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Company Name: RURAL BANK OF SILAY CITY, INC.
Industry Classification: J65940
Company Type: Stock Corporation

Document Information

Document ID: OST105222026811475105
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2025
Submission Type: Annual
Remarks: None

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of **Rural Bank of Silay City, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2025. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2025 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Rural Bank of Silay City, Inc.** complete and correct in all material respects. Management likewise affirms that:

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

Signature _____
Name of the Chairman of the Board: SERGIO G. EDEZA

Signature _____
Name of the Chief Executive Officer: JOVE I. TAPIADOR

Signature _____
Name of the Chief Financial Officer: MA. TERESA G. GARCES

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	9	0	8	1						

COMPANY NAME

RURAL BANK OF SILAY CITY, INC.

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

CORNER EUSEBIO-GAMBOA STS., BRGY. 3, SILAY CITY, NEGROS OCCIDENTAL

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS25	SEC	BSP

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
rbsilayinc@gmail.com	(034) 495-2936	0933814533 8

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
46	3rd Saturday of March	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jove I. Tapiador	jove.tapiador@rbsilay.com	NA	0920-965-0102

CONTACT PERSON'S ADDRESS

SILAY CITY, NEGROS OCCIDENTAL

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

Note 2: All boxes must be properly filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Rural Bank of Silay City, Inc.** is responsible for the preparation and fair presentation of the 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 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.

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.

J.A. Lamboso & Co., CPAs, the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature_____
Name of the Chairman of the Board: SERGIO G. EDEZA

Signature_____
Name of Chief Executive Officer: JOVE I. TAPIADOR

Signature_____
Name of Chief Financial Officer: MA. TERESA G. GARCES

Signed this 13th day of April 2026

J.A. LAMBOSO & CO.
Certified Public Accountants

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

The Board of Directors
Rural Bank of Silay City, Inc.
Corner Eusebio – Gamboa Sts., Brgy. 3, Silay City
Negros Occidental

We have audited the financial statements of **Rural Bank of Silay City, Inc.** for the year ended December 31, 2025, on which we have rendered the attached report dated April 13, 2026.

In compliance with SRC Rule 68, we are stating that the said Bank has a total number of **Nineteen (19)** shareholders owning one hundred (100) or more shares each.

J.A. LAMBOSO & CO.

for the firm:

MARIA MONIEL P. ABAD-NEPALES
Partner
CPA Certificate No. 149974
PRC/BOA Registration No. 0408, expires on July 17, 2027
BSP Accredited, expires on December 3, 2029
SEC Accreditation No. 0408 (Firm), Category C
BIR Accreditation No. 12-000013-001-2024, issued on February 22, 2024, expires on February 21, 2027
CDA Accreditation No. 034-AF, expires on February 8, 2031
Tax Identification No. 443-006-778
PTR No. 90495310, January 6, 2026, Bacolod City

April 13, 2026

J.A. LAMBOSO & CO.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Rural Bank of Silay City, Inc.
Corner Eusebio – Gamboa Sts., Brgy. 3, Silay City
Negros Occidental

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Rural Bank of Silay City, Inc.**, which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of profit or loss and other 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 policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Rural Bank of Silay City, Inc.** as at December 31, 2025 and 2024, and of 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 our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 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 a 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 misstatements 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.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue under Revenue Regulations 15-2010 and 19-2011. In addition, the supplementary schedule of other information is presented in compliance with the requirements of Bangko Sentral ng Pilipinas Circular No. 1074 and Securities and Exchange Commission. These are not required to be part of the basic financial statements. Such information is the responsibility of management. 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 whole.

J.A. LAMBOSO & CO.

for the firm:

MARIA MONIEL P. ABAD-NEPALES
Partner
CPA Certificate No. 149974
PRC/BOA Registration No. 0408, expires on July 17, 2027
BSP Accredited, expires on December 3, 2029
SEC Accreditation No. 0408 (Firm), Category C
BIR Accreditation No. 12-000013-001-2024, issued on February 22, 2024, expires on February 21, 2027
CDA Accreditation No. 034-AF, expires on February 8, 2031
Tax Identification No. 443-006-778
PTR No. 90495310, January 6, 2026, Bacolod City

April 13, 2026
Bacolod City, Philippines

RURAL BANK OF SILAY CITY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024

		2025		2024
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱	**28,346,419**	₱	29,785,390
Loans and other receivables - net (Note 5)		**6,473,799**		10,695,604
Debt securities, at amortized cost (Note 6)		**1,036,052**		36,250
Other current assets (Note 7)		**362,733**		193,824
Total Current Assets		**36,219,003**		40,711,068
Non-Current Assets				
Non-current portion of loans and other receivables - net (Note 5)		**37,087,992**		27,381,908
Non-current portion of debt securities at amortized cost (Note 6)		**9,070,721**		108,752
Bank premises, furniture and equipment - net (Note 8)		**2,711,562**		3,153,361
Non-current assets held for sale - net (NCAHFS; Note 9)		**5,193,610**		4,179,873
Deferred tax asset (Note 10)		**1,288,487**		1,389,716
Other non-current assets (Note 11)		**1,861,586**		1,797,451
Total Non-Current Assets		**57,213,958**		38,011,061
TOTAL ASSETS	₱	**93,432,961**	₱	78,722,129
LIABILITIES AND EQUITY				
Current Liabilities				
Deposit liabilities (Note 12)	₱	**71,696,440**	₱	50,684,759
Income tax payable (Note 10)		**145,176**		75,802
Other current liabilities (Note 13)		**1,464,929**		1,288,880
Total Current Liabilities		**73,306,545**		52,049,441
Non-current Liabilities				
Unrealized gain on NCAHFS (Note 9)		**1,261,710**		2,235,005
Pension liability (Note 14)		**518,487**		518,487
Deposit for stocks subscription (Note 15)		**8,940,000**		11,935,000
Total Non-current Liabilities		**10,720,197**		14,688,492
Total Liabilities		**84,026,742**		66,737,933
Equity				
Share capital (Note 15)		**10,170,000**		10,170,000
Share premium		**535,136**		535,136
Surplus reserves (Note 15)		**-**		12,300,000
Undivided loss		**(1,083,588)**		(10,805,611)
Other comprehensive income				
Re-measurement loss on retirement plan - net of deferred tax (Note 14)		**(215,329)**		(215,329)
Total Equity		**9,406,219**		11,984,196
TOTAL LIABILITIES AND EQUITY	₱	**93,432,961**	₱	78,722,129

See accompanying Notes to Financial Statements.

RURAL BANK OF SILAY CITY, INC.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Years Ended December 31, 2025 and 2024

		2025		2024
INTEREST INCOME ON				
Loans (Note 5)	₱	**7,751,567**	₱	8,126,626
Deposits with banks (Note 4)		**92,462**		161,026
Debt securities (Notes 6)		**-**		196,386
		7,844,029		8,484,038
INTEREST EXPENSE ON				
Deposit liabilities (Note 12)		**905,600**		551,434
NET INTEREST INCOME		**6,938,429**		7,932,604
OTHER INCOME (Note 17)		**11,709,671**		3,471,112
		18,648,100		11,403,716
ADMINISTRATIVE EXPENSES (Note 18)		**21,124,848**		19,628,930
LOSS BEFORE INCOME TAX		**(2,476,748)**		(8,225,214)
INCOME TAX EXPENSE (Note 10)				
Final		**-**		-
Deferred		**101,229**		(1,690,222)
		101,229		(1,690,222)
NET LOSS BEFORE OTHER COMPREHENSIVE INCOME		**(2,577,977)**		(6,534,992)
OTHER COMPREHENSIVE INCOME				
Remeasurement loss on retirement plan		**-**		-
NET LOSS	₱	**(2,577,977)**	₱	(6,534,992)

See accompanying Notes to Financial Statements.

RURAL BANK OF SILAY CITY, INC.

STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2025 and 2024

		2025		2024
SHARE CAPITAL (Note 15)				
Balance at beginning of year	₱	**10,170,000**	₱	8,109,000
Additions during the year		**-**		2,061,000
Balance at end of year		**10,170,000**		10,170,000
SHARE PREMIUM		**535,136**		535,136
SURPLUS RESERVES (Note 15)				
Balance at beginning of year	₱	**12,300,000**	₱	12,300,000
Additions during the year		**-**		-
Reversals during the year		**(12,300,000)**		-
Balance at end of year		**-**		12,300,000
RE-MEASUREMENT LOSS ON RETIREMENT PLAN (Note 14)				
Balance at beginning of year		**(215,329)**		(215,329)
Remeasurement loss during the year		**-**		-
Balance at end of year		**(215,329)**		(215,329)
UNDIVIDED LOSSES				
Balance at beginning of year				
As previously stated		**(10,805,611)**		1,150,208
Correction of prior period error (Note 16)		**-**		(5,420,827)
As restated		**(10,805,611)**		(4,270,619)
Reversals during the year		**12,300,000**		-
Net loss for the year		**(2,577,977)**		(6,534,992)
Balance at end of year		**(1,083,588)**		(10,805,611)
TOTAL EQUITY	₱	**9,406,219**	₱	11,984,196

See accompanying Notes to Financial Statements.

RURAL BANK OF SILAY CITY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Income Tax	₱ (2,476,748)	₱ (8,225,214)
Adjustments to Arrive at Net Cash Provided By		
(Used In) Operating Activities		
Provision for probable losses - loans and other receivables - net (Notes 5 and 18)	1,133,104	1,706,716
Accounts written off	(1,459,004)	-
Provision for probable losses - non-current assets held for sale - net (Note 9)	9,200	-
Reversal of provision for probable losses - non-current assets held for sale - net (Note 9)	(197,931)	-
Provision for probable losses - other non-current assets	8,488	-
Depreciation (Notes 8 and 18)	513,067	627,995
Realized gain from sale of NCAHFS (Notes 9 and 17)	(10,335,056)	(1,689,168)
Interest expense	905,600	551,434
Interest income on loans	(7,751,567)	(8,126,626)
Interest income on deposits with banks and debt securities	(92,462)	(357,412)
Operating loss before changes in operating assets	(19,743,309)	(15,512,275)
Decrease (increase) in operating assets:		
Loans and other receivables	(7,719,645)	(10,419,605)
Other current assets	(168,909)	(7,282)
Increase (decrease) in operating liabilities:		
Deposit liabilities	21,011,681	(7,432,783)
Other current liabilities	176,048	(485,589)
Net cash used in operations	(6,444,134)	(33,857,534)
Interest paid	(905,600)	(551,434)
Interest received	7,844,029	8,484,038
Income taxes paid	(75,802)	(27,724)
Net cash provided by (used in) operating activities	418,493	(25,952,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to debt securities (Note 6)	(72,501)	(217,503)
Redemptions of debt securities (Note 6)	108,752	4,837,745
Acquisitions of bank premises, furniture and equipment - net (Note 8)	(71,268)	(167,453)
Proceeds from sale of NCAHFS (Note 9)	1,100,000	5,874,191
Increase in other non-current assets	72,553	(486,430)
Net cash provided by investing activities	1,137,536	9,840,550
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to share capital	-	2,061,000
Deposits from stockholders for future subscription	(2,995,000)	11,935,000
Net cash provided by (used in) financing activities	(2,995,000)	13,996,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,438,971)	(2,116,104)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,785,390	31,901,494
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱ 28,346,419	₱ 29,785,390
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF:		
Cash on hand and COCI	₱ 844,312	₱ 1,111,891
Petty cash fund	8,500	8,500
Due from other banks	26,212,380	27,372,108
Due from Bangko Sentral ng Pilipinas	1,172,475	1,220,390
Treasury bills	108,752	72,501
	₱ 28,346,419	₱ 29,785,390
SUPPLEMENTAL NON-CASH FLOW INFORMATION		
Disposal of non-current asset held for sale (Note 9)	(728,404)	-
Consideration received on sale of non-current asset held for sale in the form of debt securities (Notes 6 and 9)	9,998,022	-
Foreclosure of real and other properties in settlement of certain loan accounts (Note 9)	(2,561,266)	-

See accompanying Notes to Financial Statements.

1. CORPORATE INFORMATION

Rural Bank of Silay City, Inc. was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) with registration number 19081 on July 5, 1961. Subsequently, in March 2008, the term of existence of the Bank was extended for another fifty (50) years from July 5, 2011 to July 5, 2061. It was incorporated as a stock corporation for the primary purpose of carrying and engaging in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises. As a rural bank, it exercises all authority and powers, doing and performing all acts, and transacting all business which may legally be, had or done by rural banks under and in accordance with Republic Act No. 7353 (Rural Banks Act of 1992), as it exists or may be amended, and doing all things incident thereto and necessary and proper in connection with said purposes within such territory, as may be determined by the monetary board of the Bangko Sentral ng Pilipinas (BSP).

Rural Bank of Silay City, Inc. has its registered office, which is also its principal place of business, at Corner Eusebio-Gamboa Sts., Brgy. 3, Silay City, Negros Occidental.

In 2022 with the approval of BSP, the bank established branch-lite units (BLUs) in 5th Floor, One West Aeropark Building, Clark Freeport Zone, Mabalacat, Pampanga and 4F Topaz Tower, Damosa IT Park, JP Laurel Avenue, Lanang Davao.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The following are the material accounting policy information that have been used in the preparation of the financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

Statement of Compliance

The financial statements 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 and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in the succeeding pages.

Basis of Preparation

The financial statements have been prepared using the historical cost basis as except where a Financial Reporting Standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

The financial statements are presented in Philippine peso, the Bank's functional and presentation currency.

The preparation of financial statements in conformity with PFRS Accounting Standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the later part of this note.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year, unless otherwise stated.

Adoption of New and/or Amended PFRS Accounting Standards

The Bank adopted the following new or amended standards which are effective for annual periods beginning on or after January 1, 2025:

- *PAS 21 (Amendments), The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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

  When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

  The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

  The amendments have no material impact on the Bank.

Amendments Effective Subsequent to 2025

There are new standards and amendments to existing standards effective for annual periods subsequent to 2025, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions.

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

  The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

  The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

- *PFRS 18, 'Presentation and Disclosure in Financial Statements, Effective, 1 January 2027 (early adoption is permitted)*

  This is the new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in PFRS 18 relate to: a) the structure of the statement of profit or loss with defined subtotals; b) requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss c) required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and d) enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

- *PFRS 19, 'Subsidiaries without Public Accountability: Disclosures'*, Effective, *1 January 2027*

  An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in PFRS 19. PFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. PFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if: (a) it does not have public accountability; and (b) it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

  The adoption of the above amendments is not expected to have a material impact on the financial statements of the Bank.

A summary of the more material accounting policies and practices of the Bank are shown below.

Cash and Cash Equivalents

Cash and cash equivalents include cash and other cash items and amounts due from other banks and non-restricted balances with Bangko Sentral ng Pilipinas (BSP), and time deposits with maturities of 365 days or less from dates of placements.

Due from BSP pertains to deposits made to BSP for clearing and reserve requirements.

Cash and cash equivalents are carried at face value in the statements of financial position.

Financial Instruments

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

Classification and Initial Measurement of Financial Assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- The entity's business model for managing the financial asset.
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

In the periods presented, the Bank does not have any financial assets categorized as FVTPL and FVOCI.

Subsequent Measurement of Financial Assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue. After initial recognition, these are measured at amortized cost using the effective interest method less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Bank's cash and cash equivalents, loans and other receivables fall into this category of financial instruments as well as debt securities which include agrarian bonds and government treasury bills.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also includes equity investment. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Bank has no financial asset under this category.

Financial assets at fair value through other comprehensive income (FVOCI)

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

- They are held under a business model whose objective is "hold to collect" the associated cash flows and sell; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to classified as FVTPL.

Financial assets at FVOCI are initially measured at fair value plus transaction costs and subsequently measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

The Bank has no financial asset under this category.

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (1) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met, and (2) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cashflows meet the amortized cost criteria.

A change in the objective of the Bank's business model will take effect only at the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets at Amortized Cost and FVOCI

The Bank recognizes impairment loss based on category of financial assets. When financial assets are carried at amortized cost, the Bank first assesses whether there is objective evidence of impairment exists individually or collectively for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The Bank considers impairment provisions based on simplified approach with PFRS 9 using an allowance for Expected Credit Loss (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Bank assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments).

'Stage 2' financial instruments also include the following characteristics:

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due Nonperforming and Items in Litigation based on the ECL methodology of the Bank. The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 21.

The Bank also recognizes impairment losses based on the BSP methodology as described in BSP Circular 1011. This method is promulgated by the BSP to align the Bank's practice of recognizing impairment based on the ECL method mandated by PFRS 9.

Classification and Measurement of Financial Liabilities

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

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

The Bank's financial liabilities include trade and other payables and deposit liabilities.

Derivative financial instruments and hedge accounting

The Bank applies the new hedge accounting requirements in PFRS 9 prospectively. Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment.

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments used for hedge accounting are recognized initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, the gains and losses previously recognized in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognized in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

For the reporting periods under review, the Bank has no derivative financial instruments.

Offsetting Financial Instruments.

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 an 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 statements of financial position.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when (1) the right to receive cash flows from the asset has expired (2) 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 third party under a "pass through" arrangement; or (3) the bank has transferred its right to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or 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 consideration that the Bank could be required to repay.

Financial liabilities

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 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 perspective carrying amounts is recognized in the statements of profit or loss and other comprehensive income.

A modification is considered substantial if the present value of cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based of its expected cash flows, discounted using the interest rate of which the Bank could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of profit or loss and other comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Classification of Financial Instrument between Liability and Equity

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 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.

Other Current Assets

Other current assets consist of unused stationery and office supplies and prepayments. These are carried initially at transaction costs and subsequently amortized based on its expected usage.

Prepayments

Prepayments represent unexpired portion of insurance premiums paid during the year for the Bank's vehicles, buildings and properties. This also includes unexpired portion of premiums paid for accident insurance, fidelity and indemnity bonds of the Bank's employees.

Bank Premises, Furniture and Equipment

The Bank's depreciable properties are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of bank premises, furniture and equipment consists of its purchase price, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after items of bank premises, furniture and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of bank premises, furniture and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of bank premises, furniture and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the following assets:

Building	10 years
Furniture, fixtures and equipment	2 to 5 years
Transportation equipment	5 years

The useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of bank premises, furniture and equipment.

The carrying values of bank premises, furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statements of profit or loss and other comprehensive income (see accounting policy on Impairment of Non-Financial Assets).

When bank premises, furniture and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as income or loss in the statements of profit or loss and comprehensive income.

Non-Current Assets Held for Sale

Non-current assets held for sale comprise of foreclosed assets acquired that the Bank intends to sell within one year from the date of classification as held for sale.

Assets classified as held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale and their fair values less costs to sell.

Assets held for sale are not subject to depreciation and amortization. The profit or loss arising from the sale of held for sale assets is credited or charged against current operations.

Collaterals foreclosed by the Bank under loan agreements are booked initially at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less the allowance for impairment computed based on PAS 39 provisioning requirements) plus booked accrued interest less allowance for impairment plus transaction costs incurred upon acquisition. Non-refundable taxes such as capital gains tax and documentary stamp taxes incurred in connection with foreclosures are capitalized as part of the carrying values of the assets, provided that the adjusted value of the foreclosed assets do not exceed appraised values. Holding costs subsequent to foreclosures and acquisitions are charged to operations as incurred.

Impairment of Non-Financial Assets

The Bank assesses at each statement of financial position date whether there is an indication that an asset may be impaired. If such impairment indication exists, or when an annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's value in use or its net selling price. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Income Taxes

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

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

Equity

Share capital represents ordinary shares which are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Any costs of acquiring Company's own shares are shown as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Share premium includes any premiums received on the issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from capital in excess of par value, net of any related income tax benefits.

Surplus reserves pertain to a portion of the Bank's income reserved for contingencies and future expansion.

Undivided profits include all current and prior period results as disclosed in the statements of profit or loss and other comprehensive income, which are available and not restricted for use.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

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

Interest Income
The Bank's interest on financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities at fair value through other comprehensive income (FVOCI) are recognized based on the effective interest method of accounting. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest is recognized on impaired loans and other financial assets based on the rate used to discount future cash flows to their net present value.

Other Operating Income
A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15, Revenue from Contracts with Customers. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is inscope of PFRS 9, and then applies PFRS 15 to the residual part of the contract. The Bank also assesses its revenue agreements against the specific criteria enumerated below in order to determine if it is acting as principal or agent. Both the legal form and the substance of the agreement are considered to determine each party's respective roles in the agreement. Revenue is recorded at gross when acting as a principal while only net revenues are considered if only an agency service exists. The Bank concluded that it is acting as a principal in all its revenue arrangements. The Bank also earns commissions in various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved.

For revenues arising from these various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) Commission and fees – these income arising from loans, deposits, and other banking transactions are recognized as income based on agreed terms and conditions with customers, which are generally when the services have been performed.
(b) Late payment fees – these are billed on late payments of loans and are recognized as income upon occurrence of the late payment event.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies.

(d) Gains or losses on sale of non-financial assets – Gains on sale of properties under Other Operating Income include net gains or losses from the disposals of bank premises, furniture, fixtures and equipment and investment properties. The Bank recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Bank does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Thus, revenue is recognized at a point in time.
(e) Recovery on charged-off assets – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in profit or loss as part of Other Operating Income in the statements of comprehensive income.

Expense Recognition

Related costs and expenses are recognized as incurred. These are recognized in the statements of profit or loss and other comprehensive income upon utilization of the service or at the date of their origin. Finance costs are reported on an accrual basis.

Pension Costs

Retirement Benefits
The Bank is covered under Republic Act (RA) No. 7641, *The Philippine Retirement Law*, which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

Retirement cost and obligation is determined by computing the number of years in service of the covered employees multiplied by the latest salary. Management believes that actuarial computation using the retirement projected unit credit method of pension cost is not materially different from its simple computations because there are very few employees (less than ten) who are covered as of December 31, 2025 and 2024.

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

Bonus Plans
The Bank recognizes a liability and an expense for bonuses based on the Bank's bonus policy. The Bank recognizes a provision where it is contractually obliged to pay the benefits.

Compensated Absences
Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the statement of financial position date.

Short – Term Benefits
Short-term benefits are employee benefits usually due within twelve (12) months after the end of the period in which the employees render the related services. These are recognized as expense in the period incurred.

Provisions and Contingencies

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs, if any.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

Subsequent Events

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments Made by Management in the Process of Applying the Accounting Policies

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

(a) Going Concern

When preparing financial statements, the Bank assesses conditions that may indicate an existence of material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern at least annually. If such conditions are discovered, the Bank will immediately execute plans to mitigate such conditions. Even so, when the Bank is aware of material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed, even if management eventually conclude that is appropriate to prepare the financial statements on a going concern basis. The Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as a going concern.

(b) Classification of Financial Assets and Liabilities

The Bank classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets section). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

PFRS Accounting Standards require certain financial assets and liabilities to be carried at fair value, which requires use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rates and volatility rates), the amount of changes in fair value would differ if different valuation methodology were utilized. Any changes in fair value of these financial assets and liabilities would affect directly the statements of profit or loss and other comprehensive income and changes in equity. See Notes 4, 5, 6, 11, 12, 13 and 20 for related balances.

(c) Debt Securities

The management reviewed the Bank's debt securities in the light of its liquidity requirements and has confirmed the Bank's intention and ability to hold those assets and collect its contractual cashflows. The carrying amount of debt securities is ₱ 10,106,773 and ₱ 145,002 as of December 31, 2025 and 2024, respectively.

(d) Determining Method of Computing ECL
The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank also considers the quantitative criteria based on the BSP MORB Section 143 (Appendix 15), as amended by BSP Circular 1011, Guidelines on the Adoption of PFRS 9, in classifying the status of loan.

(e) Recognition of Provisions and Contingencies
Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. Judgment is exercised by management to distinguish between provisions and contingencies.

Key Sources of Estimation Uncertainty

(a) Estimation of allowance for credit losses

Expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. In accordance with BSP MORB Appendix 15, the Bank determines whether there has been a significant increase in credit risk (SICR) primarily based on the number of days the financial asset is past due, alongside qualitative indicators that suggest a deterioration in the borrower's ability to pay.

To measure expected credit losses, the Bank utilizes reasonable and supportable information, which includes historical loss experience adjusted for current conditions and forward-looking economic drivers. The Bank evaluates whether there is observable data indicating a measurable decrease in estimated future cash flows from a portfolio of loans, such as adverse changes in the payment status of borrowers or local economic conditions that correlate with defaults.

In the absence of a formal internal credit risk rating system, the Bank adheres to the regulatory classification guidelines prescribed by the Bangko Sentral ng Pilipinas. Credit exposures are categorized as Pass, Especially Mentioned, Substandard, Doubtful, or Loss based on the borrower's repayment history and the Bank's assessment of their financial condition. Specifically, accounts that are over 30 days past due or exhibit qualitative signs of weakness are classified as Stage 2 (Especially Mentioned/Substandard-Underperforming), while those meeting the criteria for non-performing status are classified as Stage 3.

The total allowance for credit losses and the carrying amount of loans and other receivables as at December 31, 2025 and 2024 are shown in Note 5.

(b) Useful lives of bank premises, furniture and equipment

The Bank estimated the useful lives of its bank premises, furniture and equipment based on the period over which the assets are expected to be available for use. The Bank reviews annually the estimated useful lives of bank premises, furniture and equipment based on expected asset utilization as anchored on business plans and strategies. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of bank premises, furniture and equipment would increase the recorded depreciation and decrease non- current assets. See Note 8 for the related balances.

(c) Realizable amount of deferred tax assets

The Bank reviews the carrying amounts of deferred tax asset at each statement of financial position date and reduces deferred tax asset to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred tax assets to be utilized.

However, it is no assurance that the Bank will generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized. See Note 10 for related balances.

(d) Estimating pension obligation and other employee benefits

The determination of obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used by the Bank in calculating such amounts. Those assumptions for retirement of pension include, among others, discount rates, expected returns on plan assets and salary increase rates.

In accordance with PFRS Accounting Standards, actual results that differ from the Bank's assumptions are accumulated and amortized over the future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Bank believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

As at December 31, 2025 and 2024, pension liability amounted to ₱ 518,487 for both years (see Note 14).

(e) Contingencies

The Bank is involved in various litigations and claims that are normal to its business. Based on the opinion of the Bank's legal counsel on the progress and legal grounds of these cases, the Bank believes that it does not have a present obligation arising from a past event and/or the likely outcome and estimated potential cash outflow cannot be reasonably determined as of this time. As such, no provision was made for these other contingencies.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2025	2024
Petty cash fund	₱ **8,500**	₱ 8,500
Cash on hand and checks and other cash items (COCI)	**844,312**	1,111,891
Due from other banks	**26,212,380**	27,372,108
Due from Bangko Sentral ng Pilipinas (BSP)	**1,172,475**	1,220,390
Treasury bills	**108,752**	72,501
	₱ **28,346,419**	₱ 29,785,390

Petty cash fund pertains to fund maintained on an imprest system to defray minimal disbursements.

Cash on hand consists of funds in the form of notes and coins in Philippine currency held in the Bank's vault and those in the possession of the Teller and held in compliance with the liquidity requirements of the BSP. Checks and other cash items include checks drawn on other local banks that remained undeposited as of the close of the reporting period.

Due from other banks consist of time deposits, regular savings and demand deposits with various local banks. Cash accounts with other banks generally earn interest at rates based on bank deposit rates of 0.01% to 0.125% per annum in 2025 and 2024.

Due from BSP pertains to deposits made to BSP for clearing and reserve requirements.

Treasury bills represent short-term, highly liquid investment from other local bank with original three (3) months maturity.

Interest income on bank deposits amounted to ₱ 92,462 in 2025 and ₱ 161,026 in 2024.

5. LOANS AND OTHER RECEIVABLES

Loans and other receivables consist of:

	2025	2024
Loans receivable	₱ **45,725,940**	₱ 39,834,783
Other receivables	**3,557,035**	4,289,813
Total	**49,282,975**	44,124,596
Less allowance for probable losses	(**5,721,184)**	(6,047,084)
Carrying amount	**43,561,791**	38,077,512
Less non-current portion of loans and other receivables	(**37,087,992)**	(27,381,908)
Current portion of loans and other receivables	**6,473,799**	₱ 10,695,604

Loans receivable pertains to amount collectible from various borrowers. Interest income on loans receivable amounted to ₱ 7,751,567 and ₱ 8,126,626 in 2025 and 2024, respectively.

The Bank's loans receivable earn interest ranging from 10% to 60% per annum and are collectible in varying repayment terms such as monthly, quarterly, annually and lump sum. None of the receivables are held as collateral for any obligations with third parties.

Other receivables include sales contract receivable, advances to employees and receivables from borrowers. It also includes Sales Contracts Receivable (SCR) of ₱ 2,837,335 in 2025 and ₱ 3,373,727 in 2024. SCR represent the amortized cost of assets acquired through foreclosure or dation in payment, subsequently sold on an installment basis, with title transferred to buyers upon full settlement of the selling price.

The loans receivable are classified as follows:

	2025	2024
Current	**₱ 36,968,196**	₱ 33,264,338
Past due	**7,838,243**	5,625,444
Items in litigation	**919,501**	945,001
Total	**45,725,940**	39,834,783
Allowance for probable losses	**(5,413,053)**	(5,738,953)
Net	**₱ 40,312,887**	₱ 34,095,830

Loans receivable classified according to maturity are as follows:

	2025	2024
Due within one year	**₱ 14,179,679**	₱ 12,452,875
Due between one to five years	**23,153,300**	23,042,808
Due beyond five years	**8,392,961**	4,339,100
	₱ 45,725,940	₱ 39,834,783

Loans receivable due within one year is classified as current asset in the statements of financial position while accounts due for more than one year is shown as non-current loans receivable.

An analysis of the allowance for probable losses on loans receivable account is shown below.

	2025	2024
Balance at beginning of year	**₱ 5,738,953**	₱ 3,902,972
Provision for the year	**1,133,104**	1,835,981
Write-off during the year	**(1,459,004)**	-
Balance at end of year	**₱ 5,413,053**	₱ 5,738,953

An analysis of the allowance for probable losses on other receivables account is shown below.

	2025	2024
Balance at beginning of year	**₱ 190,024**	₱ 190,024
Provision for the year	**-**	-
Balance at end of year	**₱ 190,024**	₱ 190,024

An analysis of allowance for probable losses on sales contract receivable account is shown below.

	2025	2024
Balance at beginning of year	₱ **118,107**	₱ 247,372
Provision for the year	-	-
Reversal during the year	-	(129,265)
Balance at end of year	₱ **118,107**	₱ 118,107

The Bank's allowance for probable losses has been determined based on accounting policies and practices discussed in Note 3 and 21 and BSP guidelines.

6. DEBT SECURITIES AT AMORTIZED COST

This account consists of government securities as follows:

	2025	2024
Bureau of Treasury – short-term fixed income treasury bills	₱ **108,751**	₱ 145,002
Land Bank of the Philippines – agrarian reform 10-year bonds, redeemable yearly	**9,998,022**	-
	10,106,773	145,002
Less current portion of debt securities	(**1,036,052)**	(36,250)
Non-current portion of debt securities	₱ **9,070,721**	₱ 108,752

The agrarian reform bonds are acquired in compliance with the requirements set by Republic Act 9501 and Agri Agra Reform Credit Act of 2000 (Republic Act 10000) that lending institutions or any party otherwise required to make a mandatory allocation of credit resources to MSMEs and Agri Agra, shall be deemed as compliance with the mandated loan portfolio allocation percentage.

A reconciliation of the balances is as follows:

	2025	2024
Balance at beginning of year	₱ **145,002**	₱ 4,568,858
Additional investment during the year	**10,070,523**	217,503
Earned interest during the year	-	196,386
Matured investments during the year	(**108,752)**	(4,837,745)
Balance at end of year	₱ **10,106,773**	₱ 145,002

Interest income earned from debt securities amounted to nil in 2025 and ₱ 196,386 in 2024.

7. OTHER CURRENT ASSETS

This account consists of:

	2025	2024
Prepayments	**₱ 325,333**	₱ 179,279
Stationery and office supplies	**37,400**	12,300
Others	**-**	2,245
	₱ 362,733	₱ 193,824

Prepayments represent unexpired portion of insurance premiums paid during the year for the Bank's vehicles, buildings and properties. This also includes unexpired portion of premiums paid for accident insurance, fidelity and indemnity bonds of the Bank's employees.

Stationery and office supplies consist of unused office forms and supplies to be utilized in the Bank's daily operations.

Others pertain to commemorative coins inventory of the Bank.

8. BANK PREMISES, FURNITURE AND EQUIPMENT

This account consists of:

				2025
	Beginning Balance	Additions	Disposals	**Ending Balance**
Cost				
Land	₱ 1,570,001	₱ -	₱ -	**₱ 1,570,001**
Building	1,008,655	-	-	**1,008,655**
Furniture, fixtures and equipment	3,493,801	71,268	-	**3,565,069**
Transportation equipment	1,172,300	-	-	**1,172,300**
Total	₱ 7,244,757	₱ 71,268	₱ -	**₱ 7,316,025**
Accumulated Depreciation				
Building	₱ 673,777	₱ 41,312	₱ -	**₱ 715,089**
Furniture, fixtures and equipment	3,011,268	247,575	-	**3,258,843**
Transportation equipment	406,351	224,180	-	**630,531**
Total	4,091,396	513,067	-	**4,604,463**
Carrying Amount	₱ 3,153,361	(₱ 441,799)	₱ -	**₱ 2,711,562**

				2024
	Beginning Balance	Additions	Disposals	**Ending Balance**
Cost				
Land	₱ 1,570,001	₱ -	₱ -	**₱ 1,570,001**
Building	1,018,047	-	(9,392)	**1,008,655**
Furniture, fixtures and equipment	3,316,956	176,845	-	**3,493,801**
Transportation equipment	1,172,300	-	-	**1,172,300**
Total	₱ 7,077,304	₱ 176,845	(₱ 9,392)	**₱ 7,244,757**
Accumulated Depreciation				
Building	₱ 632,465	₱ 41,312	₱ -	**₱ 673,777**
Furniture, fixtures and equipment	2,648,765	362,503	-	**3,011,268**
Transportation equipment	182,171	224,180	-	**406,351**
Total	3,463,401	627,995	-	**4,091,396**
Carrying Amount	₱ 3,613,903	(₱ 451,150)	(₱ 9,392)	**₱ 3,153,361**

The BSP requires that investments in bank premises, furniture, fixtures, and equipment should not exceed 50% of the Bank's unimpaired capital. As of December 31, 2025, and 2024, the Bank satisfactorily complied with this BSP requirement.

Management assessed that there were no impairment losses as of December 31, 2025 and 2024. The above properties are not assigned or held as collateral to third parties.

9. NON-CURRENTASSETS HELD FOR SALE (NCAHFS)

Non-current assets held for sale, which pertains to real and other properties acquired by the Bank, consist of the following:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Residential lots and improvements	**₱ 1,358,490**	**₱ 3,953,610**	₱ 661,390	₱ 1,676,160
Agricultural land	**3,835,120**	**9,647,272**	3,518,483	9,532,657
	₱ 5,193,610	**₱ 13,600,882**	₱ 4,179,873	₱ 11,208,817

The movement of non-current assets held for sale is shown below.

	2025	2024
Balance at beginning of year	**₱ 4,562,880**	₱ 6,512,899
Additions during the year	**2,561,266**	-
Disposals during the year	**(1,736,260)**	(1,950,019)
Adjustments during the year	**-**	-
	5,387,886	4,562,880
Less allowance for impairment	**(194,276)**	(383,007)
Net	**₱ 5,193,610**	₱ 4,179,873

In 2024, the Bank opted to realize the gain on sale on an installment basis or upon collection of principal payments. Unrealized gain from sale of NCAHFS amounted to ₱ 1,261,710 and ₱ 2,235,005 in 2025 and 2024, respectively.

An analysis of the allowance for non-current assets held for sale account is shown below.

	2025	2024
Balance at beginning of year	**₱ 383,007**	₱ 383,008
Provision for the year	**9,200**	-
Reversal due to sale	**(197,931)**	(1)
Balance at end of year	**₱ 194,276**	₱ 383,007

Realized gain from sale of NCAHFS amounted to ₱ 10,335,056 in 2025 and ₱ 1,689,168 in 2024 (see Note 17).

On August 13, 2025, the Bank's agricultural land classified as NCAHFS was acquired by the Department of Agrarian Reform under the compulsory acquisition of the Comprehensive Agrarian Reform Program (CARP) pursuant to Republic Act (R.A.) No. 6657, as amended by R.A. No. 9700. The proceeds from sale was paid by Agrarian Reform bonds.

10. TAXES

As of December 31, 2025 and 2024, the components of deferred tax assets of the Company follow:

	2025	2024
Recognized in profit or loss:		
Deferred tax assets on:		
Allowance for probable losses on:		
Loans and other receivables	**₱ 1,145,934**	₱ 1,209,417
Non-current assets held for sale	**38,855**	76,601
Pension liability	**103,698**	103,698
	₱ 1,288,487	₱ 1,389,716

A reconciliation of income tax expense applicable to income from operating activities before income tax at the statutory income tax rate to income tax expense at the Bank's effective income tax rate for the years ended December 31, 2025 and 2024 is shown below.

	2025	2024
Loss before income tax	**(₱ 2,476,748)**	(₱ 8,225,214)
Income tax computed at statutory rate of 20% in 2025 and 2024	**₱ -**	₱ -
Additions to (reductions in):		
Unallowable deduction on interest expense	**4,623**	8,051
Provision for probable losses	**228,318**	341,343
Non-deductible fines and penalties	**-**	-
Retirement expenses accrued but not yet contributed	**-**	-
Written-off accounts	**(254,055)**	-
Interest income subjected to final tax – net	**(23,116)**	(40,257)
Provision for income tax	**Nil**	Nil

The Company's liability for income tax in 2025 and 2024 is Minimum Corporate Income Tax (MCIT) amounting to ₱ 145,176 and ₱ 75,802, respectively. This was debited to other non-current assets (Note 11).

The Company's net operating loss carryover (NOLCO) as of December 31, 2025 consists of:

Year Incurred	Amount	Used/Expired	Balance	Expiry Date
2023	₱ 3,561,173	₱ -	₱ 3,561,173	2026
2024	1,375,182	-	1,375,182	2027

11. OTHER NON-CURRENT ASSETS

Other non-current assets consist of:

	2025	2024
Restricted fund for retirement	**₱ 938,682**	₱ 918,328
Rental deposits	**172,126**	70,134
Minimum corporate income tax (MCIT)	**248,702**	103,526
Accrued interest income from financial asset	**502,076**	705,463
	₱ 1,861,586	₱ 1,797,451

The Bank established a retirement fund with Rizal Commercial Banking Corporation (RCBC) under trust agreement to be executed between RCBC and the Bank as trustor. The retirement fund earns interest at 0.04% per annum in 2025 and 2024.

Minimum Corporate Income Tax (MCIT)

A reconciliation of the MCIT balance is shown below.

Year Incurred	Amount	Applied	Expired	Remaining Balance	Expiry Year
2025	₱ 145,176	₱ -	₱ -	₱ 145,176	2028
2024	75,802	-	-	75,802	2027
2023	27,724	-	-	27,724	2026
	₱ 248,702	₱ -	₱ -	₱ 248,702	

12. DEPOSIT LIABILITIES

The breakdown of deposit liabilities is shown below.

	2025	2024
Savings deposit	**₱ 57,250,167**	₱ 42,989,785
Time deposit	**14,446,273**	7,694,974
	₱ 71,696,440	₱ 50,684,759

Savings deposits have an annual interest rate of 0.20% for both year 2025 and 2024.

Time deposits are composed of regular time deposit with interest ranging from 2%-5% and Special Time Deposit with interest rates of 4%-7% while Regular Time Deposit with interest ranging from 0.60% – 6% for both years 2025 and 2024.

All deposits are in Philippine currency.

The maturity profile of this account is presented below.

	2025	2024
Less than 1 year	**₱ 71,207,551**	₱ 43,651,164
1 to 5 years	**488,889**	7,033,595
Beyond 5 years	**-**	-
	₱71,696,440	₱ 50,684,759

Under existing BSP regulations, the Bank's deposit liabilities are subject to statutory reserves equivalent to 0% and 1% for 2025 and 2024, respectively. The Bank has duly complied with this requirement.

There are no doubtful debts and restrictions or guarantees on deposit liabilities as of December 31, 2025 and 2024.

Interest expense on deposit liabilities amounted to ₱ 905,600 and ₱ 551,434 in 2025 and 2024, respectively.

13. OTHER CURRENT LIABILITIES

Other current liabilities consist of:

	2025	2024
Accrued expenses	**₱ 827,253**	₱ 916,715
Accounts payable	**284,270**	173,359
Taxes payable	**176,431**	56,186
Advance rental	**30,000**	30,000
Due to the Treasurer of the Philippines	**456**	456
Others	**146,519**	112,164
	₱ 1,464,929	₱ 1,288,880

Accrued expenses include unpaid professional fees, subscription fees, business and percentage taxes due, interest on time deposits and other expenses.

Taxes payable represents taxes withheld from salaries of officers, employees and depositors which are subsequently paid in the succeeding month.

Other liabilities include SSS, PHIC, HMDF remittances and other expenses which are normally settled within one year.

There are no doubtful debts as of December 31, 2025 and 2024.

14. PENSION LIABILITY

Pension liability represents obligations for retirement of employees and officers in compliance with the provisions of RA 7641. Pension cost and liability is computed based on the number of years in service and the monthly salary rate of the employees covered.

The movement of pension liability is as follows:

	2025	2024
Balance at beginning of year	**₱ 518,487**	₱ 518,487
Provision during the year	**-**	-
Remeasurement losses on defined benefit obligation	**-**	-
Balance at end of year	**₱ 518,487**	₱ 518,487

15. EQUITY

Share Capital

This account consists of:

	Shares		Amount	
	2025	2024	**2025**	2024
Common shares - ₱ 100 par value				
Authorized	**101,700**	101,700	**₱ 10,170,000**	₱ 10,170,000
Preferred shares - ₱ 100 par value				
Authorized	**5,000**	5,000	**₱ 500,000**	₱ 500,000
Subscribed and Issued - Common shares				
Balance at beginning of year	**101,700**	81,090	**₱ 10,170,000**	₱ 8,109,000
Transactions during the year	-	20,610	-	2,061,000
Balance at end of year	**101,700**	101,700	**₱ 10,170,000**	₱ 10,170,000

On 13th December 2024, all of the Board of Directors and stockholders approved the Bank's plan to increase its share capital from ₱10.17 million divided into 101,700 common shares to ₱100.00 million divided into 995,000 common shares and 5,000 preferred shares. Out of the total increase of ₱89.33 million, not less than ₱22.3325 million will be subscribed and partially paid by way of cash. As of December 31 2025, the total paid-up amount is ₱ 8,940,000. The application for Increase in Capital is in-process requiring prior BSP approval before submitting to the Securities and Exchange Commission.

Surplus Reserves

Total appropriation for future expansions amounted to nil and ₱ 12,300,000 as at December 31, 2025 and 2024, respectively. Future expansion projects include acquisition of property and renovation of bank premises. Management expects to implement the expansion plan within the next 5 to 10 years or when funds are available.

On March 31, 2026 the Board of Directors (BOD) approved to reverse the appropriations as of December 31, 2025 due to losses incurred during the year and prior years.

16. CORRECTION OF PRIOR PERIOD ERROR

The balance of undivided profits (loss) as of January 1, 2023 was adjusted to take up the reversal of gain due to recording of appraisal increase of non-current assets held for sale (NCAHFS). It also includes various expenses in prior period erroneously charged as remeasurement loss on retirement.

			January 1, 2024
	As previously stated	As restated	Effect of Adjustment
Change in assets and liabilities			
Non-current assets held for sale – net	₱ 9,610,092	₱ 4,179,873	(₱ 5,430,219)
Various expenses	(9,392)	-	9,392
Change in undivided profits (losses)	₱ 9,600,700	₱ 4,179,873	(₱ 5,420,827)

17. OTHER INCOME

This account consists of:

	2025	2024
Gain on sale from asset sold (Notes 8 and 9)	**₱ 10,335,056**	₱ 1,689,168
Service charges and fees	**671,628**	1,236,105
Recovery of written-off accounts	**408,191**	342,782
Others	**294,796**	203,057
	₱ 11,709,671	₱ 3,471,112

Gain on sale from asset sold pertains to gain on sale of Bank's NCAHFS.

Service charges and fees are income earned from administration of loan releases and service fee on bills purchased by client, lost passbook and commission from insurance.

Recovery of written-off accounts are collections from clients whose accounts were already written-off in prior years.

Others pertain to interest from sales contract receivable and miscellaneous income.

18. ADMINISTRATIVE EXPENSES

The breakdown of administrative expenses is shown below.

	2025	2024
Compensation and employees' benefits	**₱ 11,548,716**	₱ 10,815,591
Information technology	**2,514,371**	1,809,762
Provision for probable losses (Note 5)	**1,133,104**	1,706,716
Professional fees	**1,129,021**	413,679
Taxes and licenses	**920,828**	849,491
Travel and transportation	**609,122**	729,607
Rental	**581,315**	572,698
Postage, telephone and telegrams	**552,401**	339,203
Depreciation (Note 8)	**513,067**	627,995
Insurance	**292,577**	332,910
Security and messengerial	**286,692**	255,294
Light, power and water	**170,902**	180,632
Fees and commissions	**165,940**	231,055
Repairs and maintenance	**160,093**	93,820
Representation and entertainment	**133,381**	157,906
Training and seminars	**89,117**	142,170
Office supplies	**73,499**	73,573
Advertising and publicity	**22,469**	8,573
Miscellaneous	**228,233**	288,255
	₱ 21,124,848	₱ 19,628,930

19. RELATED PARTY TRANSACTIONS

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

Loans to DOSRI

Under the General Banking Act and BSP regulations, the aggregate amount of loans to directors, officers, shareholders and related interests (DOSRI) should not exceed the total capital funds or 15% of the total loan portfolio of the Bank, whichever is lower. In addition, the amount of direct accommodations to DOSRI, 70% of which must be secured and should not exceed the amount of their respective regular and/or quasi-deposits and book value of their respective investments in the Bank.

In the ordinary course of business, the Bank transacts with directors, officers, major shareholders and related interests (DOSRI). These transactions are approved by the Board of Directors under the guidelines established by the BSP and are carried out in the normal course of the Bank's operations. These are recorded in the same manner as transactions entered into with other third parties.

As of December 31, 2025 and 2024, the Bank does not have DOSRI loans.

Remuneration of Key Management Personnel

The salaries and compensation, which is short-term, given to the Bank's key management personnel amounted to ₱4,136,318 in 2025 and ₱2,150,271 in 2024. There are no post-employment benefits, other long-term benefits and share-based payments.

The Bank is not covered by the requirements and procedures for related party transactions as provided under Section 2 of BIR Revenue Regulations (RR) 34-2020.

20. FAIR VALUE MEASUREMENT AND DISCLOSURES

The Bank concluded that the carrying amounts of financial assets and financial liabilities which are measured at amortized cost approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

The Bank has not set-off any financial instruments in 2025 and 2024 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross amount basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis.

Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The 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 investments which does not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies 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.

The following table summarizes the carrying amounts and fair values of the Bank's financial assets and liabilities:

				2025
	Carrying Amount	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalents	₱ 28,346,419	₱ 28,346,419	₱ -	₱ -
Loans and other receivables	43,561,791	-	-	43,561,791
Debt securities at amortized cost	10,106,773	-	-	10,106,773
Financial Liabilities				
Deposit liabilities	71,696,440	-	-	71,696,440
Other current liabilities	314,726	-	-	314,726

				2024
	Carrying Amount	Level 1	Level 2	Level 3
Financial Assets				
Cash and cash equivalents	₱ 29,785,390	₱ 29,785,390	₱ -	₱ -
Loans and other receivables	38,077,512	-	-	38,077,512
Debt securities at amortized cost	145,002	-	-	145,002
Financial Liabilities				
Deposit liabilities	50,684,759	-	-	50,684,759
Other current liabilities	203,815	-	-	203,815

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) Cash and Other Cash Items

Cash and other cash items include bills and coins, checks, and other cash items in the Bank's vault. The carrying amounts of these approximate their fair values in view of the relatively short-term maturities of these instruments.

(b) Due from BSP and Other Banks

Due from BSP pertains to deposits made by the Bank to the BSP for clearing and reserve requirements. Due from other banks includes items in the course of collection.

(c) Loans and Receivables

Loans and receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(d) Deposits Liabilities

The estimated fair values of deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount payable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(e) Due to Related Parties and Accrued Expenses and other Liabilities

Due to their short duration, the carrying amounts of refundable deposits, accrued expenses and other liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

(f) Debt securities at amortized cost

Debt securities are carried at amortized cost.

Items of income, expense, gains or losses on financial assets and liabilities
Items of income, expense, gain or losses recognized with respect to financial assets and financial liabilities of comprehensive income are presented below:

	2025	2024
Interest income		
Loans receivable	**₱ 7,751,567**	₱ 8,126,626
Bank deposits and debt securities	**92,462**	357,412
Total interest income	**7,844,029**	8,484,038
Interest expense		
Deposit liabilities	**905,600**	551,434
Other income		
Gain from sale of assets sold	**10,335,056**	1,689,168
Service charge and fees	**671,628**	1,236,105
Recovery of written off accounts	**408,191**	342,782
Miscellaneous	**294,796**	203,057
Total other income	**11,709,671**	3,471,112
Provision for credit loss on loans and other receivables	**1,133,104**	1,706,716

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rates and for various periods, and seeks to earn above average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. The Bank also seeks to raise its interest margins by obtaining above average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing.

Operational Risk

The Bank has managed to ensure that operational risks, which are stemmed from potential inadequate information systems, operations of transactional problems (relating to service or product delivery), breaches in internal controls, fraud or other unforeseen catastrophies that may result in unexpected loss, are managed in a timely and efficient manner. The internal auditor and compliance officer monitor and communicate risks and takes charge in the Bank's disaster preparedness.

The Bank's strategic directions and risk tolerance are established by the Board and communicated through policies, standards and procedures, which are evaluated at least annually to ensure compatibility with the Bank's business strategy. In line with this, the Bank maintains a Loss Event Database, which records all reported incidents of losses, used as basis to pinpoint general control weaknesses and operational vulnerabilities.

The Bank has also prepared a risk-based and scenario-driven Business Continuity Plan to have the ability to restore business processes in the event of a major disruption. The Plan includes the development of appropriate resiliency strategies, recovery procedures, facilities, contingency measures, communication, and crisis management plans across the organization.

Lastly, the Bank continues to comply with the standards and operating principles set forth in the BSP Circular 808 (Guidelines on IT Risk Management). The IT Risk Assessment System of the Bank is used to practice the implementation of said guideline serving as the main tool in identifying vulnerabilities as well as effectiveness of IT Controls.

Credit Risk

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a quarterly basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty specific. As the Bank holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument, or the complexity of the portfolio being assessed.

Loan classification are an integral part of the Bank's management of credit risk. On an annual basis, loans are reviewed, classified and rated based on internal and external factors that affect its performance. On a quarterly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions. The Bank's definition of its loan classification are (a) Pass/Unclassified, (b) Loans Especially Mentioned (LEM), (c) Substandard, (d) Doubtful and (e) Loss.

(a) High Grade/Standard Grade

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans. These are credits that have the apparent ability to satisfy their obligations in full and therefore no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed. For Standard grade, since early identification of troublesome or potential accounts is vital in portfolio management, a Watchlisted classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

Past due or individually impaired financial assets are consisting of accounts under the following classification:

(b) Loans Especially Mentioned (LEM)

Accounts classified as LEM are individual credits that have potential weaknesses particularly on documentation or credit administration that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment prospects of the loan and thus heighten the credit risk to the Bank.

A credit may also be classified as LEM if there is evidence of weakness in the borrower's financial condition or credit worthiness, or the credit is subject to an unrealistic repayment program or inadequate source of funds.

(c) Substandard

Accounts classified as Substandard are individual credits or portions thereof, which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to the Bank unless given closer supervision. Those classified as Substandard must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

(d) Doubtful

Accounts classified as Doubtful are individual credits or portions thereof which have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable. Positive and vigorous action is required to avert or minimize losses.

(e) Loss

Accounts classified as Loss are individual credits or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value. The amount of recovery or salvage value is difficult to measure and it is not practical or desirable to defer writing off the entire amount of these basically worthless assets even though partial recovery may be obtained in the future. In addition, credit portfolio review is another integral part of the Bank's credit risk management. This activity involves the conduct of periodical post approval review of individual credits with main objective to help monitor and maintain sound and healthy risk asset portfolio. The parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Bank using internal credit ratings.

The Bank's ECL methodology follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered performing and with no observed SICR since initial recognition. These include those financial instruments with low credit risk.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. With reference to the Bank's credit risk assessment, Stage 2 includes credit exposures that are considered as underperforming in which risk ratings were downgraded by at least three notches and/or downgraded to Especially Mentioned. Stage 2 financial instruments may also include those financial instruments where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed as credit-impaired, thus considered by the Bank as non-performing, which is assessed consistently with the Bank's definition of default for each loan portfolio. Generally, this includes accounts that are classified as Substandard, Doubtful and Loss. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

The tables below summarize loan classification per BSP Revised Appendix 15 aligned with the PFRS 9 three-stage model impairment based on changes in credit quality since initial recognition:

General Rule

Stage 1	Stage 2	Stage 3
Pass	Especially Mentioned Substandard – Unimpaired*	Substantial – Impaired Doubtful Loss
(Performing)	(Underperforming)	(Non-performing)**

**Substandard accounts that are unpaid or with missed payment of less than 90 days.*

***Exposures that exhibit the characteristics for classified accounts described under BSP MORB Section 143.*

Individually Assessed Credit Exposures (Unsecured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	Minimum ACL	PFRS 9 Stage
31 – 90 days	Substandard (unimpaired)	10%	2
91 – 120 days	Substandard (impaired)	25%	3
121 – 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3

Individually Assessed Credit Exposures (Secured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	Minimum ACL	PFRS 9 Stage
31 – 90 days	Substandard (unimpaired)	10%	2
91 – 180 days	Substandard (impaired)	25%	3
181 – 365 days	Substandard (impaired)	50%	3
Over 1 year – 5 years	Doubtful	100%	3
Over 5 years	Loss	100%	3

Collectively Assessed Credit Exposures (Unsecured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	Minimum ACL	PFRS 9 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

****Depends on whether the account is classified as underperforming (Stage 2) or non-performing (Stage 3)*

Collectively Assessed Credit Exposures (Secured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	Minimum ACL	PFRS 9 Stage
31 – 90 days	Substandard (unimpaired)	10%	2
91 – 120 days	Substandard (impaired)	25%	3
121 – 365 days	Substandard (impaired)	50%	3
Over 1 year – 5 years	Doubtful	100%	3
Over 5 years	Loss	100%	3

A grouping of exposures for collective assessment is performed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous.

Certain qualitative criteria are also being considered by the Bank in assessing SICR. These are but not limited to: actual or expected short-term delays in payments, extension to the terms granted, previous arrears within the last 12 months and significant adverse changes in business, financial and/or economic conditions in which the borrowers operate (e.g., calamities requiring BSP relief program), and other backstop indicators.

The ECL is measured on a lifetime basis giving due consideration on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. To measure the ECL, loans and receivables have been grouped on shared credit risk characteristics and the days past due (age buckets). The expected loss rates are based on the collection profiles of the Bank's loans and receivables, taking into consideration the prescribed loss rates of the BSP under Appendix 15 of MORB, and the corresponding historical credit losses. The Bank's management intends to regularly calibrate these historical loss rates.

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery includes ceasing enforcement activity; and, where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. Accounts written off amounted to ₱1,459,004 in 2025 and nil in 2024.

Concentration of credit
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 geographic location. See related Note 5.

Risk limit control and mitigation policies
Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation such as mortgages over real and personal properties.

Credit quality per class of financial assets
The credit quality of financial assets is assessed based on days past due.

			2025
	Neither past due nor impaired	Past due but not impaired	Individually impaired
Due from other banks	**₱ 26,212,380**	**₱ -**	**₱ -**
Due from BSP	**1,172,475**	**-**	**-**
Loans receivable	**36,968,196**	**7,838,243**	**919,501**
Debts securities at amortized cost	**10,106,773**	**-**	**-**

			2024
	Neither past due nor impaired	Past due but not impaired	Individually impaired
Due from other banks	₱ 27,372,108	₱ -	₱ -
Due from BSP	1,220,390	-	-
Loans receivable	33,264,338	5,625,444	945,001
Debts securities at amortized cost	145,002	-	-

Neither past due nor impaired cash on hand and in banks are working capital cash fund placed, invested, or deposited in creditworthy banks. 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 and investment securities are loans and receivables and investment securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Bank.

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 and investment securities are loans and receivables and investment securities 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.

Total impairment allowance for loans receivable of ₱ 5,413,053 in 2025 and ₱ 5,738,953 in 2024 includes the individually impaired loans of ₱ 4,685,080 in 2025 and ₱ 4,150,691 in 2024. The balance pertains to portfolio provision. Further information of the impairment allowance for loans is provided in Note 5.

During the year ended December 31, 2025, the Bank's loans increased by 15% as a result of increase in loan releases during the year.

The credit quality of the portfolio of loans that were neither past due nor impaired can be assessed by reference to BSP MORB Appendix 15.

Classification as to Quality

Loans receivable less than 30 days past due are not considered impaired unless information is available to indicate the contrary. Gross amount of loans and discounts by type of loan that were past due but not impaired were as follows:

				2025
	Agrarian/ Agricultural	Commercial	Other loan	Total
Past due up to 30 days	₱ -	₱ 164,736	₱ 370,811	₱ 535,547
Past due 30 – 60 days	-	171,757	1,666,807	1,838,564
Past due 60 – 90 days	-		33,355	33,355
Past due over 90 days	571,243	909,326	4,869,709	6,350,278
Total	₱ 571,243	₱ 1,245,819	₱ 6,940,682	₱ 8,757,744
Fair value of collateral	₱ -	₱ 368,000	₱ 8,469,194	₱ 8,837,194

				2024
	Agrarian/ Agricultural	Commercial	Other loan	Total
Past due up to 30 days	₱ -	₱ -	₱ -	₱ -
Past due 30 – 60 days	-	-	91,467	91,467
Past due 60 – 90 days	-	71,005	194,104	265,109
Past due over 90 days	571,243	1,083,770	4,558,856	6,213,869
Total	₱ 571,243	₱ 1,154,775	₱ 4,844,427	₱ 6,570,445
Fair value of collateral	₱ -	₱ 545,711	₱ 1,144,404	₱ 1,690,115

The individually impaired loans to customers before taking into consideration the cash flows from collateral held is ₱ 4,685,080 in 2025 and ₱ 4,150,691 in 2024.

The breakdown of the gross amount of individually impaired loans by class, along with the fair value of related collateral held by the Bank as collateral are as follows:

					2025
	Agrarian/ Agricultural	Commercial	Industrial	Other loan	Total
Individually impaired loans	571,243	₱ 760,117	₱ -	₱ 3,353,720	₱ 4,685,080
Fair value of collateral	₱ -	₱ -	₱ -	1,422,750	1,422,750

	2024				
	Agrarian/ Agricultural	Commercial	Industrial	Other loan	Total
Individually impaired loans	₱ 15,624	₱ 211	₱ -	₱ 4,134,856	₱ 4,150,691
Fair value of collateral	₱ -	₱ -	₱ -	₱ 1,146,289	₱ 1,146,289

The Bank's maximum exposure to credit risk before collateral held of other credit enhancements as at December 31, 2025 and 2024 are as follows:

	2025	2024
Due from other banks	**₱ 26,212,380**	₱ 27,372,108
Due from BSP	**1,172,475**	1,220,390
Loans receivable	**40,312,887**	34,095,830
Sales contract receivable	**2,837,335**	3,373,727
Debt securities	**10,106,773**	145,002
Total	**₱ 80,641,850**	₱ 66,207,057

Market Risks

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The

Bank's exposure to market risk is towards non-trading portfolios since the Bank has no trading portfolios.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities.

Market Risk

The Bank's market risk pertains to interest rate risk. The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. As a result of these factors, the Bank's exposure to interest rate fluctuations, and other market risks, is significantly reduced. The Bank, in keeping with banking industry practice, maintains a large portion of its deposit base in short-term deposits. Interest rates on these deposits are set by considering different criteria. Interest rates on time deposits are usually priced according to the amount deposited and term of deposit. The Bank has minimal exposure to interest rate risk on its short-term placements with other banks.

Interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The Bank seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may reduce or create losses in the event of unexpected movements arise.

The Bank's liquidity and cash flow interest rate risks from loans and related interest are actively managed by means of financial support or guarantee from related parties and from operations.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

As of December 31, 2025 (In Philippine Pesos)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents	27,384,855	108,752	-	-	-	852,812	28,346,419
Loans and other receivables	3,511,556	3,326,257	5,613,167	22,801,780	8,309,031	-	43,561,791
Debt securities	-	-	1,036,052	9,070,721	-	-	10,106,773
Total financial assets	30,896,411	3,435,009	6,649,219	31,872,501	8,309,031	852,812	82,014,983
Liabilities							
Deposit liabilities	47,191,285	6,802,296	17,702,859	-	-	-	71,696,440
Other liabilities	-	-	314,726	-	-	-	314,726
Total financial liabilities	47,191,285	6,802,296	18,017,585	-	-	-	72,011,166
Total interest repricing gap	(16,294,874)	(3,367,287)	(11,368,366)	31,872,501	8,309,031	852,812	10,003,817

As of December 31, 2024 (In Philippine Pesos)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents	28,592,498	72,501	-	-	-	1,120,391	29,785,390
Loans and other receivables	4,618,465	2,106,500	3,970,639	23,042,808	4,339,100	-	38,077,512
Debt securities	-	-	36,250	108,752	-	-	145,002
Total financial assets	33,210,963	2,179,001	4,006,889	23,151,560	4,339,100	1,120,391	68,007,904
Liabilities							
Deposit liabilities	5,822,729	4,105,621	33,722,814	7,033,595	-	-	50,684,759
Other liabilities	-	-	203,815	-	-	-	203,815
Total financial liabilities	5,822,729	4,105,621	33,926,629	7,033,595	-	-	50,888,574
Total interest repricing gap	27,388,234	(1,926,620)	(29,919,740)	16,117,965	4,339,100	1,120,391	17,119,330

The interest rates for the interest-bearing financial instruments follow:

	2025	2024
Due from other banks	**0.10%- 2%**	0.10%- 2%
Loans receivable	**10%- 56.23%**	6%- 40.06%
Sales contract receivables	**18%- 22.24%**	6%- 31.59%
Deposit liabilities	**0.20%- 1.20%**	0.20%- 1.20%

Foreign currency risks
The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. There are no foreign currency transactions as of December 31, 2025 and 2024.

The Bank has no exposure to foreign currency risk, hence detailed disclosure and quantitative analysis is no longer necessary.

Liquidity Risks

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity risk management process
The Bank's liquidity management process, as carried out within the Bank, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow report as well as analysis of liquid assets, which provides guidance as to the Bank's ability to generate sufficient liquidity. Further, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

The table below analyzes the Bank's assets and liabilities as of December 31, 2025 and 2024 into relevant maturity groupings based on the remaining period at statement of financial position date to contractual maturity date.

As of December 31, 2025 (In Philippine Pesos)

	Up to 1 month	1 – 3 Months	3 – 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	28,237,667	108,752	-	-	28,346,419
Loans and other receivables	3,511,556	3,326,257	5,613,167	31,110,811	43,561,791
Debt securities at amortized cost	-	-	1,036,052	9,070,721	10,106,773
Other current assets	-	-	362,733	-	362,733
Bank premises, furniture and equipment	-	-	-	2,711,562	2,711,562
Non-current assets held for sale	-	-	-	5,193,610	5,193,610
Deferred tax asset	-	-	-	1,288,487	1,288,487
Other non-current assets	-	-	-	1,861,586	1,861,586
Total assets	31,749,223	3,435,009	7,011,952	51,236,777	93,432,961

As of December 31, 2025 (In Philippine Pesos)

	Up to 1 month	1 – 3 Months	3 – 12 months	Over 1 year	Total
Liabilities					
Deposit liabilities	47,191,285	6,802,296	17,702,859	-	71,696,440
Other liabilities	-	-	1,610,105	10,720,197	12,330,302
Equity	-	-	-	9,406,219	9,406,219
Total liabilities and equity	47,191,285	6,802,296	19,312,964	20,126,416	93,432,961
Total gap	(15,442,062)	(3,367,287)	(12,301,012)	31,110,361	-
Cumulative gap	(15,442,062)	(18,809,349)	(31,110,361)	-	-

As of December 31, 2024 (In Philippine Pesos)

	Up to 1 month	1 – 3 Months	3 – 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	29,712,889	72,501	-	-	29,785,390
Loans and other receivables	4,618,465	2,106,500	3,970,639	27,381,908	38,077,512
Debt securities at amortized cost	-	-	36,250	108,752	145,002
Other current assets	-	-	193,824	-	193,824
Bank premises, furniture and equipment	-	-	-	3,153,361	3,153,361
Non-current assets held for sale	-	-	-	4,179,873	4,179,873
Deferred tax asset	-	-	-	1,389,716	1,389,716
Other non-current assets	-	-	-	1,797,451	1,797,451
Total assets	34,331,354	2,179,001	4,200,713	38,011,061	78,722,129
Liabilities					
Deposit liabilities	5,822,729	4,105,621	33,722,814	7,033,595	50,684,759
Other liabilities	-	-	1,364,682	14,688,492	16,053,174
Equity	-	-	-	11,984,196	11,984,196
Total liabilities and equity	5,822,729	4,105,621	35,087,496	33,706,283	78,722,129
Total gap	28,508,625	(1,926,620)	(30,886,783)	4,304,778	-
Cumulative gap	28,508,625	26,582,005	(4,304,778)	-	-

Anti-Money Laundering Controls

As part of the Philippines' commitment to protecting the integrity of its financial system, complying with international standards, and promoting national and economic security, the Anti-Money Laundering Act (AMLA) or Republic Act No. 9160 was enacted in September 2001, criminalizing money laundering (ML) in the country. The law has since been further strengthened through several amendments, including RA Nos. 9194, 10167, 10168, 10365, 10927, and 11521, enhancing its scope and enforcement mechanisms. The AMLA, as amended, outlines the regulatory obligations of covered persons, including banks. These obligations include implementing appropriate Customer Due Diligence (CDD) and Know-Your-Customer (KYC) procedures, submitting Covered Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs), complying with record-keeping and retention standards, and conducting regular AML training for employees, officers, and directors. Moreover, the law mandates covered persons to assess their exposure to ML, Terrorism Financing (TF), and Proliferation Financing (PF) risks through an Institutional Risk Assessment (IRA). In compliance with these requirements, the Bank has established a comprehensive ML/TF/PF Prevention Program (MTPP). This program outlines the internal controls designed to mitigate ML/TF/PF risks arising from the Bank's operations. It defines CDD processes for categorizing customers as Low, Normal, or High Risk, with corresponding due diligence measures—Reduced, Average, or Enhanced Due Diligence (EDD). The MTPP also sets out the KYC documentation requirements for customer onboarding and includes guidelines for identifying Politically Exposed Persons (PEPs). In terms of reporting, the Bank has been filing CTRs and STRs to the Anti-Money Laundering Council (AMLC) based on the regulatory deadline. The Bank likewise established a procedure that ensures completeness of report and adherence to regulatory timelines.

22. CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statements of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines as implemented by the Bangko Sentral ng Pilipinas for supervisory purposes.

In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of 10% of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk. The Bank calculates requirements for market risk in its trading portfolio based upon value at risk model and uses its internal risk rating as the basis for risk weightings for credit risk while operation risk is computed as a percentage of gross income of the Bank.

Under the relevant provisions of the current BSP regulations, the regulatory capital is analysed into two tiers.

Tier 1 Capital and Tier 2 Capital are defined as follows:

(i) Tier 1 Capital includes the following:
   (a) paid-up common stock;
   (b) surplus and surplus reserves; and,
   (c) undivided profits (for domestic banks only),

   Subject to deductions for:
   (a) treasury shares (if any),
   (b) unrealized losses on underwritten listed equity securities purchased,
   (c) unbooked valuation reserves, and other capital adjustments based on the latest BSP report of examination,
   (d) outstanding unsecured credit accommodations, both direct and indirect, to Directors, Officers, Stockholders and Related Interests (DOSRI), (e) goodwill, and,
   (e) deferred tax asset.

(ii) Tier 2 Capital includes:
   (a) dividends distributable (if any);
   (b) appraisal increment reserve – bank premises if any, as authorized by the Monetary Board of the BSP,
   (c) deposit for stock subscription on common stock, and,
   (d) general loan loss provision, limited to a maximum of 1.0% of credit risk-weighted assets.

The Bank's regulatory capital position as reported to the BSP as of December 31 follows:

	2025	2024
Tier 1 Capital	**8.12**	10.59
Tier 2 Capital	**0.36**	0.28
Total regulatory qualifying capital	**8.48**	10.87
Total risk weighted assets (in millions)	**86.097**	79.925
Total regulatory capital expressed as percentage of total risk weighted assets	**9.85%**	13.60%
Total Tier 1 capital expressed as percentage of total risk weighted assets	**9.43%**	13.25%

As of December 31, 2025 and 2024, based on the above capital ratios, the Bank has complied with the BSP requirement on the ratio of combined capital accounts against the risk assets.

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

Risk weighted assets as of December 31, 2025 and 2024 consist of the following (amounts in million pesos):

			2025			2024
	Credit Risk	**Market Risk**	**Operational Risk**	Credit Risk	Market Risk	Operational Risk
On-balance sheet	**86.097**	-	-	79.925	-	-
Off-balance sheet	-	-	-	-	-	-
Interest rate exposures	-	-	**17.515**	-	-	14.071
Basic indicator	-	-	-	-	-	-
Total	**86.097**	-	**17.515**	75.592	-	14.071
Less: general loan loss provision	**0.358**	-	-	0.281	-	-
Total risk-weighted assets	**85.739**	-	**17.515**	79.644	-	14.071
Capital requirements	**8.574**	-	**1.752**	7.964	-	1.407

The determination of the Bank's compliance with regulatory requirements and ratios are based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

The Bank's regulatory capital as managed by its Bank Treasury is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent capital funds, undivided profits and reserves created by appropriations of undivided surplus. The book value of goodwill is deducted in arriving at Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale. Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each resource and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

Leverage Ratio and Total Exposure Measure
The Basel III Leverage Ratio (BLR) is designed to act as a supplementary measure to the risk-based capital requirement. The leverage ratio intends to restrict the buildup of leverage in the Bank and reinforce the risk-based requirements with a simple, non-risk based "backstop" measure. It is defined as a capital measure over its total exposure measure with a minimum requirement of 5.00%.

The Bank's BLR and Total Exposure Measure as of December 31, 2025 and 2024, as reported to the BSP, follows (in millions):

	2025	2024
Capital measure	**20.42**	10.59
Exposure measure	**93.43**	78.72
Leverage ratio	**21.85%**	13.46%

Minimum Liquidity Ratio (MLR)
BSP regulations require the Bank to promote short term resilience to liquidity shocks by maintaining a stock of liquid assets proportionate to its on- and off-balance sheet liabilities. Under said regulations, prudential minimum liquidity ratio (MLR) is at twenty percent (20%), where the MLR is expressed as a percentage of the Bank's eligible liquid assets to its qualifying liabilities. The Bank's liquid assets consist of cash on hand; reserves in the BSP; debt securities guaranteed by the Philippine National Government; and deposits in other banks; while qualifying liabilities: consist of total liabilities; and irrevocable obligations under off-balance sheet items such as committed credit lines. As of December 31, 2025 and 2024, the Bank is compliant with MLR regulations with ratios of 44.58% and 60.39%, respectively (As reported to BSP).

Minimum Capital Requirement
The Monetary Board, in its resolution No. 1145 dated 4 August 2022, approved the amendments to the relevant provisions of the Manual of Regulations for Banks (MORB) aimed at increasing the minimum capital requirements for rural banks. The new minimum capitalization requirement is part of the initiatives under the Rural Bank Strengthening Program (RBSP).

Rural banks which comply with the new capital levels shall submit to the BSP a certificate of compliance, signed by the president of officer of equivalent rank, within ten (10) banking days from the date of effectivity of the Circular. Non-compliant rural banks are given five (5) years to comply with the new minimum capital requirements. They may refer to available options such as merger, consolidation, acquisition, third party investment, voluntary surrender of banking license, and capital build-up program (CBUP).

On December 13, 2024, all of the Board of Directors and stockholders approved the Bank's plan to increase its share capital from ₱10.17 million divided into 101,700 common shares to ₱100.00million divided into 995,000 common shares and 5,000 preferred shares. The Bank has received ₱8,940,000 as Deposit for Stock Subscription from investors as of December 31, 2025, convertible to common shares as soon as the application for increase in authorized capital is approved by the Securities and Exchange Commission (SEC). As part of this process, the Bank has submitted the requirements for a Certificate of Authority (CA) to the BSP. Once the increase in authorized capital is approved, the Bank is in a position to solicit additional investments to increase its capital and meet the P50 million minimum capital requirement by 2027.

23. BOARD APPROVAL FOR FINANCIAL STATEMENTS

The accompanying financial statements were authorized for issue by the Board of Directors on April 13, 2026. The Board of Directors is still empowered to make revisions on the financial statements even after the date of issue.

24. REPORT ON THE SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

a. Basic Quantitative Indicators of Financial Performance

	2025	2024
Return on average equity	**(24.10%)**	(45.95%)
Return on average assets	**(2.99%)**	(8.33%)
Net interest margin	**10.64%**	11.95%

Data used in computing the above ratios are as follows:

	2025	2024
Net income after income tax	**(2,577,977)**	(6,534,992)
Average equity*	**10,695,208**	14,221,192
Average assets*	**86,077,545**	78,431,860
Net interest income	**6,938,429**	7,932,604
Average interest-earning assets*	**65,193,036**	66,393,281

The following formulas were used to compute the indicators:

Performance Indicator	BSP Prescribed Formula (in percentage)
Return on Average Equity	Net Income (Loss) after Tax / Average Total Capital Accounts
Return on Average Assets	Net Income (Loss) after Tax / Average Total Assets

Performance Indicator	BSP Prescribed Formula (in percentage)
Net Interest Margin	Net Interest Income (Loss) after Tax / Average Interest Earning Assets

**Average amount is calculated based on current year-end and previous year-end balances.*

b. *Description of Capital Instruments Issued*

The Bank issued capital instruments for the year 2025 and 2024 as follows:

	No. of Shares		Amount	
	2025	**2024**	**2025**	2024
Balance at beginning of year	**101,700**	**81,090**	**₱ 10,170,000**	₱ 8,109,000
Additional subscription	**-**	**20,610**	**-**	2,061,000
Balance at end of year	**101,700**	**101,700**	**₱ 10,170,000**	₱ 10,170,000

c. *Concentration of Credit as to Industry/Sector*

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio. As of December 31, 2025 and 2024, the Bank has no loan concentration risk.

	2025		2024	
	Amount	**%**	Amount	%
Real estate, renting and business activities	**₱ 10,498,757**	**23%**	₱ 1,710,198	4%
Salary-based general purposes for consumption	**9,093,464**	**20%**	10,019,226	25%
Wholesale and retail trade	**5,947,996**	**13%**	5,372,088	13%
Activities of households as employers and undifferentiated	**2,710,649**	**6%**	3,348,271	8%
Agricultural, fisheries and forestry	**1,130,767**	**2%**	2,340,581	6%
Construction	**297,000**	**1%**	5,619,100	14%
Electricity, gas, steam and air conditioning supply	**91,934**	**-**	128,030	-
Transportation, storage and communication	**-**	**-**	9,937,889	25%
Others	**15,955,373**	**35%**	1,359,400	3%
	₱ 45,725,940	**100%**	₱ 39,834,783	100%

d. *Breakdown of Total Loans as to:*

1. *Breakdown of Total Loans, as to Secured and Unsecured and Breakdown of Secured Loans, as to Type of Security*

	2025		2024	
	Amount	**%**	Amount	%
Secured				
Real estate mortgage	**₱ 2,616,010**	**6%**	₱ 15,206,930	38%
Chattel mortgage	**11,365,575**	**25%**	14,680,088	37%
Others	**21,803,141**	**48%**	-	-
	35,784,726	**79%**	29,887,018	75%
Unsecured	**9,941,214**	**21%**	9,947,765	25%
	₱ 45,725,940	**100%**	₱ 39,834,783	100%

2. *Breakdown of Loans as to Performing and Non-Performing per product line*

	2025			
	Current and Performing	Past Due and Performing	Past Due and Non-performing	Total
Agrarian/Agricultural	**₱ 110,000**	**₱ -**	**₱ 571,243**	**₱ 681,243**
Commercial	**8,559,995**	**-**	**215**	**8,560,210**
Others	**28,255,327**	**2,108,920**	**6,120,240**	**36,484,487**
Net	**₱ 36,925,322**	**₱ 2,108,920**	**₱ 6,691,698**	**₱ 45,725,940**

	2024			
	Current and Performing	Past Due and Performing	Past Due and Non-performing	Total
Agrarian/Agricultural	₱ 1,769,338	₱ 570,719	₱ -	₱ 2,340,057
Commercial	8,694,942	71,005	1,083,559	9,849,506
Others	22,796,515	285,571	4,563,134	27,645,220
Net	₱ 33,260,795	₱ 927,295	₱ 5,646,693	₱ 39,834,783

e. *Total Outstanding Loans to Related Party Loans (inclusive of DOSRI Loans)*

	2025		2024	
	Amount	**%**	Amount	%
Related Party Loans (RPL)	**₱ -**	**-**	₱ -	-
Non-related party loans	**45,725,940**	**100**	39,834,783	100
	₱ 45,725,940	**100**	₱ 39,834,783	100

Information on related party loans broken down as follows:

	2025	
Particulars	DOSRI	Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	-	-
Percent of DOSRI/Related Party loans to total loan portfolio	NA	NA
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	NA	NA
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	NA	NA
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	NA	NA

Particulars	DOSRI	2024 Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	-	-
Percent of DOSRI/Related Party loans to total loan portfolio	NA	NA
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	NA	NA
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	NA	NA
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	NA	NA

f. Aggregate Amount of Secured Liabilities and Assets Pledged as Security

The Bank does not have secured liabilities and assets pledged as security as of December 31, 2025 and 2024.

g. Nature and Amount of Contingencies and Commitments Arising from Off-Balance Sheet Items

During the year under audit, the Bank has no reported outstanding commitments and contingent liabilities, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements.

25. SUPPLEMENTAL INFORMATION REQUIRED BY BUREAU OF INTERNAL REVENUE'S REVENUE REGULATION (RR) NO. 15-2010 AND 19-2011

On November 25, 2010 and December 9, 2011, the Bureau of Internal Revenue issued Revenue Regulations (RRs) No. 15-2010 and 19-2011, respectively, which prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying tax returns. Under the said RRs, companies are required to disclose, in addition to the disclosures mandated under PFRSs and such other standards and/or conventions that may heretofore adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year.

Following is the required information under RR No. 15-2010 for the year ended December 31, 2025:

A. Percentage Tax

Account Title	Gross Receipts	Percentage Tax Paid
Lending and non-lending activities	₱ 12,575,952	₱ 582,071

B. Withholding Taxes

Withholding Taxes	Amount
Creditable withholding tax – expanded	₱ 194,226
Final withholding tax	181,120
Tax on compensation and benefits	138,416
	₱ 513,762

C. The Bank has an ongoing tax assessment with the BIR for the taxable period January to December 2024 under Letter of Authority No. 202400039347 dated October 23, 2025.

D. All other taxes and license fees paid or accrued during the taxable year 2025 are shown below.

	Amount
a. *Local*	
Business permit	₱ 94,818
Community tax certificate	5,538
b. *National*	
Percentage taxes	582,071
Real property taxes	17,884
Documentary stamp tax	99,704
Other permits and licenses	120,813
	₱ 920,828

The required information under RR No. 19-2011 for the year ended December 31, 2025 follows:

A. Taxable Revenues

The composition of the Bank's taxable revenues is presented below.

	Exempt	Regular Tax Rate
Interest income on loans	₱ -	₱ 7,751,567
Interest income on bank deposits and debt securities	92,462	-
	₱ 92,462	₱ 7,751,567

B. Deductible Cost of Sales and Services

Deductible costs of sales and services comprise the following:

	Exempt	Regular Tax Rate
Compensation and employees' benefits	₱ -	₱ 8,805,572
Information technology	-	2,514,370
Interest expense on deposit liabilities – net of interest expense limit	23,115	882,484
	₱ 23,115	₱ 12,202,426

C. Taxable Non-Operating and Other Income

The details of taxable non-operating and other income which are subject to regular tax rate are shown below.

	Exempt	Regular Tax Rate
Service charge and fees and other income	₱ -	₱ 11,709,671

D. Itemized Deductions

The amounts of itemized deductions are as follows:

	Exempt	Regular Tax Rate
Compensation and employees' benefits	₱ -	₱ 2,743,144
Provision for probable losses	1,141,592	1,459,005
Professional fees	-	1,129,021
Taxes and licenses	-	920,828
Travel and transportation	-	609,122
Rental	-	581,315
Postage, telephone and telegrams	-	552,401
Depreciation	-	513,067
Insurance	-	292,577
Security and messengerial	-	286,692
Light, power and water	-	170,902
Fees and commissions	-	165,940
Repairs and maintenance	-	160,093
Representation and entertainment	-	133,381
Training and seminars	-	89,117
Office supplies	-	73,499
Advertising and publicity	-	22,469
Miscellaneous	-	219,744
	₱ 1,141,592	₱ 10,122,317

J.A. LAMBOSO & CO.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors
Rural Bank of Silay City, Inc.
Corner Eusebio – Gamboa Sts., Brgy. 3, Silay City
Negros Occidental

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Rural Bank of Silay City, Inc.** as at and for the years ended December 31, 2025 and 2024, and have issued our report thereon dated April 13, 2026 and April 11, 2025, which contained an unqualified opinion on those statements. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole.

The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formula, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS Accounting Standards) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2025 and 2024 and for the years ended December 31, 2025 and 2024 and no material exceptions were noted.

J.A. LAMBOSO & CO.

for the firm:

MARIA MONIEL P. ABAD-NEPALES
Partner
CPA Certificate No. 149974
PRC/BOA Registration No. 0408, expires on July 17, 2027
BSP Accredited, expires on December 3, 2029
SEC Accreditation No. 0408 (Firm), Category C
BIR Accreditation No. 12-000013-001-2024, issued on February 22, 2024, expires on February 21, 2027
CDA Accreditation No. 034-AF, expires on February 8, 2031
Tax Identification No. 443-006-778
PTR No. 90495310, January 6, 2026, Bacolod City

April 13, 2026
Bacolod City, Philippines

RURAL BANK OF SILAY, INC.

SUPPLEMENTARY SCHEDULE ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

Years Ended December 31, 2025 and 2024

Ratio	Formula	2025	2024
Current ratio	Total Current Assets	**36,219,003**	40,711,068
	Divided by: Total Current Liabilities	**73,306,544**	52,049,441
	Current Ratio	**0.49**	0.78
Acid test ratio	Total Current Assets	**36,219,003**	40,711,068
	Less: Inventories	**-**	-
	Other Current Assets	**(362,733)**	(193,824)
	Quick Assets	**35,856,270**	40,517,244
	Divided by: Total Current Liabilities	**73,306,544**	52,049,441
	Acide Test Ratio	**0.49**	0.78
Solvency ratios:			
Quick Ratio	Cash	**28,346,419**	29,785,390
	Add: Accounts Receivable	**6,473,799**	10,695,604
	Total Quick Assets	**34,820,218**	40,480,994
	Divded by Total Current Liabilities	**73,306,544**	52,049,441
	Quick Ratio	**0.47**	0.78
Current Liabilities to Net Worth Ratio	Current Liabilities	**73,306,544**	52,049,441
	Divided by Net Worth	**9,406,219**	11,984,196
	Current Liabilities to Net Worth Ratio	**7.79**	4.34
Total Liabilities to Net Worth Ratio	Total Liabilities	**84,026,741**	66,737,933
	Divided by Net Worth	**9,406,219**	11,984,196
	Total Liabilities to Net Worth Ratio	**8.93**	5.57
Fixed Assets to Net Worth Ratio	Fixed Assets	**2,711,562**	3,153,361
	Divided by Net Worth	**9,406,219**	11,984,196
	Fixed Assets to Net Worth Ratio	**0.29**	0.26
Debt-to-equity ratio	Total Liabilities	**84,026,741**	66,737,933
	Divided by Total Equity	**9,406,219**	11,984,196
	Debt-to-equity ratio	**8.93**	5.57
Asset-to-equity ratio	Total Assets	**93,432,961**	78,722,129
	Divided by Total Equity	**9,406,219**	11,984,196
	Asset-to-equity ratio	**9.93**	6.57
Interest rate coverage ratio	Income (Loss) before Income Tax	**(2,476,748)**	(8,225,214)
	Divided by Interest Expense	**905,600**	551,434
	Interest rate coverage ratio	**(2.73)**	(14.92)

Ratio	Formula	2025	2024
Return on equity	Net Income (Loss)	**(2,577,977)**	(6,534,992)
	Divided by Total Equity	**9,406,219**	11,984,196
	Return on equity	**-27.4%**	-54.5%
Return on assets	Net Income (Loss)	**(2,577,977)**	(6,534,992)
	Divided by Total Assets	**93,432,961**	78,722,129
	Return on assets	**-2.76%**	-8.30%
Net profit margin	Net Profit (Loss)	**(2,577,977)**	(6,534,992)
	Divided by Total Revenue	**7,844,029**	8,484,038
	Net profit margin	**-32.87%**	-77.03%
Other ratios:			
Total Receivables to Total Assets	Total Receivables	**43,561,791**	38,077,512
	Divided by Total Assets	**93,432,961**	78,722,129
	Total Receivables to Total Assets	**46.62%**	48.37%
Total DOSRI Receivables to Net Worth	DOSRI Loans (Gross)	**-**	-
	Divided by Net Worth	**9,406,219**	11,984,196
	Total DOSRI Receivables to Net Worth	**0.0%**	0.0%
Amount of Receivables from a Single Corporation to Total Receivables	Loan to Single Corporation	**-**	3,000,000
	Total Receivables (Gross)	**49,282,974**	44,124,596
	Amount of Receivables from a Single Corporation to Total Receivables	**0.0%**	6.8%
Real Estate Investment to Total Asset	Land	**1,570,001**	1,570,001
	Add: Building (net)	**293,566**	293,566
	Totla Real Estate Investment	**1,863,567**	1,863,567
	Divided by Total Asset	**93,432,961**	78,722,129
	Real Estate Investment to Total Asset	**2.0%**	2.4%