



Statement of Management's Responsibility for Financial Statements

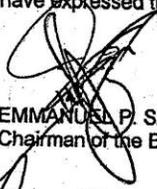
The management of Bangko Mabuhay (A Rural Bank), Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

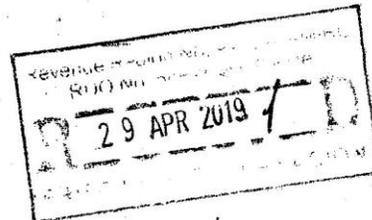
Velasco, Punzalan & Co., CPAs, and Mr. Luis V. Bermudez, CPA, the independent auditors appointed by the stockholders for the years ended, December 31, 2018 and 2017, respectively, have audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinions on the fairness of presentation upon completion of such audit.


EMMANUEL P. SANTOS
Chairman of the Board


EDWIN S. FOLIAS
Chief Executive Officer


IMELDA D. MONTENEGRO
Chief Financial Officer

Signed this 13th day of April, 2019.



HEAD OFFICE

A. Soriano Highway, Tarza, Cavite 4108
Tel. Nos. (046) 489 - 2001 to 05; (046) 489 - 2010 to 13; (046) 885 - 1935; (02) 529 - 8995 • Fax (046) 437 - 8141
Email Address: info@mabuhay.com
www.bangkokmabuhay.com



VELASCO, PUNZALAN and COMPANY

(Formerly Velasco Aguirre and Company)

CERTIFIED PUBLIC ACCOUNTANTS

LG 21 Cityland Dela Rosa Condominium, 7648 Dela Rosa St., Pio Del Pilar, Makati City 1230

Tel (632) 819-1427 | Telefax (632) 817-6395 | Email velascoaguirre@outlook.ph; nestor@vmccpa.com Web http://vaccpas.com

PRC/BOA Cert. of Reg. No. 3390 | SEC Accreditation No. 252-FR-1 | BSP Accredited | CDA Accreditation No. 0019-AF

Independent Auditor's Report

To the Shareholders and Board of Directors
BANGKO MABUHAY (A RURAL BANK), INC.
Bangko Mabuhay Building, A. Soriano Highway,
Brgy. Daang Amaya III, Tanza, Cavite

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **BANGKO MABUHAY (A RURAL BANK), INC. (the Bank)**, which comprise the statement of financial position as at December 31, 2018, and the statement of financial performance, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Other Matters

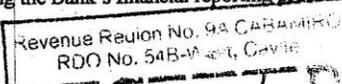
The financial statements of the Bank for the year ended December 31, 2017, were audited by another auditor who expressed an unqualified opinion on those statements on March 22, 2018.

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

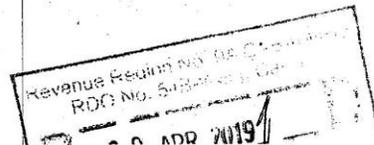
As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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



Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and 19-2011

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information under Revenue Regulations 15-2010 and 19-2011 in Notes 22 and 27 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information 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.

The engagement partner on the audit resulting in this independent auditor's report is **Nestor C. Velasco**.

Velasco, Punzalan & Co., CPAs
For the Firm



Nestor C. Velasco
Partner
CPA Cert. No. 078924
Expiry date: October 8, 2021
TIN 110-157-770
PTR No. 0008705 dated January 4, 2019
Issued at Makati City
BOA Accreditation No. 3390
Expiry date: December 31, 2021
SEC Accreditation No. 1248-AR-1
Expiry date: May 1, 2019
BIR Accreditation No. 08-004563-001-2018
Expiry date: March 14, 2021
BSP Accreditation Approval on September 29, 2017
Valid for years 2017 and 2018 audit periods

April 15, 2019

