as Corporate Secretary before she was elected as Board of Director this February 2024. Ms. Fojas graduated from Philippine Women's University with a degree in BS Pharmacy. Later on, she also graduated from San Sebastian College – Cavite with a degree in BS Commerce. She attended Basic Rural Banking Course in 1973.

11. Roberto U. Teo (Filipino, 75 years old)	. Roberto U. Teo was appointed independent director to the Board on February 18, 2017. As independent director, he holds the chairmanship of the Audit Committee. . Teo is also a member of the Board of Directors of LBP Leasing and Finance Corporation, a fully owned subsidiary of the Land Bank of the Philippines, Chairman of the Board of Mt Apo Travel and Tours Inc. (since 2013), President and director of GT Philippines Inc. (since 2013). He was a former Director at the Tourism Infrastructure and Enterprise Zone Authority (2014-2018), and served as Assistant City Administration for Operation of Davao City. His trainings include corporate governance for rural bank directors, public corporate governance for board of directors of GOCCs, comprehensive real estate seminar and review, franchising seminar, tourism congress pre-planning workshop, executive director seminar, AML regulations and risk management. Mr. Teo is a graduate of the Asian Institute of Management with a Master in Business Management Degree. He completed his Bachelor of Science in Chemical Engineering at the De La Salle University.

g. List of board-level committees including membership and function

Board Level Committees	Membership	Function
Executive/ Credit Committee	Edwin S. Fojas –Chairperson Members: Raymundo A. Del Rosario Emmanuel P. Santos Joselito C. Fojas	-Meet frequently as necessary and, acting as a loan committee, shall have the power to examine and approve or disapprove loans application. -Assist the Board of Directors in fulfilling its corporate governance responsibilities. -Oversee risk management program
Audit Committee	Roberto U. Teo – Chairperson Members: Elena J. Malabanan Purificacion N. Garcia	-Oversee the financial reporting Framework -Monitor and evaluate the adequacy and effectiveness of the internal control system -Oversee the internal audit function and external audit function - Oversee implementation of corrective actions -Investigate significant issues /concerns raised

h. The Board of Directors was elected by the Stockholders in their annual meeting held on February 14, 2025. The Board met 24 times, while Audit Committee and Executive/ Credit Committee held 4 and 35 meetings, respectively, in 2025. Executive / Credit Committee meetings were conducted face-to-face, while on the other hand, meetings of the Audit Committee were held via teleconferencing using Zoom application, and Board of Directors meetings through face to face and teleconferencing using Zoom application.

Hereunder is the report of Directors' attendance in board and board-level committee meetings during the calendar year 2025, including the number of board and committee meetings and percentage attended by each director.

Name of Director	Board Number of Attended and Percentage of attendance		Audit Committee Number of meetings Attended and Percentage		Executive/ Credit Committee Number of Meetings Attended and percentage	
	No.	%	No.	%	No.	%
Emmanuel P. Santos	24	100			34	97
Edwin S. Fojas	24	100			26	74
Raymundo A. Del Rosario	24	100			25	71
Joselito C. Fojas	24	100			35	100
Elena J. Malabanan	24	100	4	100		
Misael P. Santos	24	100				
Purificacion N. Garcia	24	100	4	100		
Sonia N. Fojas	24	100				
Cynia J. Fojas	24	100				
Maria Criselda M. Fojas	24	100				
Roberto U. Teo	24	100	4	100		
Total of Meetings Held During the Year	24		4		35	

i. List of executive officers/senior management

Name of Officer, Nationality and Age	Position	Relevant qualifications/ experience
Edwin S. Fojas (Filipino, 74 years old)	President & General Manager	Mr. Fojas graduated from De La Salle University with a degree of Bachelor of Science in Commerce and completed post graduate studies of Masters in Business Management at the Asian Institute of Management. He has more than 30 years of banking experience. Also, he completed trainings in Corporate Governance Course conducted by the De La Salle University in 2002; Microfinance Modular Training conducted by the Rural Bankers Association of the Philippines (RBAP) – Microenterprise Access to Banking Services (MABS) in 2002; Acquired Asset Management and Bank Security sponsored by the Confederation of Southern Tagalog Rural Bankers (CSTRB) in 2003 and 2004, respectively; Anti Money Laundering in-house training conducted by the Compliance Officer in 2015; and Corporate Governance for Rural Bank Directors and Officers conducted by the RBRDFI in 2018.
Imelda D. Montenegro (Filipino, 62 years old)	Assistant General Manager/ Comptroller	Ms. Montenegro has a Bachelor of Science in Commerce major in Accounting at the St. Paul's College. She has more than 30 years of banking experience in accounting, lending, branch operations, and treasury. Her trainings include corporate housekeeping, best practices in credit, microfinance, market and credit risk management and treasury/comptrollership management.

j. Performance assessment program

The Assessment and Evaluation System of the Bank involves assessment of the activities or accomplishments of the Board, Committees and Individual Directors, Officers and Staff. The performance assessment program consists of the following steps:

Step 1 – Identification of Criteria and Expected Activities
Step 2 – Methodology and Assessment Approach
Step 3 – Assessment Timetable
Step 4 – Corporate Governance and Operational Improvement Program
Step 5 – Documentation
Step 6 – Directives, Desired Actions and Areas of Improvements

The Board of Directors, as a whole, in coordination with the Compliance Officer, conducts the self-assessment, assessment of committees and compliance officer; the Audit Committee assesses/evaluates the Internal Auditor; Senior Management is evaluated by the Corporate Governance Committee, while the other officers and staff are evaluated by the Assistant General Manager or by their respective supervisors. Management reports to the Board of Directors the results of the performance evaluation of officers and staff and shall provide recommendations based on the results of the rating. The recommendations maybe in the form of merit increase, promotions or both.

The Board of Directors, President and Bank Officers document all its assessment activities for future reference. This is to ensure a common understanding of the corporate governance and operational improvement program, including improvement of bank personnel. It is also to assign clear accountability for its effective implementation, both the program and the timetable for its implementation should be appropriately documented.

The Board of Directors, President and Bank Officers provide/set instructions to the ratee so as to improve the results of the assessment/ evaluation and of the Bank's operations as a whole.

Such specific actions and recommendations commensurate with the issues identified and resulting assessment on the quality of corporate governance, operational activities and personnel improvement thru training will be part of the recommendation.

k. Orientation and Education Program

The Directors and Senior Management maintain professional integrity and continuously seek to enhance their skill, knowledge and understanding of the activities that the bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuous education or training. Directors and Senior Management attend corporate governance seminar conducted by BSP accredited training providers, prior to, or at least immediately after, assumption of office. The Compliance Officer conducts an in-house training of the Directors and Senior Management in the matter of risk management, updates on Anti-Money Laundering regulations and other relevant laws, rules and regulations.

As part of the continuing education, the Directors attended webinars on (1) AML/CTF Fundamentals dated September, 22, 2025 and TFS Course dated September 24, 2025 both via online training provided by AMLC.

The Bank's Human Resources Department (HRD) has implemented an annual program continuing education for rank and file, supervisors and middle management, and senior management with a combination of in-house and external training based on the training needs and results of performance evaluation.

l. Retirement and Succession Policy

The normal retirement date of Senior Management is upon his/her attainment of age sixty (60). However, the Board may approve extension of tenure of the President/ General Manager to remain active after his/her normal retirement date but not beyond 80 years old. On the other hand, the Bank does not impose mandatory retirement age for the Directors. Independent directors may only serve as such for a maximum cumulative term of nine (9) years, after which, the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

Succession Policy provides Bank's succession plan to identify and develop internal personnel with the potential to fill key or critical organization positions. The Bank's Succession Plan involves planning for smooth continuation and to manage gaps that will arise when individuals in key positions leave or are promoted thru the individual development plan.

m. Remuneration and Incentive Policy

The Bank provides rewarding careers by maintaining competitive compensation and benefits program for employees. The remuneration policy of the Bank applies to all employees including its senior officers. The relative value of each job and corresponding pay levels are determined by a competency-based job evaluation system. The Human Resources Department regularly reviews compensation policies and recommends changes through the Corporate Governance Committee for endorsement to the Board of Directors for approval.

On top of the salaries, the Bank's employees, including its senior management, also receive other compensation and benefits such as:

- Profit-sharing as provided by the Bank's By-laws
- Performance-based incentives/merit bonus
- 13th month pay
- Overtime pay
- Leaves (Vacation, sick ,maternity, paternity, solo parent, and special leave for women)
- Medical benefits (hospitalization and out-patient benefits for employees)
- Financial assistance loans for officers and employees
- Rice subsidy
- Retirement benefits based on tenure and salary

i. Remuneration Policy and Structure for Executive and Non-Executive Directors

Executive and non-executive directors receive a per diem allowance for actual attendance at meetings.

ii. Remuneration Policy for Senior Management

The Board of Directors determines and approves the salaries of the Senior Management, specifically, the President/General Manager and the Assistant General Manager. The said senior officers are the top two highest paid personnel of the Bank.

n. Policies and procedures on related party transactions

i. Overarching policies and procedures for managing related party transactions

The Bank recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, it is the Policy of the Bank that related party transactions (RPT) are done on an arm's length basis. Towards this end, the Bank exercises 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, fiduciary clients, and other stakeholders.

The Board manages conflicts of interest or potential conflicts of interest and is responsible in:

- Evaluating on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTS are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board of directors and regulators/supervisors.

- Evaluating all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the BSFI are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTS, the Committee takes into account, among others, the following:

  - The related party's relationship to the Bank and interest in the transaction;
  - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to the Bank of the proposed RPT;
  - The availability of other sources of comparable products or services; and
  - An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

ii. Material RPTs

All RPTs that are considered material are subject to the approval by the Board of Directors. The Bank's internal policy on RPT:

- Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.

- Directs Management to report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- Ensures that transactions with related parties, including write-off of exposures are subject to periodic independent review or audit process.
- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

o. Self-Assessment Function

i. Internal Audit and Compliance Functions

The internal audit function, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the Bank's records, physical properties, and personnel pertinent to carrying out any engagement. It also has the authority to directly access and to communicate with any officer or employee, to examine any activity or entity of the bank, as well as to access any records, files or data whenever relevant to the exercise of its assignment. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity also has free and unrestricted access to the Board.

The compliance function remains sufficiently independent of the operations that it conducts compliance testing and evaluation to enable him/her to perform his/her duties in a manner, which facilitates impartial and effective professional judgments and recommendations. The compliance function has no operational responsibilities. The compliance function reports directly to the Board of Directors on a monthly basis.

The Compliance Officer reports on a regular basis to senior management on compliance matters. The report refers to the compliance risk assessment that has taken place during the reporting period, including any changes in the compliance risk profile based on relevant measurements such as performance indicators, summary of any identified breaches and/or deficiencies and the corrective measures recommended to address them, and report on corrective measures already taken.

ii. Review of Effectiveness and Adequacy of the Internal Control System

The Audit Committee provides assistance to the Board of Directors in reviewing the assurance reports of the Internal Audit Department covering the results of assessment on the adequacy and effectiveness of internal controls, risk management and governance processes, and in overseeing the financial management processes, the systems of internal accounting and financial controls, the performance and independence of the external and internal auditor, and annual independent audit of the Bank's financial statements.

Internal control and risk management are further strengthened with the Board of Directors' approval of the Audit Committee recommendations arising from periodic review of Internal Audit, management reports and consultation with the Bank's frontline and support units.

p. Dividend policy

Prior to the declaration of dividends, the Board of Directors ensures compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution. The Board of Directors has the power to declare and approve cash dividend, while the stockholders have the right to approve stock dividends. The net amount available for dividends is the amount of unrestricted or free retained earnings and undivided profits reported in the statement of financial position as of the calendar year-end immediately preceding the date of divided declaration. For the year 2025, the bank declared and paid cash dividend twice with a total amount of ₱ 41,005,805.

q. Corporate Social Responsibility

Every graduation month for elementary and high school levels in the Municipality of Tanza, Cavite, the Bank awards the highest honor graduates of elementary and high schools, public or private, with medal, token cash in form of savings deposit account and testimonial luncheon as part of the Bank's corporate social responsibility with aim in inspiring young achievers of the community.

However, in the wake of health crisis, the Board decided to temporarily defer awarding of medals, token cash, and holding of testimonial ceremony since year 2021 and plan to resume it in the future years.

r. Consumer Protection Practices

- Role and Responsibility of the Board and Senior Management

The Board of Directors of the Bank is ultimately responsible for ensuring that consumer protection practices are embedded in the Bank's business operations. The Board and Senior Management are responsible for developing the Bank's consumer protection strategy and establishing an effective oversight over the Bank's consumer protection programs.

The Board is primarily responsible for approving and overseeing the implementation of the Bank's consumer protection policies as well as the mechanism to ensure compliance with said policies. While Senior Management is responsible for the implementation of the consumer protection policies approved by the Board, the latter shall be responsible for monitoring and overseeing the performance of Senior Management in managing the day to day consumer protection activities of the Bank.

- Consumer Protection Risk Management System of the Bank

As part of the Bank's consumer protection risk management system, the bank has put in place appropriate management controls and take reasonable steps to ensure that in handling complaints/requests, it identifies and remedies any recurring or systemic problems, and identifies weaknesses in the Bank's internal control procedures or process by:

- Analyzing complaints/requests data;
- Analyzing causes of complaints/requests;
- Considering whether such identified weaknesses may also affect other processes or products, including those not directly complained of/requested; and
- Correcting, whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

- Consumer Assistance Management System

In order that financial consumers are provided with accessible, affordable, independent, fair, accountable, timely and efficient means for resolving complaints with their financial transactions. The Bank has established the Consumer Assistance Management System (CAMS) for complaint handling and redress. CAMS shall provide guidelines on receiving, recording, evaluating, resolving, monitoring, reporting and giving feedback to consumers.

The Consumer Assistance Group is responsible in handling consumer concerns. The said Group is composed of the Consumer Assistance Group Head, who is concurrently the Assistant General Manager; Consumer Help In-charge in the person of Department Heads and Branch Managers; and, the front-liner who is designated as Consumer Help Officer.

The Assistant General Manager heads the Consumer Assistance Group. Each Manager/Supervisor is in-charge of the Department's/Branch's/MBO's designated consumer help officer who handles consumer concerns. There are alternates for the in-charge and help officer of each team to ensure presence of consumer help officer during banking hours. Group Head is be responsible for the i) overseeing and evaluating the effectiveness of CAMS; and ii) reporting to the Board and Senior Management.

The Consumer Help In-Charge is responsible for handling complaint/request which is escalated by the Consumer Help Officer. On a daily basis, this officer shall review the register of consumer concern and reports the same to the Group Head. The complex complaint/request may further be escalated by the In-charge to the Group Head or Senior Management for proper disposition.

The Consumer Help Officer is a front-liner who: i) receives and acknowledges consumer concerns; ii) records concerns in a Register/database; iii) makes an initial review and investigation of concerns; iv) handles simple complaint/request or escalates complex complaint/request to the Consumer help-in-charge; and reports to the Unit Consumer Help In-Charge.

6. **Corporate Information**

a. Organizational structure

Name of Officer	Position
1. Edwin S. Fojas	President & General Manager
2. Imelda D. Montenegro	Assistant General Manager/ Comptroller
3. Ma. Criselda M. Fojas	Chief Legal Officer
4. Elijah S. Maranan	Chief Compliance Officer
5. Richelle M. Villar	Cashier
6. Marites T. Luis	Accounting Manager
7. Ruel B. Andaya	Loan Documentation & Administrative Manager
8. Jasmin A. Riemedio	Credit Risk Manager
9. Joel Trapago	Collection Manager
10. Mark Adrian M. Maranan	Information and Communication Technology Manager
11. Marinelle De Ocampo,	Acting Internal Audit Manager
12. John Kayvin D. Pareja	Customer Service Manager
13. John Patrick L. Castillo	Branch Manager – Molino
14. Myra P. Arcena	Branch Manager – Indang
15. Rodel H. Rogador	Branch Manager - Naic
16. John Philip J. Cezar	Branch Manager - Mamburao
17. Elisha Grace V. Alcantara	Branch Manager – Teresa
18. Marlon N. Pascual	Acting Branch Manager – Tanay
19. Lucila P. Jimenez	Branch Manager – Mendez
20. Nengel G, Magsaysay	Branch Manager – Alfonso

b. List of major stockholders (with 2% and up of stockholdings) of the bank, including nationality, percentage of stockholdings and voting status.

Name of Stockholder	Nationality	Percentage of Ownership	Voting Status
1. Emmanuel P. Santos	Filipino	15.65%	Voting
2. Elena J. Malabanan	Filipino	8.66%	Voting
3. Raymundo A. Del Rosario	Filipino	8.35%	Voting
4. Heirs of Lily C. Fojas	Filipino	8.30%	Voting
Name of Stockholder	Nationality	Percentage of	Voting Status

		Ownership	
5. Edwin S. Fojas	Filipino	5.48%	Voting
6. Myrna S. Fojas	Filipino	4.98%	Voting
7. Macario S. Fojas	Filipino	4.93%	Voting
8. Heirs of Jovencio S. Fojas, Jr.	Filipino	4.69%	Voting
9. Leticia P. Santos	Filipino	4.25%	Voting
10. Cynia J. Fojas	Filipino	3.44%	Voting
11. Purificacion N. Garcia	Filipino	2.36%	Voting

c. List and description of products a services offered.

The Bank's products and services are as follows:

Product/Services	Description
Deposit	Regular savings, ATM savings, special savings, checking account, regular time deposit, long term non-negotiable time deposit
Loans	SME, microfinance, salary/consumption, housing, corporate loan, agricultural loan
Remittance	Western Union, BDO Remit,Moneygram
Bills Payment	Utility bills, etc. (Bayad Center)
Others	SSS paying (pension) agent Microinsurance Electronic Payment and Financial Services (EPFS): • InstaPay – Receiving of Funds only • PESONet – Receiving of Funds only

d. Bank website and social media accounts

- Website: www.bangkomabuhay.com.ph.
- Facebook account: Bangko Mabuhay – A Rural Bank, Inc.
- Instagram account: bangkomabuhayofficial

e. List of banking units as of December 31, 2025:

Bank Office	Location	Contact Numbers
1. Head Office	Bangko Mabuhay Building, A. Soriano Highway, Bgy. Daang Amaya III, Tanza, Cavite	(046) 489-2010-2013
2. Molino Branch	Bangko Mabuhay Building, Zapote-Paliparan Road, Bgy. Molino III, Bacoor City, Cavite	(046) 872-2356; (046) 460-4748; (046) 230-2232;
3. Indang Branch	Bangko Mabuhay Building, De Ocampo St., Poblacion, Indang, Cavite	(046) 430-9435; (046) 423-3595; (046) 230-2197
4. Naic Branch	Bangko Mabuhay Building, P. Poblete St., Bgy. Gombalza, Naic, Cavite	(046) 412-0598; (046) 412-0529; (046) 230-1322;
5. Mamburao Branch	San Jose St., Bgy. 7, Mamburao, Occidental Mindoro	(043)458-1274
6. Teresa Branch	No. 48 Corazon C. Aquino Avenue (formerly Pres. M.L. Quezon St.), Poblacion, Teresa, Rizal	(02) 8552-7837; (02) 7004-5440;
7. Tanay Branch	Near Tanay Public Market, SitioPasipit, Bgy. Plaza Aldea, Tanay, Rizal	(02)-8635-7458 (02)-7213-3464
8. Mendez Branch	1325 J.P.Rizal St. Brgy. Poblacion 4 Mendez Cavite 4121	(046) 413-0164; (046) 230-1417;
9. Alfonso Branch	Bgy. Luksuhin Ibaba, Alfonso, Cavite	(046) 404-5775; (046) 230-2124;
10. Manggahan Branchlite	No. 36 Grepps Building, CM Delos Reyes St., Bgy. Manggahan, Gen. Trias City, Cavite	(046) 430-6265; (046) 238-3347;
11. Sablayan Branchlite	Dangero St., Brgy. Buenavista, Sablayan,Occidental Mindoro	(043) 457-0786

7. Information on sustainability finance as required under Section 153 of the Manual of Regulations for Banks (MORB).

a. Overview of Environmental and Social (E&S) risk management system

The Bank is cognizant that climate change and other environmental and social risks could pose financial concerns considering their significant and protracted implications on the Bank's operations and financial interest. Therefore, the Board and Senior Management are committed to embed sustainability principles in the Bank's governance framework, risk management system, business strategy and operations.

Toward this end, the Bank shall promote a culture that fosters environmentally and socially responsible business decisions and build its team's internal capacity and awareness of climate risks on how to assess and manage the same, integrate this process into existing risk management system. Managing climate-related physical risks contributes to the reduction of credit risk on the Bank's loan portfolio.

b. Breakdown of E&S Risk Exposures of the Bank per Sector

The Bank caters to agricultural sector, housing sector and the micro, small and medium enterprises (MSMEs). These sectors are exposed or vulnerable to physical risks or E&S risk. Hereunder is the breakdown of E&S risk exposures of the Bank per sector:

Loans Subject to E&S Risk Exposure as of December 31, 2025

Loan Product	Current	Past Due	Non-Performing	Total
Agra-agri credit				
a. Agrarian reform loans	₱	₱ -	₱ 257	₱ 257
b. Other agri credits	19,202,043	1,488,083-	14,510,528	35,200,654
Microfinance	26,211,897	-	6,428,568	32,640,465
SME Loans				
a. Small enterprise	146,925,230	1,131,002	7,079,666	155,135,898
b. Medium enterprise	210,280.047	2,222,105	248,377	212,750,529
Loans for housing purpose	65,717,597	4,284,657	3,713,434	73,715,688
Total	₱ 468,336,814	₱ 9,125,847	₱ 31,980,830	₱ 509,443,491
% to Total Loan Portfolio	78%	1%	5%	85%

Loans Subject to E&S Risk Exposure as of December 31, 2024

Loan Product	Current	Past Due	Non-Performing	Total
Agra-agri credit				
a. Agrarian reform loans	₱	₱ -	₱ 213,370	₱ 213,370
b. Other agri credits	40,065,672	-	3,296,246	43,361,918
Microfinance	24,029,400	-	6,900,839	30,930,239
SME Loans				
a. Small enterprise	149,359,727	6,687,052	7,819,817	163,866,596
b. Medium enterprise	157,959,894	-	3,816, 204	161,776,098
Loans for housing purpose	65,615,430	914,189	5,372,705	71,902,324
Total	₱ 437,030,123	₱ 7,601,241	₱ 27,419,181	₱ 472,050,545
% to Total Loan Portfolio	83%	1%	5%	89%

c. Information on Existing and Emerging E&S risks and their impact on the Bank

The Bank's operates in the Region 4-A, in Provinces of Cavite and Rizal; and in Region 4-B, in the Province of Occidental Mindoro. The Bank recognizes that the existing and emerging E&S risks and its potential impact on the Bank of climate change should be taken into consideration in its strategic plan. These impacts include major changes in rainfall patterns and distributions, threats to the natural ecosystems, declining rice yields, increasing intense droughts, rising sea level, and water scarcity, among others.

Understanding and deepening the knowledge level on physical risks and transition risks brought about by the E&S risks will enable the Bank to finance agricultural, housing and MSME sectors in a sustainable manner. Physical risks refer to the potential loss or damage to tangible assets arising from climate change and/or other weather-related condition, while transition risks pertain to potential economic adjustment cost resulting from policy, legal, technology, market change to meet climate change mitigation and adaption requirements.

d. Initiatives to Promote Adherence to Internationally-recognized Sustainability Standards and Practices

The Board and Senior Management strive to promote adherence to internationally-recognized sustainability standards and practices by:

- Enhancing the understanding and technical skills of Bank personnel on sustainability finance through capacity building;
- Monitoring the Bank's progress in attaining sustainability objectives and reporting thereof to the Board of Directors; and
- Ensuring operation and personnel performance are consistent with the objectives.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **BANGKO MABUHAY (A RURAL BANK), INC.**, (the "Bank"), is responsible for the preparation and fair presentation of financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Bank'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.

Alas, Oplas & Co., CPAs, the independent auditors appointed by the stockholders for the year ended December 31, 2025 and 2024, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

MISAEL P. SANTOS
Chairman of the Board

EDWIN S. FOJAS
President

JOSELITO C. FOJAS
Chief Financial Officer/Treasurer

Signed this 28th day of March 2026

HEAD OFFICE-ACCOUNTING DEPARTMENT
A. SORIANO HI-WAY, BRGY. DAANG AMAYA III, TANZA, CAVITE 4108
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Alas Oplas & Co., CPAs

INDEPENDENT AUDITORS' REPORT

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To the Stockholders and the Board of Directors
BANGKO MABUHAY (A RURAL BANK), INC.
A. Soriano Highway, Brgy. Daang Amaya 111,
Tanza, Cavite

Opinion

We have audited the financial statements of **BANGKO MABUHAY (A RURAL BANK), INC.** (the "Bank") which comprise the statements of financial position as of December 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

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 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditors' 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 audits of the financial statements of public interest entities in the Philippines, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Emphasis of Matter

We draw attention to Note 5.01.03 to the financial statements which describes the basis used by the Bank in setting up allowance for credit losses. As stated in Bangko Sentral ng Pilipinas (BSP) Circular No. 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of a simple loan loss estimation methodology that is compliant with PFRS 9, shall, at a minimum, be subject to regulatory guidelines in setting up allowance for credit losses prescribed under Appendix 15 of the BSP Manual of Regulations for Banks (MORB). Following the guidance of BSP Circular No. 1011 and Appendix 100 of the BSP MORB in adopting PFRS 9 impairment requirements, the Bank assessed the EGL in accordance with the said standard and based on management judgement, it was determined that the amount recognized as allowance based on Appendix 15 of the BSP MORB is reasonable. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 a manner that achieves fair presentation.

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

Alas Oplas & Co., CPAs

The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulation No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 30 and Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 29 are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **BANGKO MABUHAY (A RURAL BANK), INC.** 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.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 002-013-406-000

By:

RYAN A. SABUG
Partner
CPA License No. 0111183
BOA Registration No. 0190/P-004, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-004-2026, issued on February 6, 2026; effective until February 5, 2029
SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period
(Extended until Audit Period 2025)
TIN 232-158-286-000
PTR No. 10767236, issued on January 5, 2026, Makati City

March 28, 2026
Makati City, Philippines

BANGKO MABUHAY (A RURAL BANK), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024
In Philippine Peso

	Notes	**2025**	2024
ASSETS			
Cash and other cash items	8	**27,236,650**	26,462,376
Due from Bangko Sentral ng Pilipinas	8	**7,815,554**	16,120,477
Due from other banks	8	**441,029,888**	430,508,605
Investment securities at amortized cost – net	9	**578,498,898**	705,236,894
Loans and other receivables – net	10	**605,983,573**	547,077,601
Bank premises, furniture, fixtures and equipment – net	11	**80,005,493**	48,384,229
Investment properties – net	12	**91,799,873**	103,891,225
Intangible assets – net	13	**2,696,892**	1,076,050
Deferred tax assets	21	**13,574,103**	12,678,456
Other assets	14	**32,139,395**	38,034,289
TOTAL ASSETS		**1,880,780,319**	1,929,470,202
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	15	**1,431,321,514**	1,484,926,146
Bills payable	16	**35,000,000**	25,000,000
Retirement benefit obligation	24	**666,938**	–
Accrued and other liabilities	17	**23,290,579**	23,398,568
Total Liabilities		**1,490,279,031**	1,533,324,714
Equity			
Common stocks	18	**188,879,800**	188,879,800
Stock dividends distributable	18	**38,000,000**	–
Additional paid-in capital	18	**26,811,831**	26,811,831
Surplus free	18	**136,324,345**	177,640,519
Actuarial gain on defined benefit obligation – net of tax	24	**485,312**	2,813,338
Total Equity		**390,501,288**	396,145,488
TOTAL LIABILITIES AND EQUITY		**1,880,780,319**	1,929,470,202

See Notes to Financial Statements.

BANGKO MABUHAY (A RURAL BANK), INC.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
In Philippine Peso

	Notes	2025	2024
INTEREST INCOME			
Loans and other receivables	10	**110,959,515**	91,199,965
Investment securities at amortized cost	9	**30,966,447**	36,248,056
Due from other banks	8	**3,376,051**	6,311,103
		145,302,013	133,759,124
INTEREST EXPENSE			
Deposit liabilities	15	**(3,062,694)**	(4,314,188)
Bills payable	16	**(44,965)**	(30,278)
Lease liabilities	17	**(61,822)**	(23,989)
		(3,169,481)	(4,368,455)
NET INTEREST INCOME		**142,132,532**	129,390,669
OTHER OPERATING INCOME	19	**44,470,828**	51,793,692
TOTAL OPERATING INCOME		**186,603,360**	181,184,361
OPERATING EXPENSES	20	**(147,375,895)**	(145,921,675)
PROFIT BEFORE TAX		**39,227,465**	35,262,686
INCOME TAX BENEFIT (EXPENSE)	21	**(1,537,834)**	707,446
PROFIT		**37,689,631**	35,970,132
OTHER COMPREHENSIVE INCOME (LOSS)	24	**(2,328,026)**	357,499
TOTAL COMPREHENSIVE INCOME		**35,361,605**	36,327,631

See Notes to Financial Statements.

BANGKO MABUHAY (A RURAL BANK), INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
In Philippine Peso

	Common stocks (Note 18)	**Additional paid-in capital** (Note 18)	**Stock dividends distributable** (Note 18)	**Surplus free** (Note 18)	**Actuarial gain on defined benefit obligation – net of tax** (Note 24)	**Total**
Balance at December 31, 2023	188,879,800	26,811,831	–	153,671,181	2,455,839	371,818,651
Cash dividends declared	–	–	–	(12,012,755)	–	(12,012,755)
Profit	–	–	–	35,970,132	–	35,970,132
Other comprehensive income	–	–	–	–	357,499	357,499
Prior year adjustment	–	–	–	11,961	–	11,961
Balance at December 31, 2024	188,879,800	26,811,831	–	177,640,519	2,813,338	396,145,488
Cash dividends declared	–	–	–	(41,005,805)	–	(41,005,805)
Stock dividends distributed	–	–	38,000,000	(38,000,000)	–	–
Profit	–	–	–	37,689,631	–	37,689,631
Other comprehensive income	–	–	–	–	(2,328,026)	(2,328,026)
Prior year adjustment	–	–	–	–	–	–
Balance at December 31, 2025	**188,879,800**	**26,811,831**	**38,000,000**	**136,324,345**	**485,312**	**390,501,288**

See Notes to Financial Statements.

BANGKO MABUHAY (A RURAL BANK), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
In Philippine Peso

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**39,227,465**	35,262,686
Adjustments for:			
Interest income on investment securities at amortized cost	9	**(30,966,448)**	(36,248,056)
Gain on sale of investment properties	12,19	**(18,463,926)**	(29,205,803)
Depreciation and amortization	20	**14,195,620**	13,376,090
Interest income on bank deposits	8	**(3,376,051)**	(6,311,103)
Retirement benefit expense	24	**1,173,386**	986,060
Gain on sale of bank premises, furniture, fixtures and equipment	11,19	**(1,500,621)**	(393,418)
Interest expense on lease liability	17	**61,822**	23,989
Operating cash flows before working capital changes		**351,247**	(22,509,555)
Changes in operating assets and liabilities			
Decrease (increase) in:			
Loans and other receivables – net		**(78,563,387)**	(53,630,922)
Other assets		**3,461,413**	(4,285,756)
Decrease in:			
Deposit liabilities		**(53,604,632)**	(46,150,938)
Accrued and other liabilities		**(3,301,495)**	(1,155,222)
Cash used in operations		**(131,656,854)**	(127,732,393)
Interest received		**46,034,011**	40,261,550
Net cash used in operating activities		**(85,622,843)**	(87,470,843)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of investment securities at amortized cost	9	**483,276,247**	584,821,023
Acquisition of investment securities at amortized cost	9	**(341,000,000)**	(546,000,000)
Proceeds from disposal of investment properties	12	**18,781,482**	20,721,840
Acquisition of bank premises, furniture, fixtures and equipment	11	**(39,834,838)**	(7,529,131)
Proceeds from disposal of bank premises, furniture, fixtures and equipment	11	**1,500,621**	395,885
Acquisition of intangible assets	13	**(2,149,763)**	(319,083)
Net cash generated from investing activities		**120,573,749**	52,090,534
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of bills payable	16	**(25,000,000)**	(30,000,000)
Proceeds from availment of bills payable	16	**35,000,000**	25,000,000
Dividends paid	18	**(41,526,008)**	(11,492,552)
Payment of lease liability – principal and interest	17	**(434,264)**	(695,010)
Net cash used in financing activities		**(31,960,272)**	(17,187,562)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,990,634**	(52,567,871)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		**26,462,376**	20,470,032
Due from Bangko Sentral ng Pilipinas		**16,120,477**	22,361,022
Due from other banks		**430,508,605**	482,828,275
		473,091,458	525,659,329
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	8	**27,236,650**	26,462,376
Due from Bangko Sentral ng Pilipinas	8	**7,815,554**	16,120,477
Due from other banks	8	**441,029,888**	430,508,605
	8	**476,082,092**	473,091,458

See Notes to Financial Statements.

Supplemental Information on Non-cash Investing and Financing Activity

In 2025 and 2024, the Bank entered into new lease transactions recognizing right-of-use assets and lease liabilities amounting to ₱1,251,678 and nil, respectively, as disclosed in Notes 11 and 17.

In Philippine Peso

1. CORPORATE INFORMATION

BANGKO MABUHAY (A RURAL BANK), INC. (the "Bank") was registered with the Philippine Securities and Exchange Commission (SEC) on January 21, 2015 under SEC Registration No. CS201500594 through the consolidation of Rural Bank of Tanza (Cavite), Inc. and Rural Bank of Teresa (Rizal), Inc. The consolidation was approved by the Bangko Sentral ng Pilipinas (BSP) and the Philippine Deposit Insurance Corporation (PDIC) as part of the Strengthening Program for Rural Banks (SPRB), in accordance with Republic Act No. 7353, also known as The Rural Banks Act of 1992, and Monetary Board Resolution No. 1541, dated September 19, 2013. On March 23, 2015, the BSP issued the Bank a Certificate of Authority to operate as a rural bank, and it began its operations as a consolidated bank on April 1, 2015.

The Bank is authorized by the Bangko Sentral ng Pilipinas (BSP) to operate a foreign currency deposit under Republic Act Nos. 8791 and 7353, and the Manual of Regulations for Banks.

The Bank's registered head office address is located at A. Soriano Highway, Brgy. Daang Amaya III, Tanza, Cavite. The Bank is domiciled in the Philippines.

The Bank currently has eight (8) branches and two (2) branch lite units (BLUs) located in the provinces of Cavite, Rizal and Occidental Mindoro.

The Bank's branches and branch lite units are located as follows:

Branches/BLUs	Address	Commencement Date
Molino	Zapote-Paliparan Road, Molino III, Bacoor, Cavite	August 1995
Indang	502 De Ocampo Street, Poblacion, Indang, Cavite	October 1995
Naic	Corner Pascual H. Poblete & Balong Pari St., Poblacion, Naic, Cavite	January 1996
Mamburao	San Jose St., Barangay VII, Mamburao, Occidental Mindoro	October 2008
Teresa	#48 Corazon C. Aquino Ave. Brgy. Poblacion Teresa, Rizal	April 2015
Tanay	Sitio Pasipit, Brgy. Plaza Aldea, Tanay, Rizal	April 2015
Manggahan BLU	36 CM Delos Reyes St., Greps Bldg., Manggahan, General Trias, Cavite	December 2015
Mendez	1325 J.P. Rizal St. Poblacion IV Mendez, Cavite	October 2016
Alfonso	282 Luksuhin Ibaba Alfonso, Cavite	December 2017
Sablayan BLU	Dangeros St. Buenavista, Sablayan, Occidental Mindoro	June 2024

The Bank's products and services are traditional deposits such as savings deposits, special savings deposits, and time deposits. The Bank also offers various types of loans such as microfinance, agricultural and other consumption loans.

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

PFRS Accounting Standards include all applicable PFRSs, Philippine Accounting Standards (PASs), and Interpretations issued by the Philippine Interpretations Committee – IFRIC as approved by the FSRSC and adopted by the SEC. All provisions and requirements of PFRS Accounting Standards are applied by the Bank in preparation of its financial statements except for the requirements of the following standard:

PFRS 9 Financial Instruments – For impairment, the Bank adopted Appendix 15 of Manual of Regulations for Banks (MORB) that provides guidelines for provisioning based on number of days past due, collaterals, and type of loan.

2.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

2.03 Presentation and Functional Currency

Items included in the financial statements of the Bank are measured using Philippine Peso, the currency of the primary economic environment in which the Bank operates (the “functional currency”). All presented financial information has been rounded to the nearest Peso, except when otherwise specified.

2.04 Use of Judgments and Estimates

The preparation of the Bank’s financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Bank’s financial statements and accompanying notes.

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 ongoing 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 revised 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.

2.05 Going Concern Assumption

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

3. ADOPTION OF NEW AMENDED ACCOUNTING STANDARDS

3.01 New and Amended Standards and Interpretations Effective on January 1, 2025

3.01.01 Lack of Exchangeability (Amendments to PAS 21)
The amendments specify how to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

The amendment is effective for reporting periods beginning on or after January 1, 2025.

Accordingly, this amendment had no impact on the Bank’s financial statements as of the reporting date.

3.02 Standards Issued but Not yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.02.01 Standards Adopted by FRSC and Approved by the BOA

Insurance Contracts (PFRS 17 and its Amendments)
PFRS 17 sets out the requirements for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held. The standard introduces a new measurement model based on fulfilment cash flows and a contractual service margin, separates insurance service results from financial results, and requires insurance revenue to be recognized as insurance coverage is provided rather than when premiums are received. Investment components are excluded from insurance revenue and presented as settlements of liabilities.

Amendments to PFRS 17, adopted by the FSRSC on August 19, 2020, provide clarifications on specific areas of the standard, including the treatment of insurance acquisition cash flows related to renewals outside the contract boundary, accounting for reinsurance contracts held in relation to onerous contracts and contracts with direct participation features, and the recognition of the contractual service margin in profit or loss under the general model.

Amendment to PFRS 17, Initial Application of PFRS 17 and PFRS 9 – Comparative Information introduces a transition relief option to reduce temporary accounting mismatches between insurance contract liabilities and related financial assets presented in comparative periods upon initial adoption.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. On February 14, 2025, the FSRSC approved the amendment to PFRS 17 that further defers the date of Initial application by an additional two (2) years, to annual periods beginning on or after January 1, 2027. This will provide more time for the insurance industry to fully prepare and assess the impact of adopting the said standard.

The Bank does not expect these amendments to have a material impact on its operations or financial statements.

Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7)
Targeted amendments were issued by the IASB to address recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

Annual Improvements to PFRS Accounting Standards – Volume 11
The IASB has issued proposed narrow-scope amendments to the PFRS Accounting Standards, along with accompanying guidance, as part of the regular maintenance and updating of the standards. A summary of improvements is set out below:

- PFRS 1 'First-time Adoption of PFRS Financial Reporting Standards' – Hedge accounting by a first-time adopter
- PFRS 7 'Financial Instruments: Disclosures' – Gain or loss on derecognition
- PFRS 7 'Financial Instruments: Disclosures' Implementation Guidance – Disclosure of differences between the fair value and the transaction price and disclosures on credit risk
- PFRS 9 'Financial Instruments' – Transaction price and lessee derecognition of lease liabilities
- PFRS 10 'Consolidated Financial Statements' – Determination of a 'de facto agent'
- PAS *7* 'Statement of Cash Flows' – Cost method

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7)
The amendments in Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7) are:

Amendments to PFRS 9 Financial Instruments

- 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 reporting periods beginning on or after January 1, 2026. Early application is permitted. The amendments shall be applied retrospectively; prior periods need not be restated to reflect the application of the amendments.

The Bank does not expect these amendments to have a material impact on its operations or financial statements.

Presentation and Disclosure in Financial Statements (PFRS 18)
PFRS 18 will replace PAS 1, *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Retrospective application is required in both annual and interim financial statements. Early application permitted.

The Bank will apply the new standard from its mandatory effective date of January 1, 2027.

Management is currently assessing the detailed implications of applying the new standard on the Bank's financial statements.

Subsidiaries without Public Accountability: Disclosures (PFRS 19)
PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRSs to apply reduced disclosure requirements.

PFRS 19 will become effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The Bank does not expect the standard to have a material impact on its operations or financial statements.

3.02.02 Deferred

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)
The amendments clarify the accounting for the sale or contribution of assets between an investor and its associate or joint venture. Gains or losses are recognized in full when the transferred assets constitute a business, and only to the extent of the share of unrelated investors when the assets do not constitute a business.

On January 13, 2016, the FSRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. MATERIAL ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Bank in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Instruments

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

Date of Recognition
The Bank recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

'Day 1' Difference
Where the transaction price in a non-active market is different with the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

4.01.01 Financial Assets

Initial Recognition and Measurement
Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVTPL, includes transaction cost.

Classification
The Bank classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVTPL. The classification of a financial asset at initial recognition largely depends on the Bank's business model for managing the asset and its contractual cash flow characteristics.

Financial Assets at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:

- 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 payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As of December 31, 2025 and 2024, the Bank's cash and cash equivalents, investment securities at amortized cost, loans and other receivables and other financial assets are classified under this category as disclosed in Notes 8, 9, 10 and 14.

a) *Cash and cash equivalents*
This includes cash on hand, checks and other cash items and deposits held at call with banks. Cash in banks earn interest as indicated in the instrument. These are unrestricted as to withdrawal and are recorded at face amount.

If a bank 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.

b) *Investment securities at amortized cost*
Investment securities at amortized cost include non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as at amortized cost if the Bank has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Investment securities at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, these financial assets are subsequently measured at amortized cost. Gains and losses are recognized in the statement of comprehensive income when the investment securities at amortized cost are derecognized and impaired, as well as through the amortization process.

c) *Loans receivable*
Loans receivable include those arising from direct loans to borrowers including officers and employees. These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, 'Loans receivables' are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. 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 'Provision for credit losses' in the statement of comprehensive income.

d) Accounts receivable
Accounts receivable consists mainly of various claims and advances made by the Bank in the ordinary course of business.

e) Accrued interest receivable
Accrued interest receivable represents interest earned on loans and other interest-bearing financial assets that have not yet been collected. Interest accrual is suspended for loans classified as non-performing in accordance with BSP regulations.

f) Other financial assets
This includes petty cash fund.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities.

Debt Instruments at FVOCI
For debt instruments that are not designated at FVTPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met: (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (2) 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.

After initial recognition, interest income (calculated using the effective interest rate method), impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As of December 31, 2025 and 2024, the Bank does not have debt instruments at FVOCI.

Equity Instruments at FVOCI
For equity instruments that are not held for trading, the Bank may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument-by-instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings. Equity securities at FVOCI are not subject to impairment assessment.

As of December 31, 2025 and 2024, the Bank does not have equity securities at FVOCI.

Financial Assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVTPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVTPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not “solely for payment of principal and interest”, and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Bank may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVTPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also includes equity instruments which the Bank had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVTPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVTPL are recognized in profit or loss.

As of December 31, 2025 and 2024, the Bank does not have equity securities at FVTPL.

Reclassification
The Bank reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVTPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVTPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVTPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVTPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the re-classification date.

Impairment
At the end of the reporting period, the Bank assess its expected credit losses (ECL). The Bank recognizes an allowance for ECL for all debt instruments not held at fair value through profit or loss. The Bank being categorized as having simple and non-complex operations adopted the basic guidelines in setting up of allowance for credit losses provided for in Appendix 15 of the Manual of Regulations for Banks in recognizing ECL for its loans and other receivables.

The Bank considers a financial asset in default when contractual payments, i.e. last amortization paid are more than 30 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank's ECL measurement, as determined by the Management, is disclosed in Note 6.

Derecognition
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Bank retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Bank has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

4.01.02 Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized costs, the initial measurement is net of any directly attributable transaction costs.

Classification
The Bank classifies its financial liabilities at initial recognition as either financial liabilities at FVTPL or financial liabilities at amortized cost.

As at December 31, 2025 and 2024, the Bank does not have liabilities at FVTPL.

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2025 and 2024, the Bank's deposit liabilities, bills payable, and accrued and other liabilities (except statutory payables and unearned income) are classified under this as disclosed in Notes 15, 16 and 17.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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 the consolidated statement of comprehensive income.

<u>Classification of Financial Instrument between Liability and Equity</u>

A financial instrument is classified as liability if it provides for a contractual obligation to:
- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Bank does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

<u>4.01.03 Offsetting of Financial Assets and Liabilities</u>
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

4.02 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are measured at cost less any accumulated depreciation, amortization and impairment losses. Cost consists of purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of bank premises, furniture, fixtures and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. The carrying amount of replaced parts is derecognized. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Buildings	–	2 - 20 years
Furniture, fixtures and equipment	–	more than 1 - 10 years
Information technology equipment	–	more than 1 - 15 years
Transportation equipment	–	2 - 8 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of 7 years or the lease term.

Construction in progress (CIP) represents property and equipment under construction or in development and is stated at cost. Cost includes direct costs of construction, applicable borrowing costs, and other related expenditures necessary to prepare the asset for its intended use.

CIP is not depreciated. Depreciation begins only when the construction is completed and the asset is available for use, at which point the asset is transferred to the appropriate bank premises, furniture, fixtures and equipment account and depreciated over its estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fully depreciated assets still in use are retained in the financial statements. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements and any resulting gain or loss is credited or charged to profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

4.03 Intangible assets

Intangible assets with indefinite useful lives are subject to an annual impairment test, either individually or at the level of the relevant cash-generating unit (CGU). In addition, the assessment of an asset's useful life is reviewed annually to determine whether the classification as having an indefinite useful life remains appropriate. If, based on this review, it is no longer supportable to maintain the indefinite life classification, the asset's useful life is revised to a finite period. Such a change is accounted for prospectively in accordance with applicable accounting standards.

Computer software comprises purchased software licenses used in the Bank's core banking system. These software licenses are not specific to any particular hardware and do not constitute integral components of related hardware. Accordingly, they are classified as intangible assets and are amortized on a straight-line basis over their estimated useful lives, typically ranging from two to five (2-5) years.

Costs incurred for the maintenance of computer software are expensed as incurred.

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired at the acquisition date of Rural Bank of Mendez, Inc. in 2016. It is recognized as an intangible asset and reflects expected future economic benefits arising from synergies, workforce, customer relationships, or other intangible elements that are not separately identifiable. Goodwill has an indefinite useful life.

A gain or loss arising from the derecognition of an intangible asset—whether through retirement or disposal—is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The resulting gain or loss is recognized in the statement of comprehensive income at the date the asset is derecognized.

4.04 Investment Property

Properties that are held either to earn rental income or for capital appreciation or both, and are not significantly occupied by the Bank, are classified as investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed using straight-line method based on the estimated useful lives of the assets of 10 years. Land is not depreciated.

Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher between the property's fair value less cost to sell and value in use.

Investment properties are derecognized by the Bank upon disposal or when the investment property is permanently withdrawn from use and no future benefit is expected to arise from the continued use of the asset. Any gain or loss on derecognition of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income in the period in which the property is derecognized.

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

Transfers to and from investment property do not result in gain or loss.

4.05 Other Assets

Other assets not classified as financial assets, bank premises, furniture, fixtures and equipment, and investment property, includes prepaid expenses and stationery and supplies on hand. These other assets qualifying into the definition of assets under PAS 1 Presentation of Financial Statements are resources controlled by the Bank as a result of past events and from which future economic benefits are expected to flow to the entity. Other assets are recognized on an accrual basis of accounting.

4.06 Impairment of Non-financial Assets

At the end of each reporting date, the Bank assesses whether there is any indication that any non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

4.07 Related Party Relationships and Transactions

Related party transactions are transfer of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual.

In considering each possible related party relationships, attention is directed to the substance of the relationship and not merely on the legal form.

Further, Section 131 of the MORB states that related parties shall cover the BSFI's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's DOSRI, and their close family members, as well as corresponding persons in affiliated companies. These shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the BSFI, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to a BSFI identified as follows:

(1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
(2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
(3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
(4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Related party transactions (RPTs) shall refer to transactions or dealings with related parties of the BSFI, including its trust department regardless of whether or not a price is charged. These shall include, but not limited to the following:

(1) On- and off-balance sheet credit exposures and claims and write-offs;
(2) Investments and/or subscriptions for debt/equity issuances;
(3) Consulting, professional, agency and other service arrangements/contracts;
(4) Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
(5) Construction arrangements/contracts;
(6) Lease arrangements/contracts;
(7) Trading and derivative transactions;
(8) Borrowings, commitments, fund transfers and guarantees;
(9) Sale, purchase or supply of any goods or materials; and
(10) Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

4.08 Revenue Recognition

4.08.01 Revenue Recognition for Revenues within the scope of PFRS 15

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Bank has assessed that it is acting as principal in all arrangements.

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

Income from Assets Sold or Exchange

Income from assets sold or exchange is recognized when the title to the assets is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included as part of "other operating income" in the statement of comprehensive income.

Fees, Commissions, and Other Income
Fees, commissions, and other income are generally recognized on an accrual basis when the service has been provided, and is based on various criteria for each specific income source.

Fees and commission arising from loans, deposits, and other banking transactions are taken up as income based on the agreed terms and conditions.

Other income is recognized only upon collection or accrued when there is a reasonable certainty as to their collectability.

4.08.02 Revenue Recognition for Revenues outside the scope of PFRS 15
For revenues outside the scope of PFRS 15, the following specific recognition criteria must also be met before revenue is recognized:

Interest Income
Interest income are recognized in the statements of comprehensive income for all interest-bearing financial instruments using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are integral part of the effective interest rate. The change in carrying amounts is recorded as “interest income".

In the case of past due accounts, interest income is recognized only upon the actual collection, as provided under existing BSP regulations.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the effective interest rate method and shown as deduction from loans.

Service Fees
Service fees are collected from borrowers to cover direct and indirect expenses in processing credit applications, and are recognized using the effective interest method.

Recovery of Charged-off Assets
Income arising from collection on recoveries from impairment of previously written-off accounts are recognized in the year of recovery.

4.09 Cost and Expense Recognition

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined; or
- Immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

4.10 Leases

4.10.01 The Bank as Lessee
The Bank considers whether a contract is, or contains a lease. A lease is defined 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 contract meets three (3) 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;
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Recognition and Initial Measurement

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs 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).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Subsequent Measurement

The Bank depreciates the right-of-use assets 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.

Useful life considered in depreciating the right-of-use assets is the life of the asset or remaining term of the lease, whichever is shorter.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

4.10.02 The Bank as Lessor
Property leased out under operating lease is included in investment property in the statement of financial position. Rental income under operating lease is recognized in profit or loss on a straight-line basis over the period of the lease.

4.11 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including trustees and management.

4.11.01 Short-term Employee Benefits
The Bank recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, bonus and incentives, directors' fees, SSS, PHIC, HDMF contributions, accumulating and vesting credit leaves and gratuity pay.

4.11.02 Post-employment Benefits
The retirement obligations recognized are computed on the basis of the provisions of R.A. 7641. The cost or providing benefits is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement benefit obligation recognized in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds and that have terms to maturity approximating to the terms of the related retirement benefit obligation.

The Bank recognizes immediately the following changes in the retirement benefit obligation in the statements of comprehensive income:
- Service costs comprising current service costs, gains and losses on curtailment and non-routine settlements; and
- Net interest expense or income, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains or losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, excluding net interest, are recognized immediately in the statements of financial position with a corresponding debit or credit to equity through "other comprehensive income" in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The last actuarial valuation report obtained from an independent actuary was as of December 2025.

4.12 Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.12.01 Current Income Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4.12.02 Deferred Income Tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally 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 Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it 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 that affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

4.13 Provisions, Contingent Liabilities and Contingent Assets

4.13.01 Provisions
Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

4.13.02 Contingencies
Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

4.14 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.15 Events After the End of the Reporting Date

The Bank identifies events after the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Bank's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with PFRS Accounting Standards requires management to use estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised 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.

5.01 Critical Judgments in Applying Accounting Policies

The Bank has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

5.01.01 Classification of Financial Assets

The Bank determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Bank determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at fair value through profit or loss.

Management assessed that there is no change in the objective of holding the investments, as a result, the carrying amounts of investment securities at amortized cost, are ₱578,498,898 and ₱705,236,894 as of December 31, 2025 and 2024, respectively, as disclosed in Note 9.

5.01.02 Determining Whether or Not a Contract Contains a Lease

At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Identified asset

An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer.

Substantive substitution rights
Even if the asset is specified, the Bank does not have the right to use an identified asset, if, at inception of the contract, a supplier has the substantive right to a substitute the asset throughout the period of use (i.e., the total period of time that an asset is used to fulfill a contract with the Bank, including the sum of any non-consecutive periods of time). A supplier's right to substitute an asset is substantive when both of the following conditions are met:

- The supplier has the practical ability to substitute alternative assets throughout the period of use (e.g., the Bank cannot prevent the supplier from substituting an asset and alternative assets are readily available to the supplier or could be sourced by the supplier within a reasonable period of time); and
- The supplier would benefit economically from the exercise of its right to substitute the asset (i.e., the economic benefits associated with substituting the asset is expected to exceed the costs associated with substituting the asset).

The Bank's evaluation of whether a supplier's substitution right is substantive is based on facts and circumstances at inception of the contract. At inception of the contract, the Bank does not consider future events that are not likely to occur.

Right to obtain substantially all of the economic benefits from use of the identified asset
To control the use of an identified asset, the Bank is required to have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use (e.g., by having exclusive use of the asset throughout that period).

When assessing whether the Bank has the right to obtain substantially all of the economic benefits from the use of an asset, the Bank considers the economic benefits that result from use of the asset within the defined scope of the customer's right to use the asset. A right that solely protects the supplier's interest in the underlying asset (e.g., limits on the number of miles a customer can drive a supplier's vehicle) does not, in and of itself, prevent the Bank from obtaining substantially all of the economic benefits from use of the asset and, therefore, are not considered when assessing whether the Bank has the right to obtain substantially all of the economic benefits.

If a contract requires the Bank to pay the supplier or another party a portion of the cash flows derived from the use of an asset as consideration (e.g., a percentage of sales from the use of retail space), those cash flows are considered to be economic benefits that the Bank derives from the use of the asset.

Right to direct the use of the identified asset
The Bank has the right to direct the use of an identified asset throughout the period of use when either the Bank has the right to direct how and for what purpose the asset is used throughout the period of use. The Bank has the right to direct the use of an identified asset whenever it has the right to direct how and for what purpose the asset is used throughout the period of use (i.e., it can change how and for what purpose the asset is used throughout the period of use). When evaluating whether the Bank has the right to change how and for what purpose the asset is used throughout the period of use, its focus is on whether the Bank has the decision-making rights that will most affect the economic benefits that will be derived from the use of the asset. The decision-making rights that are most relevant are likely to depend on the nature of the asset and the terms and conditions of the contract.

5.01.03 Determining Method of Computing ECL
As stated in Bangko Sentral ng Pilipinas (BSP) Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with PFRS 9, shall, at a minimum, be subject to regulatory guidelines in setting up allowance for credit losses prescribed under Appendix 15 of the Manual of Regulations for Banks.

5.01.04 Classifying Real and Other Properties Acquired (ROPA)
The Bank acquires properties in settlement of loans through foreclosure or dation in payment. These properties are recognized in accordance with Section 382 of the MORB, as follows:
1. Land and buildings shall be accounted for using the cost model under PAS 40 “Investment Property”;
2. Other non-financial assets shall be accounted for using the cost model under PAS 16 “Property Plant and Equipment”, provided that these are held for use in the production or supply of goods or services, or for administrative purposes; and
3. PFRS 5 “Non-Current Assets Held for Sale” when the properties comply with the provisions of the standard.

Notwithstanding the above provisions, it is a regulatory expectation for the Bank to dispose these properties immediately.

5.02 Key Sources of Estimation Uncertainties

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5.02.01 Fair Value of Financial Instruments
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs.

5.02.02 Estimating Allowances for Credit Losses
The Bank estimates the allowance for credit losses related to its loans and receivables based on assessment of specific accounts where the Bank has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer’s current credit status based on third party credit reports and known market factors. The Bank used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated, notwithstanding the provisioning requirements under Manual of Regulations for Banks (MORB).

The Bank also considers financial assets that are more than 30 days past due to be the latest point at which allowance for credit losses should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for credit losses would increase the recognized operating expenses and decrease current assets.

In both years, the Bank assessed its loans and other receivables and determined that certain borrowers are unable to meet their financial obligations. Consequently, no provision for credit losses was recognized by the Bank in 2025 and 2024 as disclosed in Note 23. Allowance for credit losses – loans amounted to ₱24,696,179 and ₱29,579,058 as of December 31, 2025 and 2024, respectively, as disclosed in Note 10. Allowance for credit losses – SCR amounted to ₱8,458,068 as of December 31, 2025 and 2024, as disclosed in Note 10. Allowance for credit losses – accounts receivable amounted to ₱6,051,112 as of December 31, 2025 and 2024, as disclosed in Note 14.

The Bank has assessed that the allowance for credit losses on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Bank only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for credit losses on other financial assets at amortized cost was recognized in 2025 and 2024.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Bank's Premises, Furniture, Fixtures and Equipment, Investment Properties and Intangible Assets
The residual values, useful lives and depreciation method of the Bank's premises, furniture, fixtures and equipment, investment properties and intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank's premises, furniture, fixtures and equipment, investment properties and intangible assets would increase the recognized operating expenses and decrease non-current assets.

The Bank uses a depreciation or amortization method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Bank expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation or amortization method to reflect the new pattern.

In both years, Management assessed that there are no indications that there has been a significant change in pattern used by the Bank to consume its asset's future economic benefit. As of December 31, 2025 and 2024, the carrying amounts of bank premises, furniture, fixtures and equipment as disclosed in Note 11 amounted to ₱80,005,493 and ₱48,384,229, respectively. The carrying amount of investment properties amounted to ₱91,799,873 and ₱103,891,225, as of December 31, 2025 and 2024, respectively, as disclosed in Note 12. The carrying amount of intangible assets amounted to ₱2,696,892 and ₱1,076,050, as of December 31, 2025 and 2024, respectively, as disclosed in Note 13.

5.02.04 Determining Impairment of Non-Financial Asset
In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment loss was recognized on bank premises, furniture, fixtures and equipment and intangible assets in 2025 and 2024, as disclosed in Notes 11 and 13. Accumulated impairment losses on investment properties recognized as of December 31, 2025 and 2024 amounted ₱12,081,824, as disclosed in Note 12.

5.02.05 Fair Value Measurement of Investment Properties
Investment properties are measured using the cost model, in accordance with the applicable financial reporting framework. While investment properties are carried at cost less accumulated depreciation and any impairment losses, their fair values, as disclosed in Note 7 to the financial statements, are determined by the Bank using the discounted cash flow (DCF) valuation technique, due to the unavailability of current or recent observable market prices for similar properties.

The valuation is based on assumptions that reflect market conditions existing at each reporting date, including the expected selling price under installment terms, the anticipated timing of the sale, and the appropriate discount rates. The estimated selling price is determined by either an independent or internal appraiser, using the current appraised values of the properties or of comparable properties in similar locations and conditions.

For investment properties with appraisals conducted prior to the end of the current reporting period, management assesses whether any significant events or changes in circumstances have occurred during the intervening period that may require adjustments to the disclosed fair values. If there are material changes in the key inputs or sources of information used in the fair value determination—such as market conditions, selling prices, or discount rates—these may warrant a revision in the fair value disclosure.

Furthermore, if the revised fair value indicates a potential impairment, the carrying amount of the affected investment property is assessed for impairment and adjusted accordingly in the financial statements, in accordance with the applicable accounting standards.

5.02.06 Determination and Valuation of Post-employment Defined Benefits
The determination of the Bank's obligation and the related cost of post-employment and other retirement benefits is based on actuarial valuations, which in turn depend on the selection of key assumptions. These assumptions, which are disclosed in Note 24 to the financial statements, include, among others, the discount rate, the expected rate of return on plan assets, and future salary increase rates.

Any significant changes in these actuarial assumptions may materially affect the amounts recognized in profit or loss, other comprehensive income, and the carrying amount of the post-employment benefit obligation in subsequent reporting periods.

The amounts recognized in respect of the Bank's post-employment benefit obligation and related expense, including a detailed analysis of the movements in the estimated present value of the obligation, are presented in Note 24 to the financial statements. The note also discloses the significant actuarial assumptions used in estimating the obligation and expected return on plan assets.

5.02.07 Determination of Appropriate Discount Rate in Measuring Lease Liabilities
The Bank measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

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6. RISK MANAGEMENT OBJECTIVES AND POLICIES

6.01 General Risk Management Principles

The Bank's financial instruments comprise cash and cash equivalents, investment securities at amortized cost, loans and other receivables, other assets, and other financial liabilities such as deposit liabilities, bills payable, and accrued and other liabilities to finance the Bank's operations.

The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk and operational risk. The management reviews and agrees on policies for managing each of these risks and they are summarized below.

The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

	Notes		2025		2024
Financial assets					
Cash and other cash items	8	₱	**27,236,650**	₱	26,462,376
Due from BSP	8		**7,815,554**		16,120,477
Due from other banks	8		**441,029,888**		430,508,605
Investment securities at amortized cost – net	9		**578,498,898**		705,236,894
Loans and other receivables – net	10		**605,983,573**		547,077,601
Other assets*	14		**11,095,006**		12,602,634
		₱	**1,671,659,569**	₱	1,738,008,587
Financial liabilities					
Deposit liabilities	15	₱	**1,431,321,514**	₱	1,484,926,146
Bills payable	16		**35,000,000**		25,000,000
Accrued and other liabilities**	17		**12,905,110**		7,917,785
		₱	**1,479,226,624**	₱	1,517,843,931

**excluding non-financial assets amounting to ₱21,044,389 and ₱25,431,655 in 2025 and 2024, respectively.*
***excluding non-financial liabilities amounting to ₱10,385,469 and ₱15,480,783 in 2025 and 2024, respectively.*

6.02 Credit Risk

Credit risk refers to the potential loss that may arise from the failure of borrowers and/or counterparties to fulfill their contractual obligations. The Bank manages and mitigates credit risk by setting defined limits on the amount of risk it is willing to accept for individual counterparties, as well as for concentrations within specific industries. Additionally, the Bank continuously monitors exposures relative to these limits to ensure adequate control over credit risk.

The Bank has established a comprehensive credit policy that sets forth the principles and standards for the approval and management of credit risk. This policy outlines the parameters for credit activities and delineates the roles and responsibilities of individuals and functions involved in the credit process. Credit policies and standards are reviewed periodically to assess their effectiveness and to ensure they remain relevant in light of changing market conditions.

The Board of Directors (BOD) has delegated the oversight of credit risk management to its Credit Committee, while retaining approval authority for exposures that exceed pre-set limits and for macroeconomic scenarios used in the calculation of ECL. For example, the BOD approves the overall credit strategy, including the portfolio mix, and delegates the authority for daily credit activities to the Credit Committee.

The Credit Risk Management department is responsible for the effective management of the Bank's credit risk. Key responsibilities of the department include:

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a) Formulating credit policies that govern credit assessment, risk grading, reporting, and ensure compliance with regulatory and statutory requirements,
b) Monitoring the Bank's credit portfolio and concentration risk exposures,
c) Reviewing and assessing credit risk on an ongoing basis,
d) Maintaining the Bank's credit risk scorecards,
e) Providing advice and guidance to business units, offering specialist skills to promote best practices in the management of credit risk.

The Bank's credit exposures primarily arise from its lending, treasury, and other activities. Credit risk is quantified through the Bank's risk profile and performance metrics, which are regularly monitored and assessed. These metrics, along with relevant risk data, are reported to the BOD on a monthly basis to ensure effective oversight and management of credit risk.

The carrying amount of financial assets recognized in the financial statements represents the Bank's maximum exposure to credit risk.

6.02.01 Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk of the Bank as of December 31, 2025 and 2024, without considering the effects of credit risk mitigation techniques:

	Notes		**2025**		2024
Checks and other cash items	8	₱	**–**	₱	–
Due from BSP	8		**7,815,554**		16,120,477
Due from other banks	8		**441,029,888**		430,508,605
Investment securities at amortized cost*	9		**586,300,805**		728,577,052
Loans and other receivables**	10		**639,172,246**		585,174,415
Other assets***	14		**11,095,006**		12,602,634
		₱	**1,685,413,499**	₱	1,772,983,183

**gross of unamortized discount amounting to ₱7,801,907 and ₱23,340,158 in 2025 and 2024, respectively.*
***gross of unamortized discount amounting to ₱34,426 and ₱59,688 in 2025 and 2024, respectively and allowance for credit losses amounting to ₱33,154,247 and ₱38,037,126 in 2025 and 2024, respectively.*
****excluding non-financial assets amounting to ₱21,044,389 and ₱25,431,655 in 2025 and 2024, respectively.*

6.02.02 Risk Concentration of the Maximum Exposure to Credit Risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Bank's financial strength and undermine public confidence.

6.02.03 Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2025 and 2024:

2025	**Neither Past Due nor Impaired**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and other cash items*	–	–	–	–
Due from BSP	7,815,554	–	–	7,815,554
Due from other banks	441,029,888	–	–	441,029,888
Investment securities at amortized cost**	586,300,805	–	–	586,300,805
Loans and other receivables***	575,189,829	29,891,679	34,090,738	639,172,246
Other assets****	11,095,006	–	–	11,095,006
	1,621,431,082	**29,891,679**	**34,090,738**	**1,685,413,499**

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2024	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items*	–	–	–	–
Due from BSP	16,120,477	–	–	16,120,477
Due from other banks	430,508,605	–	–	430,508,605
Investment securities at amortized cost**	728,577,052	–	–	728,577,052
Loans and other receivables***	531,696,999	21,843,928	31,633,488	585,174,415
Other assets****	12,602,634	–	–	12,602,634
	1,719,505,767	21,843,928	31,633,488	1,772,983,183

**except for cash on hand amounting to ₱27,236,650 and ₱26,462,376 in 2025 and 2024, respectively.*
***gross of unamortized discount amounting to ₱7,801,907 and ₱23,340,158 in 2025 and 2024, respectively.*
****gross of unamortized discount amounting to ₱34,426 and ₱59,688 in 2025 and 2024, respectively and allowance for credit losses amounting to ₱33,154,247 and ₱38,037,126 in 2025 and 2024, respectively.*
*****excluding non-financial assets amounting to ₱21,044,389 and ₱25,431,655 in 2025 and 2024, respectively.*

Neither past due nor impaired cash on hand and in banks are working capital cash fund placed, invested, or deposited dominantly in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability. Other neither past due nor impaired accounts are loans and other receivables and investment securities which have a very remote likelihood of default and have consistently exhibited good paying habits.

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

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

Impaired loans and receivables are loans and receivables for which the Bank determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory notes and securities agreements. Loans and receivables that have been provided with 100% allowance for credit losses and those under litigation are considered impaired.

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

6.02.04 Aging Analysis

An aging analysis of the Bank's loans receivable as of December 31, 2025 and 2024 are as follows:

		2025		2024
Outstanding receivables:*				
Current accounts	₱	**546,645,796**	₱	487,385,858
Past due accounts:				
1 – 30 days past due		**551,623**		7,138,316
31 – 60 days past due		**17,858,976**		9,655,001
61 – 90 days past due		**1,590,770**		6,146,934
over 90 days past due		**30,487,846**		17,503,085
	₱	**597,135,011**	₱	527,829,194

**Amounts are at gross amount*

6.02.05 Measurement of Allowance for Credit Losses

As a general rule, Especially Mentioned and Substandard – Underperforming [e.g., substandard accounts that are unpaid or with missed payment of less than ninety (90) days] shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss accounts shall be considered as Stage 3 accounts.

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Individually Assessed Loans and Other Credit Exposures

1. Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments, as follows:

   For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days	Substandard (underperforming)	10%	2
91 – 120 days	Substandard (non-performing)	25%	3
121 – 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3

   For secured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days*	Substandard (underperforming)	10%	2
91 – 180 days*	Substandard (non-performing)	10%	3
181 – 365 days	Substandard (non-performing)	25%	3
Over a 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 collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

2. Loans and other credit exposures that exhibit the characteristics for classified accounts described under Sec. 143 (Credit Classification and Provisioning) shall be provided with ACL, as follows:

Classification	Minimum ACL	Stage
Especially mentioned	5%	2
Substandard – secured	10%	2 or 3
Substandard – unsecured	25%	2 or 3
Doubtful	50%	3
Loss	100%	3

3. Unsecured loans and other credit accommodations classified as “Substandard” in the last two (2) internal credit reviews which have been continuously renewed/extended without reduction in principal and is not in process of collection, shall be downgraded to “Doubtful” classification and provided with a fifty percent (50%) allowance for credit losses.

4. Loans and other credit accommodations under litigation which have been classified as “Pass” prior to the litigation process shall be classified as “Substandard” and provided with twenty-five percent (25%) allowance for credit losses.

5. Loans and other credit accommodations that were previously classified as “Pass” but were subsequently restructured shall have a minimum classification of EM and provided with a five percent (5%) allowance for credit losses, except for loans which are considered non-risk under existing laws, rules and regulations.

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6. 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 fully repaid.

Collectively Assessed Loans and Other Credit Exposure

1. Current “Pass” loans and other credit accommodations should be provided with a reasonable level of collective allowance, using historical loss experience adjusted for current conditions.

2. Loans and other credit exposures with unpaid principal and/ or interest shall be classified and provided with ACL based on the number of days of missed payments, as follows:

   For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments*	Classification	Minimum ACL	Stage
1 – 30 days	Especially Mentioned	2%	2
31 – 60 days/1st restructuring	Substandard	25%	2 or 3
61 – 90 days	Doubtful	50%	3
91 days and over/2nd restructuring	Loss	100%	3

**PAR for microfinance loans*

   For secured loans and other credit accommodations:

No. of days unpaid/with missed payments*	Classification	Stage	ACL (%)	
			Other types of collateral	Security by real estate
31 – 90 days	Substandard (underperforming)	2	10	10
91 – 120 days	Substandard (non-performing)	3	25	15
121 – 360 days	Doubtful	3	50	25
361 days – 5 years	Loss	3	100	50
Over 5 years	Loss	3	100	100

**PAR for microfinance loans*

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

6.03 Liquidity risk

Liquidity risk is defined as the potential threat to earnings or capital arising from the Bank’s inability to meet its obligations as they become due, without incurring unacceptable losses or costs. The Bank adopts a conservative approach to liquidity risk and maintains various options for emergency funding in the event of a liquidity crisis. The Bank's liquidity risk is quantified through key performance metrics, which are stress-tested under multiple scenarios. These results, along with any relevant insights, are reported to the BOD on a monthly basis.

Liquidity risk is managed by ensuring the Bank holds sufficient liquid assets and conducts thorough assessments to meet short-term funding needs. The Bank also maintains a strong focus on high collection performance. Deposits with banks are typically short-term in nature, with nearly all being available on demand or within one month.

As of December 31, 2025 and 2024, minimum liquidity ratio of the Bank is 87.51% and 96.01%, respectively.

In Philippine Peso

The table below summarizes maturity profile of the Bank's financial assets and liabilities as of December 31, 2025 and 2024 based on undiscounted contractual cash flows:

2025	**On Demand**	**Due within 1 year**	**Due beyond 1 year but not more than 5 years**	**Due beyond 5 years but not more than 15 years**	**Total**
Financial Assets:					
Cash on hand	₱ 26,236,650	₱ –	₱ –	₱ –	₱ 26,236,650
Due from BSP	7,815,554	–	–	–	7,815,554
Due from other banks	373,029,888	68,000,000	–	–	441,029,888
Investment securities at amortized cost*	122,075,450	229,726,675	109,433,223	125,065,457	586,300,805
Loans and other receivables – gross**	7,654,790	72,887,312	108,885,477	449,744,667	639,172,246
Other assets***	519,846	10,575,160	–	–	11,095,006
	₱ 537,332,178	**₱ 381,189,147**	**₱ 218,318,700**	**₱ 574,810,124**	**₱ 1,711,650,149**

**gross of unamortized discount amounting to ₱7,801,907.*
***gross of unamortized discount amounting to ₱34,426 and allowance for credit losses amounting to ₱33,154,247.*
****excluding non-financial assets amounting to ₱21,044,389.*

Financial Liabilities:					
Deposit liabilities	₱ 1,219,430,368	₱ 148,214,796	₱ 23,879,292	₱ 39,797,058	₱ 1,431,321,514
Bills payable	35,000,000	–	–	–	35,000,000
Accrued and other liabilities****	12,005,381	413,653	486,076	–	12,905,110
	₱ 1,266,435,749	**₱ 148,628,449**	**₱ 24,365,368**	**₱ 39,797,058**	**₱ 1,479,226,624**

*****excluding non-financial liabilities amounting to ₱10,385,469.*

In Philippine Peso

2024	On Demand	Due Within 1 Year	Due Beyond 1 Year But Not More Than 5 Years	Due Beyond 5 Year But Not More Than 15 Years	Total
Financial Assets:					
Cash on hand	₱ 26,462,376	₱ –	₱ –	₱ –	₱ 26,462,376
Due from BSP	16,120,477	–	–	–	16,120,477
Due from other banks	353,508,605	67,000,000	10,000,000	–	430,508,605
Investment securities at amortized cost*	109,820,054	455,886,830	9,926,460	152,943,708	728,577,052
Loans and other receivable-gross**	12,868,642	68,398,339	100,039,951	403,867,483	585,174,415
Other assets***	490,955	12,111,679	–	–	12,602,634
	₱ 519,271,109	₱ 603,396,848	₱ 119,966,411	₱ 556,811,191	₱ 1,799,445,559

**gross of unamortized discount amounting to ₱23,340,158.*
***gross of unamortized discount amounting to ₱59,688 and allowance for credit losses amounting to ₱38,037,126.*
****excluding non-financial assets amounting to ₱25,431,655.*

Financial Liabilities:					
Deposit liabilities	₱ 1,224,530,288	₱ 161,432,973	₱ 45,971,917	₱ 52,990,968	₱ 1,484,926,146
Bills payable	25,000,000	–	–	–	25,000,000
Accrued and other liabilities****	7,917,785	–	–	–	7,917,785
	₱ 1,257,448,073	₱ 161,432,973	₱ 45,971,917	₱ 52,990,968	₱ 1,517,843,931

*****excluding non-financial liabilities amounting to ₱15,480,783.*

6.04 Interest Rate Risk

Interest rate risk refers to the potential impact on earnings or capital resulting from adverse movements in interest rates. To measure the sensitivity of its resources, liabilities, and off-balance sheet items to interest rate fluctuations, the Bank conducts an interest rate gap analysis within its banking book. The banking book refers to resources on the Bank's statement of financial position that are expected to be held to maturity, typically consisting of customer loans and deposits from both corporate and retail clients. The primary focus of this analysis is to assess the effect of interest rate changes on accrual or reported earnings. This analysis provides management with insights into the repricing profile of the Bank's interest-sensitive assets and liabilities within the banking book.

The BOD has established earnings-at-risk (EaR) limits to manage the Bank's interest rate exposure. These positions are closely monitored on a regular basis. Management tracks its exposure to interest rate fluctuations by modeling the impact of interest rate changes on the net worth of the Bank's total books. This modeling evaluates how varying interest rate scenarios affect the net interest positions across the Bank's total portfolio.

To manage its net interest margin, the Bank strategically invests excess funds in high-yield investments and other short-term time deposits.

6.05 Operational Risks

Operational risk refers to the risk of direct or indirect loss arising from a broad range of causes related to the Bank's engagement with financial instruments. These may stem from internal processes, personnel, systems, or infrastructure, as well as from legal and regulatory requirements and generally accepted standards of corporate behavior.

Responsibility for managing operational risk exposures lies with the Executive Committee and Senior Management, who oversee the implementation of policies aimed at minimizing expected losses. This includes allocating capital to cover unexpected losses and maintaining insurance coverage to address potential catastrophic events.

The Bank employs a risk-based approach to operational risk management, which involves mapping risks across critical business processes. This proactive process includes identifying, assessing, and mitigating operational risks to reduce their impact on the Bank's activities. Operational risk incidents are recorded, escalated, and monitored by individual business units, with oversight provided by the second line of defense.

In support of this framework, the BOD has established a robust Internal Audit function, which works closely with Management to ensure that audit findings are addressed and resolved in a timely manner.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value hierarchy level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

As of December 31, 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

In Philippine Peso

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.01 Fair Value Determination

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:

	Carrying Value	Fair value			
2025		**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
ASSETS					
Investment securities at amortized cost	578,498,898	–	578,498,898	–	578,498,898
Loans and other receivables – net	605,983,573	–	605,983,573	–	605,983,573
	1,184,482,471	**–**	**1,184,482,471**	**–**	**1,184,482,471**
LIABILITY					
Deposit liabilities	**1,431,321,514**	**–**	**1,431,321,514**	**–**	**1,431,321,514**
2024					
ASSETS					
Investment securities at amortized cost	705,236,894	–	705,236,894	–	705,236,894
Loans and other receivables – net	547,077,601	–	547,077,601	–	547,077,601
	1,252,314,495	–	1,252,314,495	–	1,252,314,495
LIABILITY					
Deposit liabilities	1,484,926,146	–	1,484,926,146	–	1,484,926,146

7.01.01 Cash and other cash items, Due from BSP and other banks, and Other assets
The carrying values of these financial assets and liabilities approximate their fair values due to the relatively short-term maturities of these financial assets and liabilities.

7.01.02 Loans and other Receivable
Loans receivable are net of provisions for credit losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at original rates to determine fair value.

7.01.03 Deposit Liabilities
The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of other deposits represents the estimated cash flows expected to be paid which are discounted at the current market rates.

7.01.04 Bills Payable
Bills payable is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method for those with maturities beyond one year, less settlement payments.

In Philippine Peso

7.01.05 Accrued and Other Liabilities
Due to their short duration, the carrying amounts of accrued interest and other expenses and other liabilities in the statement of financial position are considered to be reasonable approximations of their fair values.

7.01.06 Fair Value Measurement for Non-financial Assets
The fair value of the Bank's land and building classified under Investment Properties account, as disclosed in Note 12, is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of investment properties for the years ended December 31, 2025 and 2024 amounted to ₱650,226,936 and ₱664,672,686, respectively, as disclosed in Note 12, is currently categorized within Level 2. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

8. CASH AND CASH EQUIVALENTS

The account consists of the following:

		2025		2024
Cash and other cash items:				
Cash on hand	**₱**	**27,236,650**	₱	26,462,376
Checks and other cash items		**–**		–
		27,236,650		26,462,376
Due from BSP		**7,815,554**		16,120,477
Due from other banks		**441,029,888**		430,508,605
		448,845,442		446,629,082
	₱	**476,082,092**	₱	473,091,458

Cash and Other Cash Items
Cash and other cash items refers to cash on hand representing the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier, including notes and coins in the possession of tellers and those kept in automated teller machines (ATM) as of December 31, 2025 and 2024. On the other hand, checks and other cash items account refers to the total amount of checks and other cash items received after the clearing cut-off time until the close of the regular banking hours.

Due from Bangko Sentral ng Pilipinas (BSP)
Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. Due from BSP bears annual interest rate of zero in 2025 and 2024.

Pursuant to BSP Circular No. 1175 Series of 2023, the reserve requirement against deposit liabilities for rural banks is reduced to one percent (1%) for savings, time and demand deposits. On top of the regular reserve requirements, legal reserves against peso demand deposits, savings, and time deposit and deposit substitutes shall be zero percent (0%) for rural banks.

Subsequently, under BSP Circular No. 1201 Series of 2024, the reserves against deposit liabilities for rural banks was further reduced to zero percent (0%) for savings, time and demand deposits.

In Philippine Peso

The Bank has satisfactorily complied with the reserve requirements of the BSP as of December 31, 2025 and 2024.

Due from Other Banks
Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its working funds. Peso denominated deposits earn interest at annual rates ranging from 0.00% to 6.10% in 2025 and 2024.

Interest earned on deposits on local banks amounted to ₱3,376,051 and ₱6,311,103 in 2025 and 2024, respectively.

9. INVESTMENT SECURITIES AT AMORTIZED COST – net

This account consists of:

		2025		2024
Face amount	₱	**586,300,805**	₱	728,577,052
Unamortized discounts/premiums		**(7,801,907)**		(23,340,158)
	₱	**578,498,898**	₱	705,236,894

Movements in the account are disclosed below:

		2025		2024
Balance, January 1	₱	**728,577,052**	₱	767,398,075
Acquisitions during the year		**341,000,000**		546,000,000
Maturities during the year		**(483,276,247)**		(584,821,023)
		586,300,805		728,577,052
Unamortized discounts		**(7,801,907)**		(23,340,158)
Balance, December 31	₱	**578,498,898**	₱	705,236,894

Interest rate ranges from 3.375%% to 9.000% and from 2.625% to 8.000% in 2025 and 2024, respectively, with maturity ranging from less than one (1) year to twenty-five (25) years.

Interest earned on investment securities at amortized cost amounted to ₱30,966,447 and ₱36,248,056 in 2025 and 2024, respectively.

The Bank assesses at each financial reporting date whether there is an indication that an investment may be impaired and believes that there is no such indication as of December 31, 2025 and 2024.

Under current banking regulations, investments in bonds and other debt instruments shall not exceed 50% of adjusted statutory net worth plus 40% of total deposits liabilities. As of December 31, 2025 and 2024 the Bank is compliant with such regulations.

In Philippine Peso

10. LOANS AND OTHER RECEIVABLES – net

The Bank's loans and other receivables consist of:

		2025		2024
Current loans	₱	**546,645,796**	₱	487,385,858
Past due loans		**49,279,157**		39,298,136
Items in litigation		**1,210,058**		1,145,200
Total loans receivable		**597,135,011**		527,829,194
Sales contract receivable		**39,867,700**		43,484,174
Accrued interest receivable		**2,169,535**		13,861,047
Total loans and other receivables – gross		**639,172,246**		585,174,415
Unamortized discounts		**(34,426)**		(59,688)
Total loans and other receivables – amortized cost		**639,137,820**		585,114,727
Allowance for credit losses – loans receivable		**(24,696,179)**		(29,579,058)
Allowance for credit losses – sales contract receivable		**(8,458,068)**		(8,458,068)
Total loans and other receivables – net	₱	**605,983,573**	₱	547,077,601

Sales contract receivable refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dacion in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

The breakdown of sales contract receivables are as follows:

		2025		2024
Performing	₱	**26,374,499**	₱	31,158,552
Non-performing		**13,493,201**		12,325,622
	₱	**39,867,700**	₱	43,484,174

The movement of the allowance for credit losses on loans receivable at December 31, 2025 and 2024 as disclosed in Note 23 are summarized as follows:

		2025		2024
Balance, January 1	₱	**29,579,058**	₱	33,795,437
Write-off		**(3,489,730)**		(2,012,933)
Reversals and disposals		**(1,393,149)**		(2,203,446)
Balance, December 31	₱	**24,696,179**	₱	29,579,058

Allowance for credit losses – loans receivable is comprised of the following:

		2025		2024
Specific loan loss provision	₱	**19,338,764**	₱	24,782,858
General loan loss provision		**5,357,415**		4,796,200
	₱	**24,696,179**	₱	29,579,058

In Philippine Peso

The allowance for credit losses which includes both specific and general loan loss reserves, represents management estimates of credit losses inherent in the portfolio, after consideration of the prevailing and anticipated economic conditions, prior to loss experience, estimated recoverable value based on fair market values of underlying collateral and prospects of support from guarantors, subsequent collections and evaluations made by BSP Supervision and Examination Sector. The BSP observes certain criteria and guidelines based largely on the classification of loans in establishing specific loss reserves.

Interest income earned by the Bank from its loans and other receivables are disclosed below:

		2025		2024
Loans receivable	**₱**	**105,674,750**	₱	87,224,966
Sales contract receivable		**5,284,765**		3,974,999
	₱	**110,959,515**	₱	91,199,965

10.01 Past Due Loans

Past due loans of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at maturity.

Section 304 of the MORB defined the classification of past due loans as follows:

As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or instalment due, or portions thereof, are not paid at their contractual date, in which case, the total outstanding balance thereof shall be considered past due.

Installment refers to principal and/or interest amortizations that are due on several dates as indicated in the loan documents. The allowance for loan losses is the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the collectability of loans and prior loss experience.

Any amounts set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates to be present in the portfolio of loans and advances are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expenses and reduced by write-offs and reversals.

10.02 Non-Performing Loans

Section 304 of the MORB defined non-performing loans (NPLs) as follows:

Loans, investments, receivables or any financial asset shall be considered non-performing, even without missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

In Philippine Peso

Breakdown of non-performing loans based on days outstanding are as follows:

		2025		2024
Past due accounts:				
1 – 90 days	₱	**3,602,892**	₱	14,130,403
91 – 180 days		**18,494,144**		2,281,005
Over 180 days		**11,993,702**		15,222,080
	₱	**34,090,738**	₱	31,633,488

As of December 31, 2025 and 2024, non-performing loans (NPLs) not fully covered by allowance for credit losses are as follows:

		2025		2024
Total Non-performing loans	₱	**34,090,738**	₱	31,633,488
Less: Non-performing loans covered by allowance for credit losses		**14,174,112**		15,424,252
	₱	**19,916,626**	₱	16,209,236

Information regarding the Bank's non-performing loans (based on Circular 941) are as follows:

	2025	2024
Ratio of gross NPLs to gross TLP (%)	**5.71%**	5.99%
Ratio of net NPLs to gross TLP (%)	**3.34%**	3.07%
Ratio of total allowance for credit losses to gross NPLs (%)	**72.44%**	93.51%
Ratio of specific allowance for credit losses on gross TLP to gross NPLs (%)	**56.73%**	78.34%

In Philippine Peso

11. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFFE) – net

The carrying amounts of the Bank's BPFFE are as follows:

2025	Land	Buildings	Leasehold Rights and Improvements	Furniture, Fixtures and Other Equipment	Transportation Equipment	Right-of-Use-Assets	Total
Cost							
At January 1	₱ 16,157,142	₱ 71,584,687	₱ 679,273	₱ 47,130,385	₱ 17,481,682	₱ 1,207,332	₱ 154,240,501
Additions	29,000,000	–	–	5,680,366	5,154,472	1,251,678	41,086,516
Adjustments / Write-off	–	–	–	(842,521)	(3,285,004)	(1,207,332)	(5,334,857)
At December 31	**45,157,142**	**71,584,687**	**679,273**	**51,968,230**	**19,351,150**	**1,251,678**	**189,992,160**
Accumulated Depreciation							
At January 1	–	49,165,149	679,267	41,795,845	13,026,247	1,189,764	105,856,272
Depreciation (Note 20)	–	3,151,503	–	3,493,255	2,406,473	414,021	9,465,252
Adjustments / Write-off	–	–	–	(842,521)	(3,285,004)	(1,207,332)	(5,334,857)
At December 31	**–**	**52,316,652**	**679,267**	**44,446,579**	**12,147,716**	**396,453**	**109,986,667**
Carrying Amount	**₱ 45,157,142**	**₱ 19,268,035**	**₱ 6**	**₱ 7,521,651**	**₱ 7,203,434**	**₱ 855,225**	**₱ 80,005,493**

In 2025, the Bank disposed several properties with a carrying amount of nil for cash amounting ₱1,500,621. The sale resulted to a gain on sale amounting to ₱1,500,621 which is included in other operating income, as disclosed in Note 19.

In Philippine Peso

The reconciliation of the changes in this account as of December 31, 2024 follows:

2024	Land	Buildings	Leasehold Rights and Improvements	Furniture, Fixtures and Other Equipment	Transportation Equipment	Construction-in-Progress	Right-of-Use-Assets	Total
Cost								
At January 1	₱ 16,157,142	₱ 65,226,187	₱ 679,273	₱ 45,801,866	₱ 18,854,612	₱ 3,190,000	₱ 3,888,425	₱ 153,797,505
Additions	–	–	–	2,543,525	1,817,106	3,168,500	–	7,529,131
Reclassification	–	6,358,500	–	–	–	(6,358,500)	–	–
Adjustments / Write-off	–	–	–	(1,215,006)	(3,190,036)	–	(2,681,093)	(7,086,135)
At December 31	16,157,142	71,584,687	679,273	47,130,385	17,481,682	–	1,207,332	154,240,501
Accumulated Depreciation								
At January 1	–	46,263,449	628,217	41,548,367	14,014,040	–	3,331,359	105,785,432
Depreciation (Note 20)	–	2,897,916	51,050	2,622,463	2,088,075	–	539,498	8,199,002
Adjustments / Write-off	–	3,784	–	(2,374,985)	(3,075,868)	–	(2,681,093)	(8,128,162)
At December 31	–	49,165,149	679,267	41,795,845	13,026,247	–	1,189,764	105,856,272
Carrying Amount	₱ 16,157,142	₱ 22,419,538	₱ 6	₱ 5,334,540	₱ 4,455,435	₱ –	₱ 17,568	₱ 48,384,229

In 2024, the Bank disposed several properties with a carrying amount of ₱2,467 for cash amounting ₱395,885, which resulted to a gain on sale amounting to ₱393,418 which is included in other operating income, as disclosed in Note 19.

Furniture, fixtures and other equipment comprise furniture and fixtures, information technology equipment and other office equipment.

Based on the management's assumptions, which is based on the recoverable amount of the properties, no impairment loss is required to be recognized both in 2025 and 2024. No properties were used as collateral for liabilities as at December 31, 2025 and 2024.

All additions in 2025 and 2024 were paid in cash.

Section 109 of the MORB states that the total investment of a bank in real estate and improvements thereon, including bank equipment, shall not exceed fifty percent (50%) of the bank's net worth. As of December 31, 2025 and 2024, the Bank is compliant with such regulation.

In Philippine Peso

12. INVESTMENT PROPERTIES – net

The investment properties pertain to land and building acquired by the Bank in settlement of loans through foreclosure. Movements of this account are as follows:

2025		**Land**		**Building**		**Total**
Cost						
Balance, January 1	₱	92,900,042	₱	56,013,376	₱	148,913,418
Additions		1,925,797		1,528,997		3,454,794
Disposals		(7,771,282)		(4,646,477)		(12,417,759)
Balance, December 31		**87,054,557**		**52,895,896**		**139,950,453**
Accumulated Depreciation						
Balance, January 1		–		32,940,369		32,940,369
Depreciation (Note 20)				4,201,447		4,201,447
Disposals				(1,073,060)		(1,073,060)
Balance, December 31		**–**		**36,068,756**		**36,068,756**
Allowance for Impairment Losses: (Note 23)						
Balance, December 31		**10,963,922**		**1,117,902**		**12,081,824**
Carrying amount	**₱**	**76,090,635**	**₱**	**15,709,238**	**₱**	**91,799,873**

2024		Land		Building		Total
Cost						
Balance, January 1	₱	96,872,319	₱	56,560,222	₱	153,432,541
Additions		4,489,089		5,033,207		9,522,296
Disposals		(8,461,366)		(5,580,053)		(14,041,419)
Balance, December 31		92,900,042		56,013,376		148,913,418
Accumulated Depreciation						
Balance, January 1		–		32,626,387		32,626,387
Depreciation (Note 20)		–		4,178,914		4,178,914
Disposals		–		(3,864,932)		(3,864,932)
Balance, December 31		–		32,940,369		32,940,369
Allowance for Impairment Losses: (Note 23)						
Balance, January 1		10,898,385		1,117,902		12,016,287
Provision for impairment (Note 20)		100,647		–		100,647
Disposals		(35,110)		–		(35,110)
Balance, December 31		10,963,922		1,117,902		12,081,824
Carrying amount	₱	81,936,120	₱	21,955,105	₱	103,891,225

The Bank acquired its investment properties from foreclosure of properties. All real and other properties acquired are accounted for as investment properties.

In 2025, investment properties with carrying amount of ₱11,134,699 are sold for ₱29,598,625. ₱18,781,482 representing the cash payment received at the time of sale and ₱10,817,143 transacted under installment payment schemes. The sale resulted to gain on sale amounting to ₱18,463,926, as disclosed in Note 19.

In Philippine Peso

In 2024, investment properties with carrying amount of ₱9,517,437 are sold for ₱38,723,240, ₱20,721,840 representing the cash payment received at the time of sale and ₱18,001,400 transacted under installment payment schemes. The sale resulted to gain on sale amounting to ₱29,205,803, as disclosed in Note 19.

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is an indication that an impairment loss has occurred on its investment properties. Allowance for impairment losses amounted to ₱12,081,824 as of December 31, 2025 and 2024, as disclosed in Note 23.

No amount of investment properties of the Bank has been pledged to secure general banking facilities granted to the Bank.

Fair value is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of investment properties for the years ended December 31, 2025 and 2024 amounted to ₱650,226,936 and ₱664,672,686, respectively, as disclosed in Note 7, is currently categorized within Level 2. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

Income earned from investment properties under rental arrangements amounted to ₱2,571,338 and ₱3,040,617 in 2025 and 2024, respectively, as disclosed in Note 19. Direct expenses incurred from these properties include depreciation expense amounting to ₱4,201,447 and ₱4,178,914 in 2025 and 2024, respectively, as disclosed in Note 20.

13. INTANGIBLE ASSETS – net

Intangible assets refers to the identifiable non-monetary assets without physical substance such as the core banking system being used by the Bank.

Movement of the account is disclosed below:

	Note	**2025**	2024
Cost:			
Balance, January 1		**₱ 14,456,029**	₱ 14,183,613
Additions		**2,149,763**	319,083
Adjustments		**(29)**	(46,667)
Balance, December 31		**16,605,763**	14,456,029
Accumulated Depreciation:			
Balance, January 1		**13,379,979**	12,428,472
Amortization	20	**528,921**	998,174
Adjustments		**(29)**	(46,667)
Balance, December 31		**13,908,871**	13,379,979
Carrying amount		**₱ 2,696,892**	₱ 1,076,050

In Philippine Peso

14. OTHER ASSETS

This account consists of:

	Note		2025		2024
Accounts receivable		₱	**16,626,272**	₱	18,162,791
Goodwill			**10,703,347**		10,703,347
Prepaid tax			**7,020,908**		8,246,518
Deposits with closed banks			**5,750,000**		5,750,000
Prepaid expenses			**2,506,807**		2,055,636
Petty and other cash funds			**519,846**		490,955
Stationery and supplies on hand			**220,994**		227,658
Retirement plan asset	24		**–**		3,610,482
Miscellaneous assets			**592,333**		588,014
			43,940,507		49,835,401
Allowance for credit losses – Deposit with closed banks			**(5,750,000)**		(5,750,000)
Allowance for credit losses – Accounts receivables	23		**(6,051,112)**		(6,051,112)
		₱	**32,139,395**	₱	38,034,289

Prepaid expenses include the remaining unexpired portion of the cost of insurance on fire, MSPR, fidelity bonds of employees, prepaid taxes and licenses.

Accounts receivable represents claims or advance payment on various non-loan transactions and amount due from other parties. This account is measured at face value and reduced by allowance for credit losses.

Goodwill represents the excess of the cost of acquisition of the Bank over the fair value of the net assets acquired at the date of acquisition. This is from the acquisition of Rural Bank of Mendez, Inc. which was acquired in 2016.

Retirement plan asset represents the amount set aside for the retirement of the Bank's officers and employees.

Stationery and supplies represent the cost of unused stationeries, printed forms, and office supplies.

Miscellaneous assets are items owned by the Bank which cannot be classified under any of the foregoing asset accounts.

15. DEPOSIT LIABILITIES

The Bank's deposit liabilities as of December 31 consist of the following:

		2025		2024
Savings deposits	₱	**1,119,413,249**	₱	1,157,638,255
Demand deposits		**248,231,915**		228,325,006
Time deposits		**63,676,350**		98,962,885
	₱	**1,431,321,514**	₱	1,484,926,146

Deposit liabilities bear annual interest rates ranging from 0.71% to 2.0% in 2025 and 2024.

Under the existing BSP regulations, savings deposits and special savings deposits of the Bank are subject to statutory reserve equivalent to 0% in 2025 and 2024. As of December 31, 2025 and 2024, the Bank is compliant with such regulations.

In Philippine Peso

Interest expense on deposit liabilities charged to profit or loss in 2025 and 2024 amounted to ₱3,062,694 and ₱4,314,188, respectively.

16. BILLS PAYABLE

Movement of the Bank's bills payable is as follows:

		2025		2024
Balance, January 1	₱	**25,000,000**	₱	30,000,000
Availments		**35,000,000**		25,000,000
Payments		**(25,000,000)**		(30,000,000)
Balance, December 31	₱	**35,000,000**	₱	25,000,000

Interest rate of bills payable ranges from 6.25% to 7% and 5% to 7% in 2025 and 2024, respectively. Interest expense incurred in 2025 and 2024 amounted to ₱44,965 and ₱30,278, respectively, and is presented as part of interest expense in the statement of comprehensive income.

17. ACCRUED AND OTHER LIABILITIES

This account consists of:

	Note		**2025**		2024
Accounts payable		₱	**11,435,034**	₱	6,779,862
Accrued other expenses			**7,037,135**		11,701,764
Government payables			**3,020,935**		3,527,445
Lease liabilities			**899,729**		20,493
Accrued interest payable			**570,347**		597,227
Unearned income			**60,000**		25,000
Dividends payable	18		**–**		520,203
Miscellaneous payable			**267,399**		226,574
		₱	**23,290,579**	₱	23,398,568

Accounts payable items include various claims by other parties as of the year end.

Accrued expenses pertain to documentary stamp tax, gross receipt tax, fringe benefit and incentives that were incurred during the year but were only paid in the following year. These are non-interest bearing and normally settled within 10 to 30 days.

Government payables consist of withholding taxes payable, government contributions, and amounts due to the Treasurer of the Philippines. The withholding taxes payable represents tax withheld on interest expense on deposits, compensation and other transactions on which the Bank is obliged to withhold as withholding agent of the government. This amount had been remitted by the Bank in January of the succeeding year.

17.01 Lease Liabilities

The details of the Bank's lease liabilities and their carrying amounts are as follows:

	Note		**2025**		2024
Balance, January 1		₱	**20,493**	₱	703,475
Additions			**1,251,678**		–
Interests			**61,822**		23,989
Payments			**(434,264)**		(695,010)
Adjustments	18		**–**		(11,961)
Balance, December 31		₱	**899,729**	₱	20,493

In Philippine Peso

The maturity analysis of lease liabilities as at December 31, 2025 and 2024 is as follows:

2025		**Lease Payments**		**Finance Charges**		**Net Present Values**
Within 1 year	₱	455,973	₱	42,320	₱	413,653
1 – 2 years		502,628		16,552		486,076
Total	**₱**	**958,601**	**₱**	**58,872**	**₱**	**899,729**

2024		Lease Payments		Finance Charges		Net Present Values
Within 1 year	₱	20,617	₱	124	₱	20,493
1 –2 years		–		–		–
Total	₱	20,617	₱	124	₱	20,493

18. EQUITY

18.01 Preferred Stocks

Authorized preference share capital amounted to ₱10,000,000 divided into 100,000 shares with par value of ₱100 per share. There were no subscribed and paid preference share as of December 31, 2025 and 2024.

18.02 Common Stocks

Shown below are the details on the movement of common stock:

	2025			2024		
	Shares		**Amount**	Shares		Amount
Authorized capital at ₱100 par value	**1,900,000**	**₱**	**190,000,000**	1,900,000	₱	190,000,000
Subscribed and paid up:	**1,888,798**	**₱**	**188,879,800**	1,888,798	₱	188,879,800

The ordinary shareholders of the Bank are given least priority as to asset liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among the ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restrictions for reserve requirement and preferred dividends, if any.

In 2025, the Bank approved through Board Resolution Nos. 2025-048 the increase in the authorize number of shares of the Bank to 5,000,000 shares. The proposed adjustment was communicated with the BSP prior to the submission to the SEC.

18.03 Additional Paid-In Capital

Below are the details on the movement of additional paid in capital:

		2025		2024
Balance, December 31	**₱**	**26,811,831**	₱	26,811,831

In Philippine Peso

18.04 Surplus Free

The table below shows the surplus – free for the years ended December 31, 2025 and 2024:

		2025		2024
Balance, January 1	₱	**177,640,519**	₱	153,671,181
Profit		**37,689,631**		35,970,132
Cash dividends declared		**(41,005,805)**		(12,012,755)
Stock dividends declared		**(38,000,000)**		–
Prior year adjustment		**–**		11,961
Balance, December 31	₱	**136,324,345**	₱	177,640,519

Under Section 124 of the MORB, the liability for dividends shall be taken up in the books upon receipt of BSP approval thereof, or if no approval is received, after thirty (30) business days from the date the required report on dividend declaration was received by the appropriate supervising and examining department of the BSP, whichever comes earlier.

In 2025, the Bank declared cash dividends of ₱10.59 per share or a total of ₱20,002,371 and another ₱11.12 per share or a total of ₱21,003,434 for its ordinary shareholders on record as of December 31, 2024 through Board Resolution Nos. 2025-034 and 2025-090, respectively.

In 2025, the Bank declared stock dividends based on the subscribed common shares of 1,888,798, representing a dividend rate of 20.1186% or a total of ₱38,000,000 for its ordinary shareholders on record as of September 30, 2025 through Board Resolution Nos. 2025-126.

In 2024, the Bank declared cash dividends of ₱6.36 per share or a total of ₱12,012,755 for its ordinary shareholders on record as of December 31, 2023 through Board Resolution No. 2024-032.

Movements of cash dividends payable are disclosed below:

	Note		2025		2024
Balance, January 1		₱	**520,203**	₱	–
Dividend declaration			**41,005,805**		12,012,755
Payments			**(41,526,008)**		(11,492,552)
Balance, December 31	17	₱	**–**	₱	520,203

The nature of prior year adjustment for the year 2024 is disclosed below:

	Note		2025		2024
Adjustment on finance lease liability	17	₱	**–**	₱	11,961

18.05 Capital Management

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

The Bank manages its capital structure, which composed of paid-up capital and surplus reserve, and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

In Philippine Peso

On August 24, 2022, the BSP issued Circular No. 1151, Amendments to Minimum Capitalization of Rural Banks, increasing the minimum capitalization requirement to ₱120 million for rural banks with 6 to 10 branches, which must be satisfied within five years from the date of effectivity of the circular. Banks which comply with the new capital levels must submit to the BSP a certification to this effect, within 10 banking days from the date of effectivity of this circular. Banks availing of the capital build-up track shall submit to the BSP within six months from the date of effectivity of this circular. As of the reporting date, the Bank is in compliance with the provisions of the aforementioned circular.

Appendix 62 of the MORB, as amended by BSP Circular Nos. 1079 and 1084, discusses the guidelines implementing the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks.

The minimum capital ratios shall be expressed as a percentage of capital to risk-weighted assets as shown below:

Minimum Capital Ratio	**Capital**	**% of Risk-Weighted Assets**
Common Equity Tier 1 (CET1) Ratio	CET1	at least 6.0%
Tier 1 Ratio	Tier 1	at least 7.5%
Capital Adequacy Ratio (CAR)	Qualifying Capital	at least 10.0%

A capital conservation buffer (CCB) of two and a half percent (2.5%), comprised of CET1 capital, shall likewise be imposed.

The minimum capital ratios based on the new compositions and the CCB shall take effect starting January 1, 2023.

Qualifying capital consists of the following elements, net of required deductions:

a) Tier 1 Capital, which is composed of:
   i. CET1 Capital; and
   ii. Additional Tier 1 (AT1) Capital

b) Tier 2 Capital

CET1 Capital consists of:

a) Paid-up common stock
b) Surplus free
c) Additional paid-in capital
d) Stock dividends distributable
e) Other comprehensive income

   Subject to deductions/regulatory adjustments for:
   i. Deferred tax asset
   ii. Goodwill
   iii. Intangible assets
   iv. Retirement benefit (obligation) asset

Tier 2 Capital consists of:
a) General loan loss provision;

Additionally, CCB is meant to promote the conservation of capital and build-up of adequate cushion above the minimum level that can be drawn down by banks to absorb losses during periods of financial and economic stress. The buffer is on top of the minimum capital requirements. The capital must first be used to meet the minimum CET1 ratio before the remainder can contribute to the CCB.

In Philippine Peso

Where a bank does not have positive earnings, has CET1 ratio of lower than eight and a half percent (8.5%) [CET1 ratio of six percent (6%) plus conservation buffer of two and a half percent (2.5%)], and has not complied with other minimum capital ratios, the Bank would then be restricted from making distribution of earnings.

Information regarding the Bank's qualifying capital as of December 31, 2025 and 2024 is shown below:

		2025		2024
CET1 Capital	₱	**364,193,884**	₱	368,077,152
AT1 Capital		**–**		–
Tier 1 Capital		**364,193,884**		368,077,152
Tier 2 Capital		**5,357,415**		4,796,200
Qualifying capital		**369,551,299**		372,873,352
Total risk-weighted assets	₱	**1,462,555,384**	₱	1,355,621,502
CET1 Ratio		**24.90%**		27.15%
CCB		**18.90%**		21.15%
Tier 1 capital		**24.90%**		27.15%
Total CAR		**25.27%**		27.51%

The Bank's leverage ratio, computed as adjusted tier 1 capital over total assets, is 20.02% and 19.73%, as of December 31, 2025 and 2024, respectively.

19. OTHER OPERATING INCOME

This account consists of:

	Notes		2025		2024
Fees and commission income		₱	**19,179,074**	₱	16,974,532
Gain on sale of investment properties	12		**18,463,926**		29,205,803
Rental income	12		**2,571,338**		3,040,617
Gain on sale of BPFFE	11		**1,500,621**		393,418
Recovery on charged-off assets			**169,698**		161,048
Foreign exchange gain (loss)			**1,485**		45,618
Miscellaneous income			**2,584,686**		1,972,656
		₱	**44,470,828**	₱	51,793,692

Fees and commissions income consists of fund transfers, commissions on mortgage redemption insurance, remittances, bank commission and inspection fee on loans, ATM convenience fees, ATM fees income, and others.

Recovery on charged-off assets pertains to the collection of the accounts or recovery from impairment of items previously written-off/provided with allowance for credit losses. For the years ended December 31, 2025 and 2024, recovery of charged-off assets is composed only of collections of accounts previously written-off.

Miscellaneous income represents other charges and fees collected by the Bank other than income from its ordinary business operations. These items are recognized when collected.

In Philippine Peso

20. OPERATING EXPENSES

This account consists of the following:

	Notes	2025	2024
Compensation and other benefits		₱ **71,530,954**	₱ 77,848,926
Taxes and licenses		**14,435,943**	15,070,294
Depreciation and amortization		**14,195,620**	13,376,090
Security and janitorial		**10,238,911**	10,008,248
Losses due to fraud		**5,198,579**	–
Insurance		**4,600,124**	4,415,595
Utilities expense		**4,372,552**	4,280,936
Postage and telephone		**2,790,443**	3,441,259
Fuel and lubricants		**2,528,558**	2,595,068
Repairs and maintenance expense		**2,692,792**	2,544,082
Stationery and supplies used		**2,515,893**	2,465,345
Information technology expense		**1,892,312**	2,143,668
Litigation expenses		**2,445,613**	1,301,854
Representation and entertainment		**1,358,032**	1,216,172
Management and professional fees		**1,204,844**	1,041,563
Fees and commissions		**843,690**	804,852
Traveling expense		**661,269**	586,306
Advertising and publicity		**635,035**	575,782
Rent		**591,509**	256,065
Trainings and seminar		**471,509**	–
Subscription and membership fees		**344,429**	164,455
Donation and charitable contributions		**88,089**	80,774
Fines and penalties		**32,800**	39,617
Impairment loss	12,23	**–**	100,647
Miscellaneous expenses		**1,706,395**	1,564,077
		₱ **147,375,895**	₱ 145,921,675

Breakdown of compensation and other benefits are as follows:

	Note	2025	2024
Salaries and wages		₱ **38,497,973**	₱ 37,502,956
Fringe and other benefits – officers and employees		**24,542,257**	32,988,095
SSS, Philhealth, and Pag-ibig contributions		**5,130,338**	4,751,815
Director's fee		**2,187,000**	1,620,000
Retirement benefit expense	24	**1,173,386**	986,060
		₱ **71,530,954**	₱ 77,848,926

Depreciation and amortization is composed of the following:

	Notes	2025	2024
Depreciation expense			
Bank premises, furniture, fixtures and equipment	11	₱ **9,465,252**	₱ 8,199,002
Investment properties	12	**4,201,447**	4,178,914
		13,666,699	12,377,916
Amortization expense			
Intangible assets	13	**528,921**	998,174
		₱ **14,195,620**	₱ 13,376,090

In Philippine Peso

The Bank has elected not to recognize a lease liability for short term leases (lease of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liability amounted ₱591,509 and ₱256,065 for the years ended December 31, 2025 and 2024.

21. INCOME TAXES

Under Philippine tax laws, the bank is subject to percentage and other taxes (included in taxes and licenses in the comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax. The bank's liability will be based on regulations to be issued by tax authorities.

Income taxes include the corporate income tax, discussed below, and final tax paid which represents the final withholding tax on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as provision for income tax in the statements of income.

Under current tax regulations, the applicable income tax rate is twenty-five percent (25%). Interest allowed as a deductible expense is reduced by an amount equivalent to twenty percent (20%) of interest income subjected to final tax. Also, entertainment, amusement and recreation (EAR) expense is limited to one percent (1%) of net revenues, as defined, for sellers of services beginning September 1, 2002. The current regulations also provide for MCIT of 2% on modified gross income and allow a three-year NOLCO. Any excess of the MCIT over the regular income tax is deferred and can be used as a tax credit against future income tax liability while NOLCO can be applied against taxable income, both in the next three years from the year of occurrence.

The Bank's liability for income tax is based on existing tax laws and BIR regulations. However, income tax expense as shown on the statement of comprehensive income is determined under the provision of PAS 12 *Income Taxes*. Under PAS 12, income tax expense is the sum of current tax expense computed under tax laws and deferred tax expense determined through the use of balance sheet liability method. Deferred tax expense is the sum of changes in deferred tax asset and deferred tax liability. The balance sheet liability method focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

21.01 Income Tax Recognized in Profit or Loss

Components of income tax expense (benefit) are as follows:

		2025		2024
Income tax expense – current	₱	**2,433,481**	₱	2,090,559
Income tax benefit – deferred		**(895,647)**		(2,798,005)
	₱	**1,537,834**	₱	(707,446)

In Philippine Peso

A numerical reconciliation between tax expense (benefit) and the product of accounting profit multiplied by the tax rate in 2025 and 2024 is as follows:

		2025		2024
Accounting profit	₱	**39,227,465**	₱	35,262,686
Tax expense at 25%		**9,806,866**		8,815,672
Tax effect of the following:				
Interest income subject to final tax		**(8,585,625)**		(10,639,790)
Disallowed interest expense		**776,915**		1,086,116
Non-deductible expenses		**244,952**		30,098
Expired MCIT		**855,014**		791,654
Expired NOLCO		**610,128**		–
Tax effects of unrecognized DTA		**(2,170,416)**		(791,196)
	₱	**1,537,834**	₱	(707,446)

In Philippine Peso

21.02 Deferred Tax Assets

The Bank's deferred tax asset amounted to ₱13,574,103 and ₱12,678,456 as of December 31, 2025 and 2024.

Components of deferred tax asset are as follows:

	Allowance for credit losses	NOLCO	Excess of MCIT	Excess of lease liability over ROU asset	Retirement benefit Obligation – net	Unamortized past service cost	Total deferred tax assets
Balance, December 31, 2023	–	₱ 5,855,747	₱ 3,340,166	₱ 36,602	₱ –	₱ 767,102	₱ 9,999,617
Origination	–	1,617,214	2,090,559	–	–	(119,166)	3,588,607
Reversal	–	–	(791,654)	(32,880)	–	(85,234)	(909,768)
Balance, December 31, 2024	–	₱ 7,472,961	₱ 4,639,071	₱ 3,722	₱ –	₱ 562,702	₱ 12,678,456
Origination	2,440,511	–	2,433,481	7,404	166,735	776,009	5,824,140
Reversal/Utilization	–	(3,988,245)	(855,014)	–	–	(85,234)	(4,928,493)
Balance, December 31, 2025	**2,440,511**	**₱ 3,484,716**	**₱ 6,217,538**	**₱ 11,126**	**₱ 166,735**	**₱ 1,253,477**	**₱ 13,574,103**

21.03 Unrecognized Deferred Tax Assets

The components of the Bank's unrecognized deferred tax assets are as follows:

	Allowance for credit losses	Accumulated impairment losses	Refined benefit obligation – net	Total tax base	Total DTA (25%)	Recognized DTA (25%)	Unrecognized DTA (25%)
Balance, December 31, 2024	₱ 49,838,238	₱ 12,081,824	₱ 986,060	₱ 62,906,122	₱ 15,726,530	₱ –	₱ 15,726,530
Originations	–	–	–	–	–	2,440,511	(2,440,511)
Write-offs	(3,489,730)	–	–	(3,489,730)	(872,432)	–	(872,432)
Reversal/Disposal	(1,393,149)	–	–	(1,393,149)	(348,287)	–	(348,287)
Balance, December 31, 2025	**₱ 44,955,359**	**₱ 12,081,824**	**₱ 986,060**	**₱ 58,023,243**	**₱ 14,505,811**	**₱ 2,440,511**	**₱ 12,065,300**

21.04 Revenue Regulations (RR) No. 34-2020 – Related Party Transaction (RPT) Form and Transfer Pricing Documentation

The Bureau of Internal Revenue, in its Revenue Regulation No. 34-2020, requires taxpayers to submit BIR Form No. 1709 (RPT Form) to allow the BIR to verify that taxpayers are reporting their related party transactions at arm's length prices. It is also intended to improve and strengthen the Bureau's transfer pricing risk assessment and audit functions. Most importantly, the information that will be gathered from the RPT Form and its attachments will be used by the BIR during the transfer pricing risk assessment to determine whether or not to conduct a thorough review/audit of a particular entity or transaction.

Under the said RR, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

1. Large taxpayers
2. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
3. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
4. A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (1), (2) or (3) above. For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

In addition, the preparation and submission of Transfer Pricing Documentation (TPD) under RR No. 02-2013, otherwise known as "Transfer Pricing Guidelines" and all other relevant issuances, shall be mandatory for taxpayers enumerated above who meet the following materiality thresholds:

a. Annual gross sales/revenue for the subject taxable period exceeds ₱150 million and the total amount of related party transactions with foreign and domestic related parties exceeds ₱90 million; OR
b. Related party transactions meeting the following materiality threshold:
   i. If it involves sale of tangible goods in the aggregate amount exceeding ₱60 million within the taxable year;
   ii. If it involves service transaction, payment of interest, utilization of intangible goods or other related party transaction in the aggregate amount exceeding ₱15 million within the taxable year
   iii. If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

As it does not belong to taxpayers who are required to file and submit the RPT Form under Section 2 of RR 34-2020, the Bank is not covered by the requirements and procedures for related party transactions under the said RR.

21.05 Net Operating Loss Carry Over (NOLCO)

Under Section 34(D) (3) of NIRC, the net operating loss of business or enterprises for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income, shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

In 2020, to address the impact of COVID-19, the Senate and the House of Representatives enacted Republic Act (RA) No. 11494 or the Bayanihan to Recover as One Act (Bayanihan II) effective September 15, 2020 with an original expiry date of December 19, which has since been extended to mid-2021. Bayanihan II provides for COVID-19 response and recovery interventions and mechanisms to accelerate the recovery and to bolster the resiliency of the economy.

In Philippine Peso

Among the response and recovery interventions provided under Bayanihan II are the carry-over of net operating losses incurred by the business or enterprise for taxable years 2020 and 2021 as deductions from gross income (for purposes of computing net taxable income subject to regular corporate income tax) over the next five consecutive taxable years immediately following the year of such loss Section 4 (bbbb) of the Bayanihan II).

Under Bayanihan II, NOLCO would remain in effect even after the expiration of the Act, provided that the deductions are claimed within the next five consecutive taxable years.

On December 22, 2020, the Bureau of Internal Revenue (BIR) clarified, through Revenue Memorandum Circular (RMC) No. 138-2020, that the net operating loss carry-over (NOLCO) may be availed of under RR No. 25-2020 for taxpayers operating on fiscal-year reporting. The RMC enumerated fiscal years ending between July 31 and November 30, 2020 and January 31 to June 30, 2021 as falling within the taxable year 2020. Meanwhile, fiscal years ending between July 31 to November 30, 2021 and January 31 to June 30, 2022 fall within the taxable year 2021. Thus, net losses incurred by businesses or taxpayers during these fiscal years can be carried over as deductions from gross income for the next five consecutive taxable years.

It should be noted that generally, under existing rules (Section 34 of the Tax Code and RR No. 14-01), the accumulated net operating loss of a business by individuals engaged in trade or business or practice of profession and domestic and resident foreign corporations can be carried over as a deduction from gross income only for the next three consecutive taxable years.

As of December 31, 2025 and 2024, the Bank has available NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Amount	Applied	Expired	Balance	Tax benefit	Expiry date
2024	₱ 6,468,857	₱ –	₱ –	₱ 6,468,857	₱ 1,617,214	2027
2022	9,762,043	–	(9,762,043)	–	–	2025
2021	7,470,008	–	–	7,470,008	1,867,502	2026
2020	8,514,721	(7,287,369)	(1,227,352)	–	–	2025
	₱ 32,215,629	**₱ (7,287,369)**	**₱ (10,989,395)**	**₱ 13,938,865**	**₱ 3,484,716**	

21.07 Minimum Corporate Income Tax (MCIT)

Section 27(E) of the National Internal Revenue Code (NIRC) of 1997, as amended, provides that an MCIT of two percent (2%) of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year. The Bank was incorporated in July 1992; thus, the Bank is subject to MCIT.

MCIT can be applied as deduction from the Bank's future regular income tax payable within three (3) years from the year the MCIT was paid. Breakdowns are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unexpired	Valid Until
2025	₱ 2,433,481	₱ –	₱ –	₱ –	₱ 2,433,481	2027
2024	2,090,559	–	–	–	2,090,559	2027
2023	1,693,498	–	–	–	1,693,498	2026
2022	855,014	–	–	(855,014)	–	2025
	₱ 7,072,552	**₱ –**	**₱ –**	**₱ (855,014)**	**₱ 6,217,538**	

In Philippine Peso

22. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting entities, which are under common control with the reporting enterprise, or between, and/or among the reporting entities and its key management personnel, directors, or its shareholders.

There are transactions and arrangements between the Bank and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements.

22.01 DOSRI Loans

The General Banking Act and BSP regulations limit the amount of the loans to each DOSRI as follows:

a. The individual ceiling for credit accommodations of a bank to each of its directors, officers and related interests shall be equivalent to his outstanding deposits and book value of his paid-in capital in the lending bank. The unsecured credit accommodations to each of the Bank's directors and officers shall not exceed 30% of his total credit accommodations.
b. The aggregate ceiling for credit accommodations, whether direct or indirect, to directors and officers of a bank shall not exceed 15% of the total loan portfolio of the Bank or its combined capital accounts net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of directors and officers shall not exceed 30% of the aggregate ceiling or the outstanding direct/indirect credit accommodations thereto, whichever is lower.

Details of DOSRI and related party loans as of December 31, 2025 and 2024 is as follows:

2025	**DOSRI Loans**	**Related Party Loans (Inclusive of DOSRI Loans)**
Total outstanding DOSRI/related party loans	**₱ 298,350**	**₱ 298,350**
Percent of DOSRI/related party accounts to total loans	**0.05%**	**0.05%**
Percent of unsecured DOSRI/related party accounts to DOSRI/related party accounts	**–**	**–**
Percent of past due DOSRI/related party accounts to total DOSRI/related party accounts	**–**	**–**
Percent of nonperforming DOSRI/related party accounts to total DOSRI/related party accounts	**–**	**–**

2024	DOSRI Loans	Related Party Loans (Inclusive of DOSRI Loans)
Total outstanding DOSRI/related party loans	₱ –	₱ –
Percent of DOSRI/related party accounts to total loans	–	–
Percent of unsecured DOSRI/related party accounts to DOSRI/related party accounts	–	–
Percent of past due DOSRI/related party accounts to total DOSRI/related party accounts	–	–
Percent of nonperforming DOSRI/related party accounts to total DOSRI/related party accounts	–	–

In Philippine Peso

As of December 31, 2025 and 2024, the Bank is in full compliance with the General Banking Act and the Bangko Sentral ng Pilipinas (BSP) regulations on DOSRI loans.

2025

Category		**Amount of Transactions**		**Outstanding Balances**	**Terms**	**Conditions**
DOSRI loans	**₱**	**298,350**	**₱**	**298,350**	Payable on installment, interest bearing	Current and secured

2024

Category		Amount of Transactions		Outstanding Balances	Terms	Conditions
DOSRI loans	₱	(286,972)	₱	–	Payable on installment, interest bearing	Current and secured

Total allowance for credit losses on DOSRI loans amounted to nil in 2025 and 2024 since all the DOSRI loans are secured by hold-out deposit.

22.02 DOSRI Deposits

Deposits from DOSRI are shown below:

		2025		2024
Savings deposit	**₱**	**51,865,638**	₱	24,644,960

For 2025 and 2024, interest rate on DOSRI deposits is 0.08%.

22.03 Remuneration of Key Management Personnel

The key management compensation as of December 31, 2025 and 2024 is composed of the following:

		2025		2024
Short-term employee benefits	**₱**	**6,121,667**	₱	5,309,640
Post-employment benefits		**183,650**		159,289
	₱	**6,305,317**	₱	5,468,929

The key management compensation is shown as part of compensation and fringe benefits under other operating expenses account in the statements of comprehensive income.

22.04 Transactions with Retirement Fund

The Bank's retirement benefit fund is being maintained by BDO Unibank, Inc. and The Insular Life Assurance Co., Ltd. The fair value of the fund amounted to ₱23,259,316 and ₱22,714,179 as at December 31, 2025 and 2024, as disclosed in Note 24.

The fund is invested in a diversified portfolio of fund types. The Bank made benefit payments from the fund as disclosed in Note 24.

In Philippine Peso

23. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Allowance for credit and impairment losses is comprised of the following:

	Notes	2025	2024
Balance at January 1			
Loans receivable	10	₱ **29,579,058**	₱ 33,795,437
Sales contract receivable	10	**8,458,068**	8,458,068
Investment properties	12	**12,081,824**	12,016,287
Deposits with closed banks	14	**5,750,000**	5,750,000
Accounts receivables	14	**6,051,112**	6,051,112
		61,920,062	66,070,904
Provision for credit and impairment losses			
Investment properties	12	**–**	100,647
Write-off			
Loans and other receivables	10	**(3,489,730)**	(2,012,933)
Reversals and disposals			
Loans and other receivables	10	**(1,393,149)**	(2,203,446)
Investment properties	12	**–**	(35,110)
		(1,393,149)	(2,238,556)
Balance at December 31			
Loans receivable	10	**24,696,179**	29,579,058
Sales contract receivable	10	**8,458,068**	8,458,068
Investment properties	12	**12,081,824**	12,081,824
Deposits with closed banks	14	**5,750,000**	5,750,000
Accounts receivables	14	**6,051,112**	6,051,112
		₱ **57,037,183**	₱ 61,920,062

24. RETIREMENT BENEFITS

The Bank's Retirement Plan is non-contributory which provides a retirement benefit equal to one-half month's final salary for every year of service. The term one half month salary shall mean fifteen (15) days salary based on the latest salary rate plus one- twelfth (1/12) of the 13th month pay and the cash equivalent of not more than the cash five (5) days of service incentive leaves (SIL) or approximately twenty-two and a half (22.5) days. Benefits are paid in a lump sum upon retirement.

The most recent actuarial valuations of plan assets and the present value of the retirement benefit obligation were carried out at December 31, 2024 by Actuarial Advisers, Inc. The present value of the retirement benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The assumptions used to determine retirement benefits of the Bank as of the last actuarial valuation report are as follows:

	2025	2024
Discount rate	**6.09% per annum**	6.31% per annum
Salary rate increase	**3.00% per annum**	3.00% per annum

In Philippine Peso

The amount of net retirement plan assets (obligations) recognized in the statements of financial position as of December 31, 2025 and 2024 are determined as follows:

	Note		**2025**		2024
Fair value of plan assets		**₱**	**23,259,316**	₱	22,714,179
Present value of defined benefit obligation			**(23,926,254)**		(19,103,697)
Net retirement plan assets (obligations)	14	**₱**	**(666,938)**	₱	3,610,482

Movements in the present value of the defined benefit obligation for the years ended December 31, 2025 and 2024 are as follows:

		2025		2024
Balance, January 1	**₱**	**19,103,697**	₱	18,982,486
Current service cost		**1,393,265**		1,246,024
Interest expense		**1,163,415**		1,197,795
Benefits paid		**(426,077)**		(2,246,705)
Actuarial loss (gain) – defined benefit obligation		**2,691,954**		(75,903)
Balance, December 31	**₱**	**23,926,254**	₱	19,103,697

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

Movements in fair value of plan assets for the years ended December 31, 2025 and 2024 are as follows:

		2025		2024
Balance, January 1	**₱**	**22,714,179**	₱	23,102,363
Benefits paid		**(426,077)**		(2,246,705)
Interest income		**1,383,294**		1,457,759
Returns (loss) on plan assets		**(412,080)**		400,762
Balance, December 31	**₱**	**23,259,316**	₱	22,714,179

The composition of the fair value of plan assets as of December 31, 2025 and 2024, by category and associated risk characteristics, are as follows:

		2025		2024
UITFs	**₱**	**15,175,655**	₱	14,766,978
Government bonds		**4,600,583**		4,564,515
Corporate bonds		**1,299,252**		1,247,860
Loans and other receivables		**76,115**		101,094
Cash and cash equivalents		**3,222**		10,216
Other funds		**2,104,489**		2,023,516
	₱	**23,259,316**	₱	22,714,179

In Philippine Peso

Retirement benefit expense recognized in profit or loss is as follows:

	Note		2025		2024
Current service cost		₱	**1,393,265**	₱	1,246,024
Interest expense			**1,163,415**		1,197,795
Interest income			**(1,383,294)**		(1,457,759)
	20	₱	**1,173,386**	₱	986,060

Amounts recognized in other comprehensive income (OCI) in respect of these retirement benefit plans are as follows:

		2025		2024
Other comprehensive income (loss) in equity, Jan. 1	₱	**2,813,338**	₱	2,455,839
Actuarial gain – defined benefit obligation		**(2,691,954)**		75,903
Return (loss) on plan asset		**(412,080)**		400,762
Deferred tax effect		**776,008**		(119,166)
Defined benefit income (expense) in statement of comprehensive income		**(2,328,026)**		357,499
Other comprehensive income in equity, Dec. 31	₱	**485,312**	₱	2,813,338

The information on the sensitivity analysis and the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation are described below:

	Impact on Retirement Benefit Obligation		
2025	**Change in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	+/- 0.5%	602,911	701,150
Salary growth rate	+/- 1.0%	1,540,321	1,124,766

	Impact on Retirement Benefit Obligation		
2024	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 0.5%	298,231	341,132
Salary growth rate	+/- 1.0%	747,594	570,261

Maturity analysis of the undiscounted benefit payments is as follow:

		2025		2024
1 year and less	₱	**8,686,977**	₱	7,148,576
More than 1 year to 5 years		**1,045,686**		169,360
More than 5 years to 10 years		**2,556,992**		3,455,655
More than 10 years to 15 years		**10,441,584**		5,433,741
More than 15 years to 20 years		**30,773,080**		17,946,835
More than 20 years		**354,931,574**		191,124,445

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statements of financial position.

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The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit retirement plan, the Bank is exposed to a number of risks, the most significant of which are as follows:

a. Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are equities, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.
b. Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the reconciliation analysis of liabilities arising from financing activities for the years ended December 31, 2025 and 2024:

	2024	**Cash Inflow**	**Cash Outflow**	**Non-cash changes**	**2025**
Bills payable	25,000,000	35,000,000	(25,000,000)	–	35,000,000
Lease liabilities*	20,493	–	(434,264)	1,313,500	899,729
Dividends payable	520,203	–	(41,526,008)	41,005,805	–
	25,540,696	**35,000,000**	**(66,960,272)**	**42,319,305**	**35,899,729**

**Amount of cashflow pertains to payment of principal portion amounting to ₱372,442 and interest portion amounting to ₱61,822.*

	2023	Cash Inflow	Cash Outflow	Non-cash changes	2024
Bills payable	30,000,000	25,000,000	(30,000,000)	–	25,000,000
Lease liabilities*	703,475	–	(695,010)	12,028	20,493
Dividends payable	–	–	(11,492,552)	12,012,755	520,203
	30,703,475	25,000,000	(42,187,562)	12,024,783	25,540,696

**Amount of cashflow pertains to payment of principal portion amounting to ₱671,021 and interest portion amounting to ₱23,989.*

26. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Bank is not aware of any pending or threatened litigation, claims or assessments or unasserted claims of assessments that are required by PAS 37 to be accrued or disclosed in the financial statements. The Bank has not consulted a lawyer concerning litigation, claims or assessments. The Bank has complied with all aspects of contractual agreements that could have a material effect on the accounts in the event of non-compliance.

The Bank's contingent accounts arising from off-balance sheet items are disclosed in Note 30.

27. EVENTS AFTER THE REPORTING DATE

No events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date), and that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

In Philippine Peso

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on March 28, 2026.

29. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15 – 2010

Revenue Regulation (RR) No. 21–2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the PFRS Accounting Standards and such other standards and/or conventions.

Below are the additional information required by RR 15–2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

29.01 Gross Receipts Tax

Gross receipts tax paid and accrued during the year are as follows:

		2025		2024
Gross receipts tax paid	₱	**8,295,414**	₱	8,315,264
Gross receipts tax payable		**2,909,352**		3,241,141
	₱	**11,204,766**	₱	11,556,405

29.02 Withholding Taxes

Withholding taxes paid and accrued during the year are as follows:

2025		**Paid**		**Accrued**		**Total**
Withholding tax on compensation	₱	1,136,093	₱	558,756	₱	1,694,849
Final withholding tax		4,865,470		71,664		4,937,134
Expanded withholding tax		709,114		69,938		779,052
	₱	**6,710,677**	₱	**700,340**	₱	**7,411,035**

2024		Paid		Accrued		Total
Withholding tax on compensation	₱	661,531	₱	630,292	₱	1,291,823
Final withholding tax		2,145,010		80,092		2,225,102
Expanded withholding tax		1,135,541		549,182		1,684,723
	₱	3,942,082	₱	1,259,566	₱	5,201,648

In Philippine Peso

29.03 Taxes and Licenses

All other local and national taxes paid by the Bank and presented as part of operating expenses for the periods ended December 31, 2025 and 2024 consist of:

		2025		2024
National taxes:				
Gross receipts tax	₱	**11,204,766**	₱	11,556,405
Documentary stamp tax		**1,489,080**		1,694,123
Local taxes:				
Business permit and license		**1,214,628**		1,294,427
Real property taxes		**230,440**		225,372
Other taxes and licenses		**297,029**		299,967
	₱	**14,435,943**	₱	15,070,294

29.04 Deficiency Tax Assessments and Tax Cases

As of December 31, 2025 and 2024, the Bank has no deficiency tax assessments and has no tax cases, litigation and/or prosecution.

30. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 8, 2020, the Monetary Board of the Bangko Sentral ng Pilipinas issued BSP circular 1074, *Amendments to the Regulation on the Financial Audits of Banks*, which requires Banks to include the following additional information:

30.01 Basic Quantitative Indicators of Financial Performance

The following basic ratio measures the financial performance of the Bank:

	2025	2024
Return on average equity	**9.58%**	9.37%
Return on average assets	**1.98%**	1.85%
Net interest margin	**8.59%**	7.63%

30.02 Capital Instruments Issued

Description of capital instrument issued by the Bank is disclosed in Note 18.

In Philippine Peso

30.03 Significant Credit Exposures

Disclosures as to industry/economic sector are as follows (net of unamortized discount):

	2025			2024		
	Peso Amount	**% to total loans**	**% to Tier 1**	Peso Amount	% to total loans	% to Tier 1
Real estate activities	**272,230,470**	**45.59%**	**74.75%**	245,031,330	46.43%	66.57%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**52,488,916**	**8.79%**	**14.41%**	68,518,579	12.98%	18.62%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	**51,437,863**	**8.61%**	**14.12%**	–	0.00%	0.00%
Agriculture, forestry and fishing	**35,200,654**	**5.90%**	**9.67%**	43,446,955	8.23%	11.80%
Construction	**32,473,405**	**5.44%**	**8.92%**	14,042,981	2.66%	3.82%
Human health and social service activities	**30,780,725**	**5.16%**	**8.45%**	37,086,825	7.03%	10.08%
Accommodation and food service activities	**30,492,643**	**5.11%**	**8.37%**	4,724,194	0.89%	1.28%
Transportation and storage	**13,602,277**	**2.28%**	**3.73%**	26,216,297	4.97%	7.12%
Education	**8,947,555**	**1.50%**	**2.46%**	10,271,494	1.95%	2.79%
Manufacturing	**3,001,942**	**0.50%**	**0.82%**	–	0.00%	0.00%
Electricity, gas, steam and air-conditioning supply	**1,968,571**	**0.33%**	**0.54%**	–	0.00%	0.00%
Mining and quarrying	**605,187**	**0.10%**	**0.17%**	1,032,431	0.19%	0.28%
Administrative and support Service activities	**321,591**	**0.05%**	**0.09%**	–	0.00%	0.00%
Water supply, sewerage, waste management and remediation activities	**233,855**	**0.04%**	**0.06%**	303,251	0.06%	0.08%
Information and communication	**251,825**	**0.04%**	**0.07%**	293,717	0.06%	0.08%
Arts, entertainment and recreation	**10,106**	**0.00%**	**0.00%**	–	0.00%	0.00%
Household consumption	**–**	**0.00%**	**0.00%**	35,175,932	6.66%	9.56%
Other service activities	**63,053,000**	**10.56%**	**17.31%**	41,625,520	7.89%	11.31%
	597,100,585	**100.00%**		527,769,506	100.00%	

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital which is equivalent to ₱36,419,388 and ₱36,807,715, as of December 31, 2025 and 2024, respectively.

In 2025, the Bank is exposed to credit risk concentration on real estate activities amounting to more than 30% of the total loan portfolio. The Bank is also exposed to credit risk concentration on wholesale and retail trade, repair of motor vehicles, motorcycles, activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use, and other service activities amounting to more than 10% of Tier 1 Capital.

In 2024, the Bank is exposed to credit risk concentration on real estate activities amounting to more than 30% of the total loan portfolio. The Bank is also exposed to credit risk concentration on wholesale and retail trade, repair of motor vehicles, motorcycles, agriculture, forestry and fishing, human health and social service activities, and other service activities amounting to more than 10% of Tier 1 Capital.

In Philippine Peso

30.04 Breakdown of Total Loans

30.04.01 As to Security

Breakdown of loans as to secured and unsecured, and secured loans as to type of security (net of unamortized discount) are disclosed below:

		2025		2024
Secured by real estate mortgage	₱	**555,239,604**	₱	483,751,836
Secured by chattel mortgage and other collaterals		**618,659**		1,526,447
Secured		**555,858,263**		485,278,283
Unsecured		**41,242,322**		42,491,223
	₱	**597,100,585**	₱	527,769,506

30.04.02 As to Status

Breakdown of loans as to performing and non-performing status per product is as follows:

2025		**Performing**		**Non-performing**		**Total**
Commercial loan	₱	386,670,280	₱	13,756,612	₱	400,426,892
Consumer loan		155,649,441		5,823,342		161,472,783
Agriculture-agrarian loan		20,690,126		14,510,784		35,200,910
	₱	**563,009,847**	₱	**34,090,738**	₱	**597,100,585**

2024		Performing		Non-performing		Total
Commercial loan	₱	344,101,400	₱	18,536,861	₱	362,638,261
Consumer loan		111,997,279		9,687,011		121,684,290
Agriculture-agrarian loan		40,037,339		3,409,616		43,446,955
	₱	496,136,018	₱	31,633,488	₱	527,769,506

30.05 Information on Related Party Loans

Information on related party loans is disclosed in Note 22.

30.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

The Bank has no secured liabilities and assets pledged as of December 31, 2025 and 2024.

30.07 Contingencies and Commitments Arising from Off-balance Sheet Items

The following is a summary of the Bank’s contingent accounts arising from off-balance sheet as describe in BSP Circular 1074 as of December 31, 2025 and 2024:

		2025		2024
Unused credit lines	₱	**6,031,184**	₱	4,953,318
Items held as collateral		**757**		916
		6,031,941		4,954,234

II. Compliance with Appendix 62 of the MORB -Capital Adequacy Ratio Disclosure in the Annual Report

A. Capital Structure and Capital Adequacy

		2025 (in P Millions)	2024 (in P Millions)
1	Tier 1 capital		
	Paid up common stock	188.880	188.880
	Additional paid in capital	26.812	26.812
	Stock Dividends Distributable	38.000	-
	Retained earnings	98.634	141.658
	Undivided Profits	36.130	35.970
	Total Tier 1 Capital	366.210	368.077
2	Tier 2 Capital		
	General Loan Loss Provision	5.357	4.796
3	Deductions from Tier 1 and Tier 2 Capital		
	Unsecured DOSRI		
	Deferred tax asset	11.660	12.678
	Goodwill	10.703	10.703
	Intangible Asset, net	2.697	1.076
	Total Deductions	25.060	24.457
4	Total Qualifying Capital	369.551	372.873
7	Capital Requirement for Operational Risk	200.856	180.643
8	Total Capital Adequacy Ratio Tier 1 Capital Adequacy Ratio	25.27% 24.90%	27.51% 27.15%