ANNUAL REPORT 2025

TOGETHER WE GROW

RURAL BANK OF CALBAYOG CITY, INC.

82 T. Bugallon Street, Brgy. Central, Calbayog City, Samar

rbcalbayogcity.com

rbcalbayogcity.com

In compliance with Public Disclosure Requirements under Section 175 and App. 62 and 125 of the MORB.

TABLE OF CONTENTS

SECTION I. CORPORATE POLICY

Mission Statement

Anchored on sound corporate governance, operational excellence, and a strong client-centered culture, RBCCI is committed to continuously enhancing the quality of its products and services. The Bank is committed to championing inclusive and sustainable growth by providing accessible financial solutions to MSMEs, agricultural producers, agrarian reform beneficiaries, and underserved communities. Through responsible financing and value-driven banking services, the Bank seeks to strengthen local enterprises, improve livelihoods, and contribute to the long-term development of the Samar region. As it continues to embrace sustainable banking practices, the Bank aims to be the trusted financial partner of choice, creating lasting value for its clients, communities, and partners.

Vision Statement

RBCCI aspires to be the leading rural bank in Samar, recognized for its sound governance, financial strength, and commitment to client-centered banking. The Bank is dedicated to expanding financial inclusion by leveraging digital technologies to deliver secure and efficient banking services to individuals, businesses, and communities across Samar and to Samareños wherever they may be.

Guided by responsible banking principles, RBCCI seeks to improve sustainable economic development by providing accessible financing solutions for MSMEs, agriculture, housing, and other sectors.

RBCCI Compared to Other Banks

As rural economies continue to expand, banks play an increasingly vital role in fostering economic development and financial inclusion. From its humble beginnings, RBCCI has consistently pursued sustainable growth and institutional development, enabling it to attain its present stature as of 31 December 2025.

The Bank's primary focus is on its stature as a relationship-based community rural bank, competing through proximity, trust, and local market practice, while gradually transitioning toward digital banking capabilities. Despite its modest beginnings, it was driven by a clear vision of supporting local economic development by providing much-needed financial services to farmers, fisherfolk, entrepreneurs, and small business operators. Beyond extending credit, the Bank sought to empower communities by sharing practical knowledge and guidance to help individuals and enterprises achieve growth.

It aims to continuously deliver accessible financial solutions tailored to the specific needs of micro, small, and medium enterprises (MSMEs), farmers, entrepreneurs, salaried individuals, and other underserved sectors in the Region. Owing its continued existence and success to the communities served by the bank, RBCCI, in return, takes part in social responsibilities like giving contribution to various disaster-relief programs, socio-civic activities, and charitable institutions.

RBCCI's Business Model

The Bank recognizes that its greatest strength lies in its deep understanding of the communities it serves. Through its close connection with MSMEs, farmers, and other stakeholders, the Bank can better appreciate the economic conditions, opportunities, and challenges within the banking industry.

Rural banks are an important force supporting rural economic development. Its development can help construct healthier and more diversified financial systems, effectively improving the overall financial environment of rural communities.

To continuously promote and facilitate orderly development of rural economy and solve financing difficulties of rural areas in the development process, RBCCI has planned to continue participating in various government lending programs. These objectives are reviewed periodically and adjusted as necessary, in order to guarantee a high level of service quality, as follows:

- To stimulate and promote the circulation of money in the City of Calbayog as well as its neighboring cities;
- To be a vital member of the Region's progress by expanding the operational territories of the Bank by providing quality banking service and job opportunities; and
- To provide a unique difference in the communities served by acting with the highest standards of integrity, participating in the community development programs.

Meanwhile, RBCCI generates its revenues through various channels, primarily focusing on sound collection of loan receivables and expanding its reach to various clients. By offering these diverse products and services, RBCCI aims to shift its planned paradigm – from usual high-volume lending programs to focusing on high-yielding investment partnered with the government programs.

SECTION II. FINANCIAL SUMMARY/HIGHLIGHTS

As provided in the submitted Audited Financial Statements 31 December 2025, following Section 174 of the MORB.

Profitability Ratios

Minimum Required Data	Current Year (2025)	Previous Year (2024)
Total Net Interest Income	Php 22,735,973.00	Php 15,532,970.00
Total Non-interest Income	9,550,335.00	7,071,262.00
Total Non-interest Expense	22,029,850.00	17,356,840.00
Pre-provision Profit	10,256,458.00	5,247,392.00
Provision for Income Tax	2,494,973.00	1,229,306.00
Allowance for Credit Losses (GLLP and SLLP)	10,100,224.00	11,671,614.00
Net Income	Php 7,761,485.00	Php 4,018,086.00
Return on Equity (ROE)	13.28%	7.49%
Return on Assets (ROA)	3.45%	1.99%
Net Interest Margin	11.08%	8.42%

Capital Ratios

Minimum Required Data	Current Year (2025)	Previous Year (2024)
Tier 1 Capital Ratio	32.60%	30.62%
Tier 2 Capital Ratio	0.63%	0.66%
Capital Adequacy Ratio	33.23%	31.28%
Paid-up Common Stock	Php 20,000,000	Php 20,000,000.00
Retained Earnings	36,540,838.00	30,362,782.00
Deferred Tax Asset (Deduction)	(28,374)	(26,911.00)
Total CET 1 Capital	56,471,695.00	50,335,872.00
Paid-up Preferred Stock (Additional Tier 1)	5,000,000.00	5,000,000.00
Total Tier 1	61,471,695.00	55,335,872.00
Gen. Loan Loss Provision (Tier 2)		
Total Tier 2	1,191,600.00	1,191,600.00
Total Qualifying Capital	Php 57,704,064.00	Php 56,527,472.00

Capital Requirements for Year 2025

Category	Net Carrying Amount	Risk Weighted Amount
0% Risk Weight	Php 54,619,382.00	Php 0.00
50% Risk Weight	43,332,386.00	21,666,193.00
75% Risk Weight	35,292,018.00	26,469,013.00
100% Risk Weight	0.00	0.00
150% Risk Weight	12,815,899.00	19,223,848.00
100% Risk Weight (Other Assets)	94,151,628.00	94,151,628.00
Total Credit Risk-Weighted Assets	Php 240,211,313.00	Php 161,150,682.00
Capital Charge (10% of Credit RWA)		Php 16,151,068.00
Market Risk	0.00	0.00
Avg. Gross Income 2021-2023 (Operational Risk)		Php 21,502,655.00
Capital Charge (12% of avg. gross income)		2,580,319.00
Adjusted Capital Charge by 125%		3,225,398.00
Total Operational Risk-Weighted Assets		32,253,980.00
Total Risk Weighted Assets		Php 188,549,264.00

Performance Ratios

Minimum Required Data	Current Year (2025)	Previous Year (2024)
Liquid Assets	Php 227,619,363.00	Php 202,471,280.00
Gross Loans	183,228,019.00	137,446,946.00
Total Assets	239.021,175.00	210,438,438.00
Deposits	163,058,054.00	144,279,185.00
Total Equity	61,540,838.00	55,362,782.00
Ratio of Liquid Assets Over Deposits	139.59	140.33%
Debt to Equity Ratio	288.39%	280.11%
Past Due Ratio	10.70%	15.83%

SECTION III. FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Message from the Chairman

Ma. Rosario R. Santos
Chairman of the Board of Directors

Roughly a year ago today, we introduced our new tagline "TOGETHER WE GROW"… and indeed we did! In our mission-vision statement, RBCCI "aims to be the leading rural bank in the Samar island with the objective of uplifting the standard of living of its people"… and we are slowly and surely taking steps in order to achieve said undertaking.

The year 2024 was a breakthrough year. We switched from our old banking system to the latest cloud-based core banking system. This ensures that your bank remains competitive and attuned to the latest banking processes and opportunities. Soon, we will have Mobile Branch Banking, Web and Internet Banking and Cash Machines all over the island of Samar.

With revenues of Php 23.4 Million and Expenses at Php 16.4 Million, RBCCI realized a Net Income of Php 4 Million. An outstanding performance from our banking family led by President Alan Sarmiento.

Our loan portfolio grew by a very robust 21% to Php 138 Million from Php 114 Million a year ago. Clearly a sign of the ever-growing trust granted to the bank and an evident testament of satisfaction of the kind of services we provide.

Capital grew by 8% to Php 54.145 Million with total assets now at Php 222.441 Million, up by close to Php 30 million or 15%. This was achieved with minimal investment intervention but rather through sheer banking performance.

> *"With all the forthcoming opportunities brought about by digitalization and continuing talks with similar minded partners and institutions, RBCCI is quite confident that TOGETHER WE WILL CONTINUE TO GROW!"*

Report of the President and CEO

ALAN GILES MARY S. SARMIENTO
Member of the Board / President and CEO

As we mark 66 years of unbroken service to Calbayog City and the wider Samar community, RBCCI stands not merely as a financial institution but as a pillar of economic inclusion, rural development, and community growth. Our journey has not always been smooth — but it has always been purposeful.

The Rural Bank of Calbayog City, Inc. has now proudly completed 67 years of continuous and dedicated service to the community. Since its founding in 1959, the Bank has been a constant companion to the farmers, fisherfolk, micro-entrepreneurs, and families of Samar — providing accessible credit and essential financial services in a region that larger institutions often overlook.

This anniversary milestone is not simply about longevity. It speaks to the resilience of an institution that has weathered economic downturns, regulatory reforms, and internal challenges — and emerged stronger, better-capitalized, and more relevant than ever. The past several years, in particular, have seen a fundamental repositioning of the Bank's operational model, governance framework, and technological infrastructure.

From a bank burdened by high non-performing loans and inadequate capitalization to one that now surpasses the Bangko Sentral ng Pilipinas (BSP) minimum requirements and earns the highest returns in its history, RBCCI's story is one of genuine institutional renewal. This renewal is dedicated to our stockholders, who stayed the course, and to the communities we continue to serve.

Looking ahead, we envision a renewed mandate: from regional operations to national presence, from manual processes to cloud-based digital banking, and from a traditional lending institution to a full-service community bank equipped to compete in the modern financial landscape.

Financial Performance 2025

The year 2025 marks a landmark year in the Bank's financial history. Across every key financial indicator — income, profitability, capital, dividends, and loan quality — RBCCI has either met or exceeded its targets, demonstrating that the disciplined strategies put in place over the past several years.

A. Key Financial Highlights

Gross Income	PHP 34,102,341.41
Total Operating Expenses	PHP 26,409,997.89

Net Income (After Tax)	PHP 7,692,343.52
Dividends Declared	PHP 3,750,000.00
Total Capitalization	PHP 61.4 Million

The net income of PHP 7,692,343.52 represents the highest profitability figure in the Bank's recorded history, underscoring the effectiveness of our cost discipline, loan quality management, and income diversification initiatives. Gross income of PHP 34.1 million exceeded the projected figure of PHP 23.57 million by approximately PHP 10.5 million — a surplus of nearly 44.6%.

B. Projected vs. Actual Income Performance

Projected Income (2025)	PHP 23,572,994.30
Actual Income (2025)	PHP 34,102,341.41
Positive Variance	PHP 10,529,347.11
Variance Rate	+44.67% Above Projection

This extraordinary outperformance was driven by stronger-than-expected lending volume, higher fee and service charge income, and the successful deployment of government-funded loan programs facilitated by the President's strategic initiatives.

C. Capitalization and Stockholder Value

RBCCI Capital Growth	2015	2020	2024	2025
Value	₱34.5M	₱39.2M	₱54.0M	₱61.4M

The Bank's 2025 capital of PHP 61.4 million comfortably exceeds the PHP 50 million minimum capitalization requirement mandated under BSP Circular No. 1151 (2022). This near-doubling of capital in ten years reflects both retained earnings discipline and the enduring confidence of our stockholder base.

D. Dividend Declaration — *Highest in Bank History*

In recognition of the Bank's record financial performance, management is pleased to declare a dividend for CY 2025 of PHP 3,750,000.00, equivalent to PHP 15 per share — the highest in the Bank's entire history.

Total Dividend Declared (CY 2025)	PHP 3,750,000.00
Dividend per Share	PHP 15.00
Distribution Date	February 21, 2026 (67th Anniversary)
Comparative — CY 2024 Dividend	PHP 2,000,000.00 (PHP 8/share)

Year-on-Year Dividend Growth	+87.5%

Dividend Per Share (2020–2025)	2020	2021	2022	2023	2025
Value	₱2/share	₱2/share	₱5/share	₱8/share	₱15/share

The trajectory above is unmistakable: the Bank's payout to stockholders has grown by 650% over five years — driven by consistently improving profitability and sound capital management.

I. LOAN PORTFOLIO

The loan portfolio is the single most important driver of income for RBCCI, and it is here that the Bank's transformation is most dramatic. In 2015, the Bank carried a PHP 60 million loan portfolio burdened by a crippling 60% NPL ratio. Today, we stand at PHP 183.5 million in total outstanding loans with an NPL ratio of only 4.66% — a powerful transformation driven by discipline, integrity, and strategic leadership.

A. Total Loan Portfolio — CY 2025

Projected Loan Portfolio (2025)	PHP 150,000,000.00
Actual Loan Portfolio (2025)	PHP 183,507,338.22
Positive Variance	PHP 33,507,338.22
Percentage Exceeded	+22.34% Above Target
Total Loan Releases (2025)	PHP 98,780,000.00 | 103 Accounts

B. Loan Portfolio Breakdown

Current (Performing)	PHP 163,597,165.00 — 89.15%
Past Due — Performing	PHP 11,093,639.00 — 6.05%
Non-Performing Loans (NPL)	PHP 7,155,859.00 — 3.90%
Items in Litigation (ITL)	PHP 1,380,917.00 — 0.75%
NPL Ratio	4.66%

NPL Ratio Trend	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*
Value	26.00%	24.91%	18.31%	15.36%	4.51%	4.66%

The sustained reduction in NPL ratio — from 26% in 2020 to 4.66% in 2025 — is a defining achievement of the Management, reflecting improved credit screening, proactive collection, stronger collateral requirements, and a fundamentally more disciplined lending culture.

C. Loan Composition: Secured vs. Unsecured

Secured Loans Released (2025)	PHP 60,090,000.00 | 27 Accounts (+71.69% vs target)
Unsecured Loans Released (2025)	PHP 38,690,000.00 | 76 Accounts (+157.93% vs target)
Loan Portfolio Composition (2015)	90% Unsecured / 10% Secured
Loan Portfolio Composition (2025)	~62% Secured / ~38% Unsecured

The strategic shift toward secured lending has fundamentally reduced risk exposure while enabling higher loan volumes. This reflects a risk-conscious and BSP-aligned lending strategy that balances growth with safety.

D. Remedial Management and Asset Recovery

Total Small Claims Accounts	49 Accounts
Successful Claims (Settled)	10 Accounts
Ongoing Payment Accounts	9 Accounts
Motion for Execution	30 Accounts
Total Amount Recovered (2025)	PHP 1,401,535.82
Foreclosed Properties	15 Properties | 363,397 sq.m.
Properties Under Judicial Process	3 Properties | 123,328 sq.m.

II. DEPOSIT GROWTH AND LIQUIDITY

The Bank's deposit mobilization performance in CY 2025 reflects both the community's trust in RBCCI and the effectiveness of management's outreach and retention strategies.

Projected New Accounts (2025)	300 Accounts
Actual New Accounts (2025)	280 Accounts (−20 variance)
Projected New Deposits (2025)	PHP 16,000,000.00
Actual New Deposits (2025)	PHP 17,700,000.00 (+PHP 1.7M)

While the number of new accounts fell slightly short of projection, total deposit volume surpassed the target — indicating that depositors are placing larger average balances, reflecting heightened confidence in RBCCI's stability and service quality.

III. INCOME FROM GOVERNMENT-FUNDED PROGRAMS

Under the direct initiative of the Bank's President, RBCCI has established strategic partnerships with key government financing institutions, unlocking a significant stream of fee-based income while fulfilling the Bank's mandate to support the agricultural and small business sectors.

Income from ACPC Program Implementation

Service Charge (3.5%)	PHP 665,000.00
Insurance (55%)	PHP 131,670.00
Notarial Fees	PHP 840.00
Total Income — ACPC	PHP 797,510.00

Income from Small Business Corporation (SBC) Program Implementation

Service Charge (3.5%)	PHP 225,000.00
Processing Fee	PHP 21,000.00
Insurance (55%)	PHP 6,930.00
Conduit Fee	PHP 187,500.00
Notarial Fees	PHP 300.00
Total Income — SBCorp	PHP 440,730.00

Combined income from government-funded program initiatives totals PHP 1,238,240.00 for CY 2025. These partnerships have also laid the groundwork for significantly expanded government-funded lending volumes in 2026 and beyond.

IV. FIVE-YEAR PERFORMANCE TREND (2020 to 2025)

The following consolidated data affirms the consistency and sustainability of RBCCI's improvement trajectory across all key metrics over the past five years.

Capitalization Growth

Capital (PHP Millions)	2020	2022	2023	2024	2025
Value	₱39.2M	growing	growing	₱54.0M	₱61.4M

Gross Income Trend

Gross Income	2022	2023	2024	2025
Value	growing	growing	₱23.41M	₱34.10M

Loan Portfolio vs. NPL

2015 Loan Portfolio | NPL	PHP 60M | 60% NPL
2020 Loan Portfolio | NPL	~PHP 100M | 26% NPL
2024 Loan Portfolio | NPL	PHP 138M | 4.51% NPL
2025 Loan Portfolio | NPL	PHP 183.5M | 4.66% NPL
10-Year Portfolio Growth	+205.8%
NPL Improvement (2015–2025)	From 60% → 4.66%

V. DIGITAL TRANSFORMATION AND TECHNOLOGY STRATEGY

The modernization of the Bank's technological infrastructure represents one of the most transformative investments of recent management. RBCCI has fully transitioned from a low-technology, manpower-intensive system to a cloud-based core banking platform, laying the foundation for modern financial services delivery.

A. RBCCI/KIMAYA Cloud-Based Core Banking System

The Bank's largest ongoing technology project is the RBCCI/KIMAYA Cloud-Based Core Banking System with full ATM capability, e-wallet services, and digital payment integration:

- ATM / Close-Loop Cash Dispensing and Withdrawal Machines
- E-Wallet Services — digital wallet integration for retail and business clients
- Online Transaction Services — transact anywhere, anytime
- Foreign and Local Remittance platform
- E-Remittance Integration: WISE Pilipinas, Payoneer, GCash, Maya, GoTyme
- Improved BSP Regulatory Compliance and reporting

B. Long-Term Digital Objectives (2026–2030)

- Full Core Banking System upgrade and stabilization
- E-Wallet platform launch for retail and business clients
- Cash Dispensing Machine deployment at key locations
- Remittance and Cash-Out Machine for OFW and diaspora clients
- Expansion into International Remittance and Cross-Border Services
- Domestic service for Samareños and support for Overseas Filipino Workers

The guiding principle is clear: physical expansion will only proceed with full digital integration. Technology is not optional — it is the foundation of RBCCI's next chapter.

VI. STRATEGIC PLANS AND TARGETS FOR 2026

A. Loan Portfolio Targets for 2026

Target — Secured Loans	PHP 20 Million | 25 Accounts
Target — Unsecured Loans	PHP 25 Million | 30 Accounts
Total Loan Portfolio Goal	PHP 200 Million

B. Income, Expense, and Dividend Targets for 2026

Projected Total Income (2026)	PHP 30,200,000.00
Projected Total Expenses (2026)	PHP 25,100,000.00
Projected Net Profit (2026)	PHP 5,100,000.00
Direct Expenses	PHP 20,100,000.00
Indirect Expenses	PHP 5,000,000.00
Deposit Growth Target	+PHP 15 Million | 325 New Accounts
Dividend Target (2026)	PHP 4,000,000.00
Medium-Term Dividend Goal	PHP 5–7 Million (20%–28% ROI)

C. Government Funding and Financial Conduit Expansion

The strategic expansion of government-funded loan portfolios is one of the highest-priority initiatives for 2026. Management plans to establish and deepen the following partnerships:

- Agricultural Credit Policy Council (ACPC) — ongoing

- Small Business Corporation (SBCorp) — ongoing
- PhilGuarantee — ongoing
- Development Bank of the Philippines (DBP) — Wholesale Lending
- Land Bank of the Philippines (LandBank) — Wholesale Lending
- Department of Agriculture — FishCore / BFAR Program
- Pag-IBIG Fund and DHSUD — Housing Loan Programs
- DSWD and DOST — Social Development Projects

Activation of wholesale lending lines from DBP and LandBank, combined with growth in ACPC and SBCorp programs, is projected to expand the Bank's government-funded portfolio by PHP 100–150 million. The long-term total portfolio target is PHP 350 million.

D. New Investor Agreement and Capital Enhancement

The incoming Board of Directors is authorized to enter into an agreement with a new strategic investor, which includes the implementation of demand deposit accounts. This initiative will strengthen the Bank's capital base, broaden funding sources, and expand product offerings.

E. Dividend Policy — Unclaimed Checks

Stock dividend checks shall have an expiration of one year from the date of issuance. Any dividend check not deposited or encashed within one year of issuance shall be converted to retained earnings, ensuring responsible management of unclaimed dividends.

The Evolutionary Journey

Over the past decade, RBCCI's core banking solutions have undergone significant transformations to better cater to the Bank's operational needs and technological advancements.

Phase 1: Byte-per-Byte (2014 - 2019)

- RBCCI operated under the Byte-per-Byte system, primarily an offline mode of core banking. This system featured Saveplus for savings accounts, GL.Net for general ledger management, and Webloan for handling loan services.

Phase 2: CyberOne Solutions (2019 - 2024)

- Transitioning in 2019, RBCCI adopted CyberOne Solutions, marking its initial steps into more integrated banking solutions incorporating all-inclusive services for CASA, Time Deposits, general ledger, and loans.

Phase 3: Nextbank (2024 - Present)

- The most recent phase in digital evolution began in 2024 with the implementation of Nextbank, operating in a fully online mode with comprehensive services for CASA, TD, general ledger, and Protecting and Securing Financial Services Data

As the Bank continues its digital transformation journey, the Bank remains committed to further modernizing its core banking infrastructure. It looks forward to implementing a core banking system that is scalable, secure, and capable of meeting its evolving operational requirements, regulatory expectations, supporting sustainable growth and innovation.

Advancing Beyond 2025

As RBCCI looks beyond 2025, it will continue to invest in digital transformation, expand its service capabilities, and strengthen its financial capacity to better serve its clients and stakeholders.

The Bank's key strategic priority includes the continuation of the Bank's digital transformation program, which includes the development and implementation of its own ATM network and digital banking platform. While the initial focus is on strengthening domestic electronic banking and online transaction capabilities, the Bank envisions expanding its services to support international and cross-border transactions in the future. These initiatives are intended to enhance customer convenience, improve operational efficiency, and broaden access to secure and reliable banking services.

The Bank shall continue to pursue strategic funding initiatives by establishing partnerships with government financial institutions and other funding sources to support the expansion of its lending operations. By leveraging external financing and other financial tools, RBCCI aims to sustainably grow its loan portfolio, increase profitability, and reinforce its capital position.

These initiatives align with the Board of Directors' long-term vision of delivering sustainable growth, creating greater value for shareholders through consistent dividend returns, and advancing financial inclusion and economic development within the communities it serves.

Strategic Funding and Partnerships – 2025 Stockholder's Approval

SECTION IV. RISK MANAGEMENT FRAMEWORK

Overall Risk Management Culture and Philosophy

As an institution operating in a risk-driven environment, risk awareness has to be embedded across all levels to ensure that risk considerations are integrated into daily operations and strategic decisions. The Bank continues to foster a robust risk management culture that emphasizes prudence, accountability, and sustainability to support sound governance, operational resilience, and long-term growth.

Continuous training and communication reinforce this culture, making risk management an essential component of responsible banking rather than a separate function. This philosophy supports RBCCI's mission to promote sustainable growth in agriculture and aquaculture while safeguarding the Bank's capital and earnings.

Risk Appetite and Strategy

RBCCI's risk appetite serves as the guardrails, ensuring risks are prudently managed. RBCCI's risk appetite defines the boundaries within which the Bank pursues its mission of promoting sustainable growth in agriculture and aquaculture. It reflects the level and types of risk the Bank is prepared to accept in order to achieve its objectives, balancing prudence with opportunity.

Strategy provides the roadmap for sustainable growth. The Bank focuses on lending activities such as MSME financing, salary loans, and secured loans, while applying a conservative approach in banking operations to safeguard capital.

Together, they safeguard financial soundness, regulatory compliance, and mission alignment—delivering value to stakeholders and supporting national development priorities.

Risk Governance Structure

The governance of risk management is anchored on the Board of Directors, which sets the overall risk appetite, approves policies, and exercises oversight over implementation. The President and CEO ensures that the aggregate risk profile remains within the parameters established by the Board.

As the Bank's sole Board-level committee, the ICAC Committee, provides focused oversight on specific areas of risk. RBCCI adheres to the three-lines-of-defense model, wherein different sections act as risk owners, independent risk and compliance functions provide monitoring, and internal audit delivers assurance.

Risk Management Process

RBCCI maintains a prudent risk management process that includes identification, assessment, mitigation, monitoring, and review. Through continuous monitoring, risks are identified. Monitoring of internal and external factors, which are assessed using internal rating systems, stress testing, and scenario analysis, and mitigated through policies, limits, and contingency planning, ensure that risks are managed proactively and effectively.

Risk Management Framework Pyramid

Practices to Mitigate and Prevent Money Laundering, Terrorism and Proliferation Financing Risks

RBCCI implements robust practices to mitigate and prevent money laundering, proliferation financing, and terrorist financing risks in full compliance with the Anti-Money Laundering Act and BSP directives. Customer due diligence and know-your-customer procedures are strictly enforced, supported by transaction monitoring systems that detect unusual or suspicious activities.

Suspicious Transaction Reports and Covered Transaction Reports are submitted promptly in compliance with regulatory requirements. Regular training programs strengthen staff awareness, while independent audit and compliance reviews ensure the effectiveness of AML/CTF controls. These measures safeguard the integrity of RBCCI's operations and protect the financial system from illicit activities.

RBCCI is firmly committed to safeguarding the integrity of the financial system by implementing comprehensive measures to prevent money laundering and terrorist financing. In full compliance with AMLA, its Implementing Rules and Regulations, and BSP directives, the Bank has established a sound framework designed to detect, deter, and report suspicious activities.

At the heart of this framework is the strict enforcement of Customer Due Diligence (CDD) and Know Your Customer (KYC) procedures which ensure that all clients are properly identified, verified, and assessed prior to the establishment of any business relationship. Enhanced due diligence (EDD) is applied to high-risk customers and Politically Exposed Persons (PEPs), while ongoing monitoring ensures that customer profiles remain current and accurate.

RBCCI utilizes transaction monitoring systems capable of identifying unusual patterns, large-value transactions, and activities inconsistent with a customer's known profile. Alerts generated by these systems are promptly investigated, and when warranted, Suspicious Transaction Reports (STRs) and Covered Transaction Reports (CTRs) are submitted to the Anti-Money Laundering Council (AMLC) in accordance with regulatory timelines.

To strengthen its organizational resilience, RBCCI conducts regular training programs for employees at all levels. These sessions enhance awareness of ML/TF risks, regulatory obligations, and the relevance of vigilance in day-to-day operations. Training, complemented by clear escalation protocols, ensures that employees can confidently report concerns without delay.

Independent audit and compliance reviews are carried out to assess the effectiveness of AML/CTF controls. Findings are reported to the ICAC Committee and to the Board thereafter, with corrective actions implemented promptly. This oversight reinforces accountability and ensures that AML/CTF practices remain aligned with the changing regulatory requirements.

Through these measures, RBCCI demonstrates its steadfast commitment to protecting the institution, its stakeholders, and the broader financial system from the threats posed by money laundering and terrorist financing.

SECTION V. CORPORATE GOVERNANCE

Overall Structure and Practices

Corporate governance is a critical component of sound strategic business management and, therefore, the BoD and Management of the Rural Bank of Calbayog City, Inc. (RBCCI) will undertake every effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability and transparency are indispensable in conducting the day-to-day business of the bank.

Pursuant to Section 15 and 17 of R.A. No. 8791, as stipulated under Section 132 of the MORB 2020, RBCCI shall have at least five (5) directors, and a maximum of fifteen (15) members. RBCCI's BoD consists of five (5) directors, namely:

- The Chairman of the Board, a non-executive position, as appointed by the members of the BoD;
- The President and CEO, an executive director of RBCCI, appointed separately from the Chairman;
- An Independent Director, having no interest or relationship with RBCCI at the time of election; and
- Directors, elected annually by RBCCI stockholders during its Annual Stockholders Meeting held every January.

Board and Management Selection Procedure

Identifying, assessing, and selecting candidates to ensure that the elected and/or appointed directors and officers meet fit and proper standards is a critical process. RBCCI follows a structured procedure.

Identifying Candidates

RBCCI utilizes referrals for the members of the BoD. For key officers, hiring preference is given first to employees working for the company to provide opportunities for career growth.

Assessing Candidates

All referrals and applications will undergo rigorous screening against established qualifications. Initial interviews will be conducted via phone, video, or face-to-face to evaluate qualifications, experience, and suitability. Comprehensive background, financial, and reference checks will be conducted.

Decision Making and Selection of Candidates

Throughout the decision-making process, meticulous documentation was maintained, encompassing detailed records of the selection criteria, the rationale behind each decision, and pertinent observations made during interviews and assessments. Once selected, the candidate shall be provided with a comprehensive orientation session. The final step involves obtaining confirmation from the Bangko Sentral.

Board's Overall Responsibility

The corporate powers of RBCCI shall be exercised, its business management and all its property controlled and held, by its BoD. Under Section 132 of the MORB, the Board of Directors, Chairman, Directors, and Independent Directors each have specific duties and responsibilities covering governance, oversight, integrity, risk management, and stakeholder engagement.

Role and Contribution of the Chairman

The Chairman is the leader of the Board of Directors, responsible for guiding governance, presiding over meetings, and ensuring that RBCCI's policies and strategic direction are upheld. Acting as the Board's representative, the Chairman provides oversight, promotes accountability, and ensures decisions serve the best interests of members and stakeholders.

Board Composition

Name	Type of Directorship	Principal Stockholder Represented (if Nominee)	Number of Years Served as Director	Number of Shares Held		% of Shares Held	
				Common	Preferred	Common	Preferred
Ma. Rosario R. Santos	Non-executive	-	22.96	10,280.00	5,696.00	5.14	11.39
Alan Giles Mary S. Sarmiento	Executive	-	9.28	27,142.00	26,000.00	13.57	52.00
Alfred Dennis B. Ancheta	Non-executive	-	21.96	146.00	0.00	0.07	0.00
Reynaldo M. Prudenciado, Jr.	Non-executive	-	6.09	2.00	950.00	0.00	1.90
Jomari Jess S. Abellar	Independent	-	1.36	0.00	2.00	0.00	0.00

Board Composition Table

Qualifications of Each Board Member

MA. ROSARIO R. SANTOS

Chairman of the Board of Directors

MA. ROSARIO ROSALES SANTOS, 65, Filipino, has been the Chairman of the Board of RBCCI since August 2023 and has served as a Director since January 2002. Prior to her appointment as Chairperson, she held various leadership positions within the Board. She previously served for 22 years as Director of Quality Assurance for Ground Operations and Inflight Services at Cebu Pacific Air. She holds a Bachelor of Science in Commerce, major in Management, from the College of the Holy Spirit and completed postgraduate studies in Business Administration at U21 Global in 2009.

ALAN GILES MARY S. SARMIENTO

President and CEO / Member of the Board of Directors

ALAN GILES MARY SEVILLA SARMIENTO, 59, Filipino, has served as the President and CEO of RBCCI since January 2017. He has been instrumental in advancing the role of RBCCI in fostering financial inclusion, agricultural development, technological innovation, and sustainable economic growth, particularly in the rural communities of Samar. He completed units toward a Bachelor of Laws degree at Adamson University in 2001 and earned his Bachelor's degree from the University of San Jose–Recoletos in 1987.

ALFRED DENNIS B. ANCHETA

Member of the Board of Directors

ALFRED DENNIS BARRETO ANCHETA, 60, Filipino, is a graduate of AB Philosophical Studies from the University of the Philippines. A seasoned banker and corporate leader, he has been a Director of RBCCI since January 2003. Throughout his tenure, he has held key leadership positions, including Vice President and Chairman of the Board, serving as Chairman from 2017 to 2023. He currently serves as a member of RBCCI's Internal Control and Audit (Compliance) Committee, contributing his extensive experience in governance, oversight, and strategic leadership.

REYNALDO M. PRUDENCIADO JR.

Member of the Board of Directors

REYNALDO MACALOYOS PRUDENCIADO, JR., 36, Filipino, is a lawyer and a Certified Public Accountant who placed 6th in the 2010 CPA Licensure Examination. He has served as a Director of RBCCI since January 2019, bringing valuable expertise in taxation, accounting, and regulatory compliance. His professional background enables the Bank to effectively navigate evolving regulatory requirements while promoting sound governance and compliance practices.

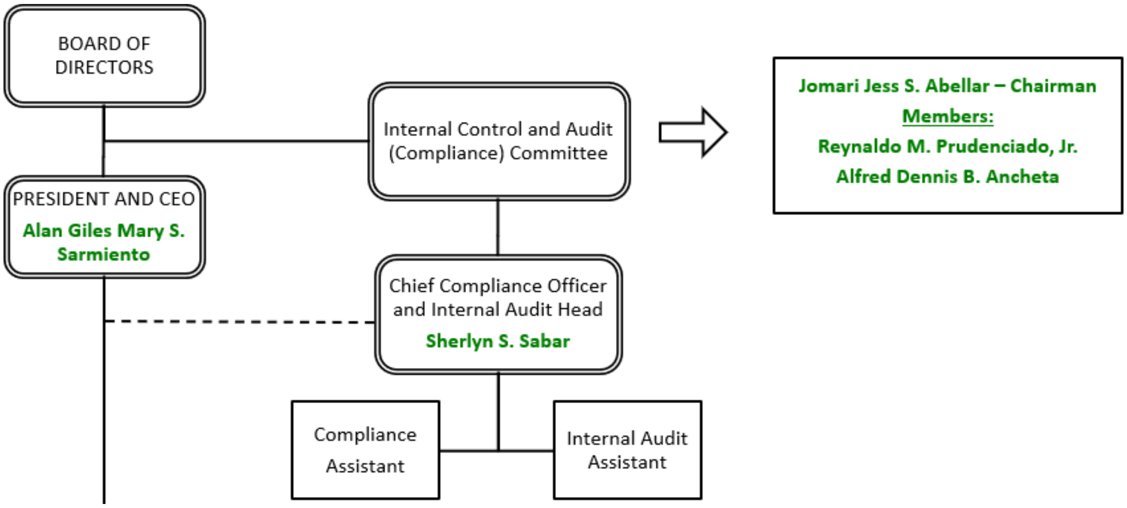
JOMARI JESS S. ABELLAR

Member of the Board of Directors (Independent Director)

JOMARI JESS SACENDONCILLO ABELLAR, 30, Filipino, is an accomplished entrepreneur, Certified Public Accountant, CPA review lecturer, and auditor with extensive experience in accounting, auditing, and business management. He has served as an Independent Director of RBCCI since August 2023 and currently serves as the Chairman of the Bank's Internal Control and Audit (Compliance) Committee (ICAC), providing independent oversight on the Bank's governance, internal controls, risk management, and regulatory compliance.

List of Board Level Committee

I. ICAC Committee Organizational Structure



ICAC Committee Organizational Structure

II. Duties and Responsibilities of the ICAC Committee

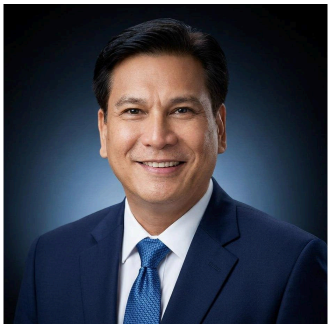
- Oversees the implementation of RBCCI's Internal Audit and Compliance Programs, including its MLPP;
- Ensures the regular review and updating, at least annually, of the Internal Audit Program and Compliance Program;
- Endorses the appointment of a Chief Compliance Officer and Internal Audit Head to the Board;
- Vests the Compliance and Internal Audit personnel with appropriate authority and provide necessary support;
- Assists the Board in making an informed assessment on how the Bank is managing its compliance risk;
- Evaluates the performance of the Chief Compliance Officer and Internal Audit Head at least annually;
- Reports to the Board significant compliance risks affecting internal control; and
- Approves the Internal Audit and Compliance Programs and amendments thereto.

Attendance at the Board and Committee Meetings

Name	Board Meetings Attended	Board %	ICAC Meetings Attended	ICAC %
Ma. Rosario R. Santos	12	100%	–	–
Alan Giles Mary S. Sarmiento	12	100%	–	–
Alfred Dennis B. Ancheta	12	100%	4	100%
Reynaldo M. Prudenciado Jr.	12	100%	4	100%
Jomari Jess S. Abellar	12	100%	4	100%
Total Meetings Held During the Year	**12**		**4**	

List of Executive Officers / Senior Management

ALAN GILES MARY S. SARMIENTO — President and CEO



Alan Giles Mary S. Sarmiento

President and CEO | *Filipino, 59 years old*

Since his election as President/CEO in 2017, his visionary leadership and deep-rooted commitment to the growth of RBCCI, transcended borders to deliver results that serve the Bank's purpose in helping the rural community adapt to challenges of a technology-driven world. He continuously fosters a culture of compliance and trust through consistent and principled leadership that reinforces a governance culture rooted in trust and sustainability.

CHARIZE MAY C. MARCIAL — Corporate Secretary

Charize May C. Marcial

Corporate Secretary | *Filipino, 29 years old*

A graduate of Northwest Samar State University with a degree in Office Administration, Ms. Marcial previously served as a Teller/Receptionist at DES Marketing. In this role, she demonstrated a strong commitment to corporate governance by strictly adhering to internal controls, managing financial transactions with precision, and ensuring full compliance with company policies.

MARA S. MAHUSAY — Corporate Treasurer

Mara S. Mahusay

Corporate Treasurer | *Filipino, 29 years old*

Ms. Mahusay graduated with a bachelor's degree in Accountancy from Christ the King College in 2016. Now seated as the Bank's Corporate Treasurer since 2020, she supports informed decision-making and upholds strong internal controls, contributing to financial stability and stakeholder confidence through ethical conduct, sound judgment, and commitment to organizational objectives

SHERLYN S. SABAR — Chief Compliance Officer and Internal Audit Head

Sherlyn S. Sabar

Chief Compliance Officer and Internal Audit Head | *Filipino, 30 years old*

Ms. Sabar currently served as the Internal Audit Head and Chief Compliance Officer of RBCCI. She holds a degree in Accountancy from Christ the King College, where she also finished her Juris Doctor program in May 2025. She ensures the Bank's compliance with the rules and regulations of the BSP, SEC, and other government agencies, and plays a key role in implementing internal controls and conducting risk assessments.

Performance Assessment Program

The Board of Directors undergoes an annual performance evaluation to strengthen corporate governance. The process assesses the performance of individual directors, the Board as a whole, Board committees, and key executives, including the President and CEO. Directors complete self-assessment forms within five banking days.

Orientation and Education Program

I. Training Program for Directors

The Board of Directors of the RBCCI shall undergo a training or seminar on Corporate Governance every three (3) years. Briefings on market changes and updates in regulatory and mandatory requirements shall be held every quarter. All newly appointed directors shall immediately undergo a Corporate Governance Seminar facilitated by any BSP-accredited training center.

II. Training Program for Senior Management, Officers, and Other Employees

RBCCI places a strong emphasis on the career development of its employees. The ICAC Committee along with the Head Office continually explores opportunities for training, seminars, and workshops covering management skills, banking operations, AMLA compliance, internal auditing, computer proficiency, communication, and literacy.

Retirement and Succession Policy

I. Terms in Service

Under Section 132 of the MORB, an Independent Director may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director but may continue to serve as regular director.

II. Retirement Policy

- Mandatory Retirement – employees who reach the age of sixty-five (65) years are subject to mandatory retirement, entitled to one month's salary per year of service.
- Optional Retirement – employees with at least fifteen (15) years of service may opt for retirement: 75% of compulsory retirement benefit at 15 years; 100% at 20 years and above.
- Just Cause Exception – an employee whose actions qualify as just cause for termination forfeits entitlement to retirement benefits.
- Payment of Benefits – benefits are disbursed to eligible employees in a lump sum payment.

III. Succession Policy

RBCCI's Succession Plan aims to ensure seamless continuity of critical operations and services in the event of absences or vacancies. Procedures include:

- President and CEO – the Board selects an interim CEO from its members through majority vote immediately after the absence commences.
- Directors and Independent Directors – temporary successors are chosen from the bank's stockholders list by majority vote.
- Chief Compliance Officer and Internal Audit Head – assistants assume roles initially; subsequent appointments follow BoD majority vote.
- Other Key Positions – successors are appointed by the President and CEO or chosen internally based on operational needs.

Remuneration Policy

I. Directors

The RBCCI's Amended By-Laws provides that Directors shall receive such compensation for their services as may from time to time be fixed by the stockholders subject to the limitations set forth in Section 29 of the Corporation Code. Each director shall also be entitled to a reasonable per diem as may be determined by the Board.

II. Officers and Other Employees

RBCCI places a strong emphasis on maintaining competitive wages and salaries. The bank operates under a structured salary system that is regularly reviewed and approved by its Board of Directors. Salary adjustments can occur through merit increases, promotions, or re-classifications. All employees receive their salaries on a bi-monthly basis, on the 15th and 30th of each month.

Policies and Procedures on Related-Party Transactions

Related Party Transactions (RPTs) can pose significant risks to the integrity and financial stability of rural banks. RBCCI has established this policy to ensure transparency, fairness, and compliance with Section 136 of the Manual of Regulations for Banks (MORB). Transactions with amounts of at least Five Hundred Thousand Pesos or transactions requiring Board approval, like DOSRI loans, are considered as material related party transactions.

Dividend Policy

The Dividend Distribution Policy aims to establish guidelines for declaring dividends in a manner that ensures financial stability, regulatory compliance, and fair distribution of profits.

- To provide shareholders with a reasonable return on their investment;
- To maintain financial soundness and stability of the Bank;
- To comply with all regulatory requirements set forth by the BSP; and
- To ensure dividends are declared and distributed in a fair and transparent manner.

Consumer Protection Practices

The Bank's consumer protection practices are designed to safeguard client rights, ensure transparency, and build trust, while staying compliant with operational and statutory requirements. It reflects the Bank's commitment to prioritizing the welfare and best interests of its clients through the following key initiatives:

1. Clear disclosure of fees, charges, and loan terms to ensure clients fully understand financial obligations.
2. Commitment to non-discriminatory practices, equitable access to financial services, and responsible lending.

3. Establishment of formal grievance mechanisms, ensuring customer complaints are documented, investigated, and resolved promptly.
4. Programs to improve customer awareness of banking products, risks, and rights.

Safeguards for client information, with strict compliance to the Data Privacy Law and internal IT/cybersecurity protocols.

Self-Assessment Function

The ICAC Committee of the Bank plays a vital role in managing compliance risk, and one of its key responsibilities is conducting self-assessment functions. Anchored on the relevant provisions of the MORB on risk management, the ICAC's self assessment function is composed of the following:

1. Independent Oversight. ICAC provides independent advice to Management and the Board on compliance and integrity matters which includes monitoring whether operations align with BSP regulations, laws, and internal policies.

2. Risk Identification & Monitoring. It assesses compliance risks (legal, regulatory, reputational) and ensures these are reported to decision-making bodies.

3. Fraud & Misconduct Prevention. ICAC investigates allegations of misconduct, prohibited practices, or corruption, aiming for zero tolerance.

4. Self-Assessment Programs. These are structured reviews where ICAC checks whether compliance policies are being followed, risks are properly managed, and corrective actions are taken.

Corporate Social Responsibility

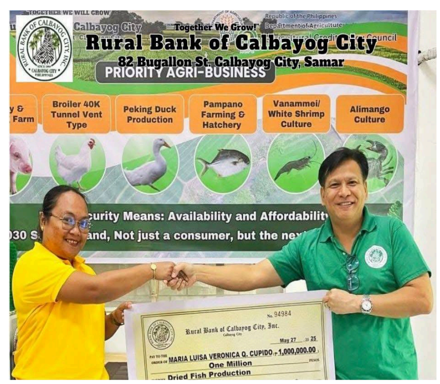
As part of RBCCI's ongoing Corporate Social Responsibility (CSR) initiatives, the Bank extended its hope of educating the public, one classroom and one community, at a time.

Educational Continuity. *Bridging the gap between classroom learning and practical financial applications as future professionals.*

In celebration of Rural Banking Consciousness Week 2025, RBCCI conducted a financial literacy program at STI Calbayog City on 05 September 2025. The program primarily aimed to educate students on the importance of saving. RBCCI also introduced a special savings account designed for students, featuring a low maintaining balance of only PHP 100.00, making it easier for children, and students like them, to begin saving early and build funds they may use in the future.

Grassroots Presence. *Ensuring inclusive development by maintaining a profound connection with the residents of Brgy. Jimautan.*

On 28 August 2025, RBCCI visited Barangay Jimautan, a remote barangay in Calbayog City, Samar, to share valuable knowledge on making informed financial decisions that can help improve economic stability. Topics discussed included the importance of saving, budgeting, and distinguishing between good and bad borrowing. The Bank also introduced its services, including various savings products and methods, agricultural loan products, and other financial services available to the community.



Cultivating Dreams, Financing Success. *RBCCI is proud to continuously implement the DA-ACPC Agri-Negosyo (ANYO) program, providing our local farmers and entrepreneurs with the financial boost they need to thrive.*

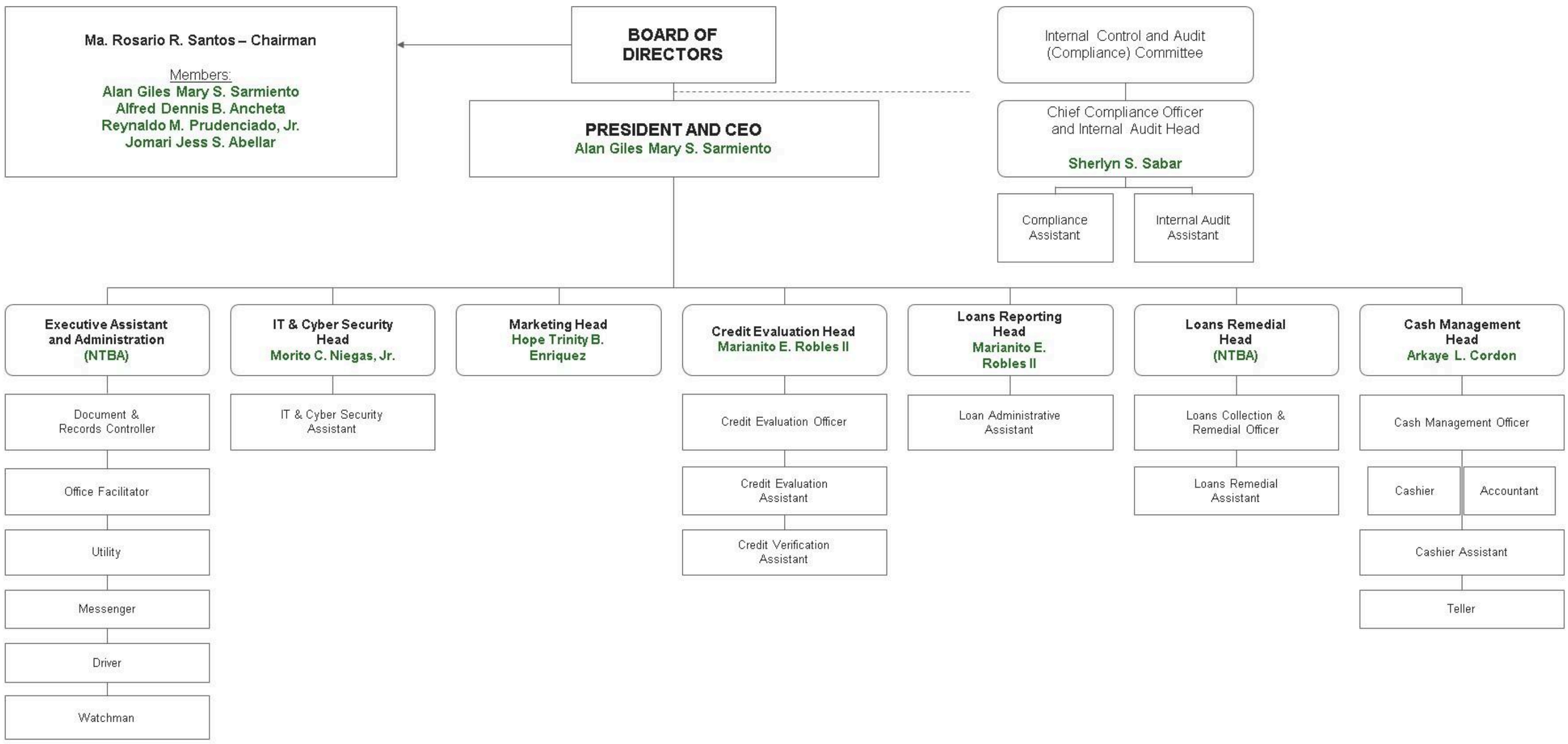
In line with its mission to promote rural and agricultural development, the Rural Bank of Calbayog City, Inc. (RBCCI) continues to reinforce its partnership with the Agricultural Credit Policy Council (ACPC) through the AgriNegosyo (ANYO) Loan Program.

Building on its strong foundation in 2023, RBCCI expanded its funding allocation from ₱20 million to ₱25 million in 2024, focusing on small and medium-scale agricultural enterprises to create more impactful and sustainable rural growth. This initiative combines financial assistance and agricultural support, empowering farmers, fisherfolk, and agri-based micro and small enterprises to scale their operations through accessible, low-interest loans.

Beyond financial support, RBCCI conducts financial literacy sessions and provides hands-on guidance to ensure responsible loan utilization and the long-term success of agricultural ventures.

Land Your Dream Job with RBCCI! *RBCCI significantly expanded its reach by participating in the Employment Caravan: Job Fair 2025, held at the Calbayog City Convention Center in October 2025.*

SECTION VI. CORPORATE INFORMATION



RBCCI's ORGANIZATIONAL CHART

List of Major Stockholders

Below are the Top 5 stockholders of the Bank (stockholders owning more than 20% of voting shares of stock or which enables such stockholder to elect, or be elected as, a director of the Bank):

Name	Nationality	Common Shares	Preferred Shares	Common %	Preferred %	Combined %
Sarmiento, Alan Giles Mary S.	Filipino	27,142.00	26,000.00	13.57%	52.00%	21.26%
Rosales, Olivia C.	Filipino	27,682.00	0.00	13.84%	-	11.07%
Santos, Milagros R.	Filipino	24,486.00	0.00	12.24%	-	9.79%
Schnable, Carmina R.	Filipino	22,462.00	0.00	11.23%	-	8.98%
Santos, Ma. Rosario R.	Filipino	10,280.00	5,696.00	5.14%	11.39%	6.39%

Products and Services Offered

RBCCI offers a variety of products and services to cater to the needs of its clients. These include savings accounts, credit accommodations such as real estate and chattel mortgages, agricultural loans, salary loans, and business loans. The bank also facilitates bills payment for SAMELCO 1 (Samar Electric Cooperative 1) and provides ATM/POS transactions for added convenience.

1. Savings Accounts

A. Basic Deposit

A basic deposit account is a low-cost, easy-to-open account designed to promote financial inclusivity for unbanked and low-income populations. To open a basic deposit account, depositors need ONE HUNDRED PESOS (Php 100.00) as an initial deposit and FIFTY THOUSAND PESOS (Php 50,000.00) as a maximum deposit. This account is not subject to deductions such as dormant charges and below-maintaining-balance charges, but this account shall not earn interest either.

B. Regular Savings

There are two (2) types of regular savings accounts: personal accounts and juridical accounts.

- Personal accounts – individual, joint, student and ITF accounts.
- Juridical accounts – partnership, association/organization and corporation accounts.

All accounts under the savings account shall earn an interest of 0.025% per annum upon reaching and maintaining a required balance and this will be credited to the accounts quarterly.

C. Special/Smart Savings

A depositor can open a smart savings deposit account with TEN THOUSAND PESOS (Php 10,000.00) as the required minimum deposit and shall earn an interest of 0.90 – 1.45% per annum depending on the depositor's balance, credited at least on a monthly basis.

D. Time Deposit

A depositor can open a time deposit account with TEN THOUSAND PESOS (Php 10,000.00) as the required minimum deposit and earn an interest of 0.65% per annum, credited upon maturity based on the depositor's discretion with options of monthly, quarterly, semi-annually, or annually.

2. Loans and Other Credit Accommodations

A. Agricultural Loans

Available to eligible borrowers for financing capital requirements to enhance the efficiency, productivity, and profitability of agricultural-related businesses. If unsecured, the loan limit is Php 200,000 and the loan term is up to 5 years. If secured, the loan can be up to 60% of the appraised value with a term of up to 15 years. Maximum age allowed if unsecured is up to 60 years old, and 75 years old on the borrower's last amortization payment date, if secured.

B. Salary Loans

Salary Loans are generally unsecured; available for a broad range of consumption purposes for up to Php 200,000.00. Granted to individuals with regular employment status based on their regular salary, pension, or other fixed compensation. Limited to borrowers under 60 years old with a net take home pay of not less than Php 7,500.00. Loan term is three (3) years for original loan term and five (5) years for restructuring.

C. Microenterprise Loans

Cater to microenterprises needing affordable financing, including through government programs. Loan limits up to Php 150,000 for general microfinance and up to Php 300,000 for house construction or lot acquisition. Terms vary from up to five (5) years for unsecured loans to up to fifteen (15) years for secured arrangement.

D. Small and Medium Enterprise Loans

Business-focused and can be secured or unsecured. Small enterprises (with assets between Php 3 million and Php 15 million) and Medium enterprises (assets from Php 15 million to Php 100 million) can borrow amounts based on 10% of their assets. Loan terms extend up to five (5) years for unsecured small enterprise loans and up to 15 years for secured medium enterprise loans.

E. Housing Loans

Refers to the Low-Cost Housing program initiated by RBCCI aimed at providing access to affordable and quality housing. Eligible borrowers should not be older than 60 years old for unsecured type and 70 years old for secured housing loan.

F. Other Loans – Real Estate, Gadget, and Personal Loans

Other loan products encompass a diverse range of financial instruments tailored to specific needs, including real estate loans, gadget loans for purchasing electronic devices through installment payment, personal loans, and motorcycle loans.

3. Bills Payment

The bank offers a convenient service of accepting payment of electricity bills for SAMELCO 1 consumers with a minimal charge of Php 5.00 per transaction. Additionally, depositors and other clients can make payments or withdrawals through POS transactions with a service charge of Php 35.00 per transaction.

RBCCI's Banking Units

Unit	Address	Contact	Services
Head Office	82T Bugallon St., Brgy. Central, Calbayog City, Western Samar, 6710	(055) 209-1265	All operational aspects available.
Sta. Margarita Branch	Brgy. Cautod, Sta. Margarita, Western Samar, 6709	0926-967-0634	All types of savings, loan applications and payments.
Allen Branch	Rizal St., Brgy. Sabang 1, Allen, Northern Samar, 6405	0962-318-0424	All types of savings, loan applications and payments.
Oquendo Branch-lite Unit	Public Market, Brgy. Oquendo (Poblacion), Calbayog City, Western Samar, 6710	0926-967-0634	All types of savings, loan applications and payments.
Money Shop Branch-lite Unit	Brgy. Bagacay, Calbayog City, W. Samar, 6710	0926-967-0634	All types of savings, loan applications and payments.

Contact Type	Details
Email	icare@rbcalbayogcity.com
Accounting	0965-308-7958
Loans	0965-308-7892
Collection	0916-834-7200
Compliance	0961-609-9343
Website	https://rbcalbayog.com/
Facebook	https://www.facebook.com/RuralBankofCalbayog

SECTION VII. AUDITED FINANCIAL STATEMENTS

The Audited Financial Statements are attached at the end of these documents as a separate exhibit to this Annual Report.

This section contains the complete Audited Financial Statements of the Rural Bank of Calbayog City, Inc. (RBCCI) for the fiscal year ended 31 December 2025, as prepared and audited by the Bank's external auditors in accordance with Philippine Financial Reporting Standards (PFRS) and relevant Bangko Sentral ng Pilipinas (BSP) regulations.

The Audited Financial Statements include the following:

- Statement of Financial Position as of 31 December 2025
- Statement of Comprehensive Income for the year ended 31 December 2025
- Statement of Changes in Equity for the year ended 31 December 2025
- Statement of Cash Flows for the year ended 31 December 2025
- Notes to the Financial Statements

SECTION VIII. INFORMATION ON SUSTAINABLE FINANCE

RBCCI Environmental and Social Risk Management System (ESRMS) has been issued to document, define terms, establish policies and procedures in compliance with BSP issued mandates on Sustainable Finance Framework (Circular No. 1085 dated 29 April 2020), Environment and Social Risk Management (ESRM) Framework (Circular No. 1128 dated 26 October 2021), and the Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks (Circular No. 1149 dated 23 August 2022).

RBCCI's key considerations for determining its approach to Environmental and Social Risk Management are:

- Types of financial services offered;
- Industry sectors of the clients/investment portfolio;
- Types of environmental and social issues related to the Bank's portfolio;
- Applicable industry initiatives and legal frameworks; and
- Business and Risk Strategies and corresponding risk appetite.

Scope and Objectives

To ensure a consistent approach across RBCCI, its ESRMS practices will apply to lending-related activities. Not all engagements in the Bank's portfolio require the same level of environmental and social due diligence – the time and resources dedicated to each transaction shall be commensurate with the risk profile and nature of the engagement.

RBCCI's sustainability objectives are anchored on supporting agricultural, aquaculture, and SME projects that enhance competitiveness while safeguarding environmental and social outcomes. The Bank's risk appetite prioritizes financing initiatives that align with sustainability principles, balancing profitability with resilience against E&S risks.

The objectives of RBCCI's ESRMS are:

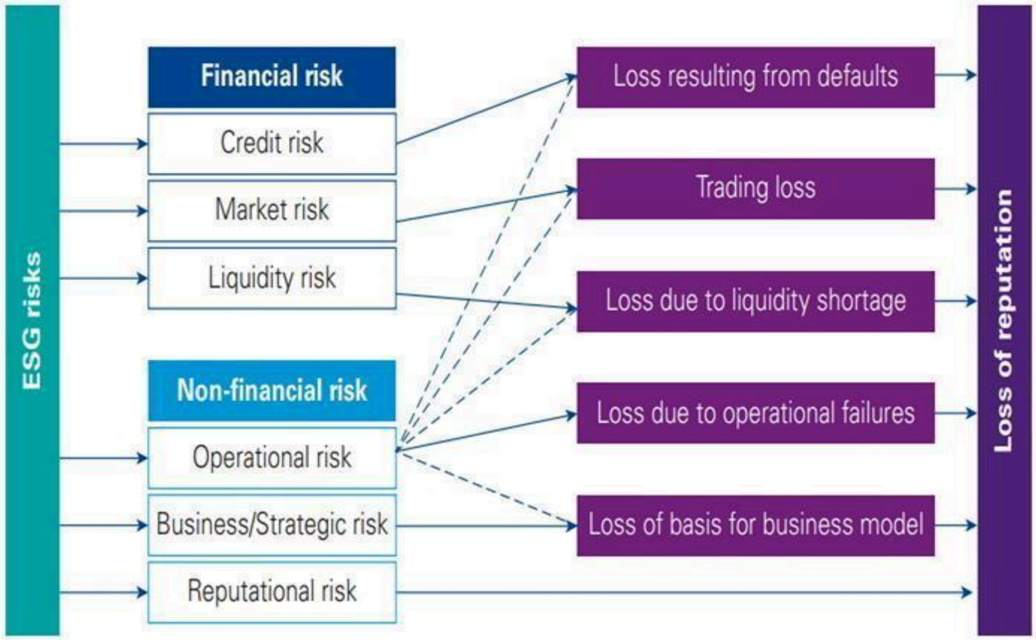
- To identify and assess social and environment impacts of the lending activities of RBCCI;
- To promote improved social and environmental performance of the Bank's business activities;
- To adhere to the International Finance Corporation's (IFC) performance standards;
- To ensure all projects include adequate provision for actions and costs necessary to prevent negative impacts; and
- To consider safety and protection of the environment and people as critical factors in all business decisions.

E&S Risk Management Practices and Procedures

I. Risk Identification and Assessment

RBCCI shall consider the economic sector and location of the borrower as well as the collateral for the loan to identify the Bank's exposure to environmental and social risks. The process includes initial screening of loan applications, review of client information, verification of environmental permits and certifications, and identification of environmental and social risk factors.

II. Risk Measurement and Evaluation



ESG Risks – Financial and Non-financial Risk Framework

RBCCI shall measure and manage the environmental and social risks relative to its credit operations. Key measures include: adopting measurement methods to qualify physical and transition risks, conducting stress testing exercises with scenario analysis, translating assessed E&S risks to potential impact on cashflow, regularly communicating with borrowers, and conducting site visits on actual use of loan proceeds.

III. Loan Categorization

Category	Risk Level	Description	Approval Condition
Category A	High Risk	Potential significant adverse E&S risks that are diverse, irreversible, or unprecedented.	Approved subject to borrower's compliance with E&S Risk Compliance Requirements.
Category B	Moderate Risk	Potential limited adverse E&S risks that are few, generally site-specific, largely reversible.	Approved subject to borrower's compliance with E&S policies and regulatory requirements.
Category C	Low Risk	Minimal or no adverse E&S risks and/or impacts.	Approved without additional E&S mitigation requirements.

IV. E&S Risk Assessment Activity Table

E&S Risk Assessment Activity	E&S Level of Loan		
	Low	Medium	High
Regulatory compliance check	Confirm compliance from the beneficiary through warranties and covenants	*Confirm compliance from the beneficiary through warranties * If concerned check compliance, e.g. review permits/licenses, speak to regulator, etc.	*Confirm compliance from the beneficiary through warrantee AND check compliance e.g. review permits/licenses, speak to regulator, etc.
Evaluate beneficiary's management of E&S risk		Engage beneficiary to assess commitment, capacity and track record in managing E&S risk	Engage beneficiary to assess commitment, capacity and track record in managing E&S risk
Conduct an operational site visit		Conduct an operational site visit to check areas of concern	Conduct an operational site visit to check areas of concern

E&S Risk Assessment Activity – Low, Medium, High Loan Levels

V. Monitoring

RBCCI shall monitor and evaluate each approved loan on an annual basis to ensure the loan borrower's compliance with the terms and conditions of the Memorandum of Agreement and Environmental and Social requirements. The Environmental and Social Risk Rating (ESRR) guides monitoring:

- "High" ESRR – Indicates serious/critical non-compliance. Corrective Action Plan must be submitted within 30 days.
- "Medium" ESRR – Indicates less serious non-compliance or unresolved issues. A Corrective Action Plan must be submitted within 60 days.
- "LOW" ESRR – Indicates no noted non-compliance; no corrective action required.

VI. Reporting

The Loans Reporting Head/Loans Remedial Head shall provide the Chief Compliance Officer and Internal Audit Head with a semi-annual report on the performance of loans and findings noted during site visits. The Compliance and Internal Audit Section shall compile all E&S findings and aggregate findings at the portfolio level for discussion during the ICAC Committee's quarterly meeting.

Initiatives to Promote Sustainability Standards and Practices

RBCCI remains committed to upholding sustainability principles by aligning its policies with the regulatory expectations of Section 153 of the MORB. The Bank has institutionalized the implementation of Environmental, Social, and Governance (ESG) screening and risk assessments in its credit evaluation process, giving priority to clients that promote climate resilience.

To foster an internal culture of sustainability, RBCCI regularly trains its staff and officers on sustainability-related risks, opportunities, and regulatory expectations. As part of its stakeholder engagement and financial inclusion efforts, the Bank actively educates borrowers on sustainable practices, encouraging responsible entrepreneurship and community stewardship.

Training

As part of RBCCI's commitment to its Environmental and Social Management System, the Bank shall focus on raising awareness of environmental and social risk issues and mitigants among its employees and BoD. It shall keep all personnel abreast of the developments in the relevant Environmental and Social-related policies, regulatory and statutory requirements, best practices, and company policies and procedures by conducting training (face-to-face or online), employee meetings, or by issuing interoffice memorandums.

ACCOUNTING OFFICE
JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE
CERTIFIED PUBLIC ACCOUNTANT
#212 Prk. 3 Brgy.Suclayin, Arayat, Pampanga
Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

RURAL BANK OF CALBAYOG CITY, INC.

82 T. Bugallon Street, Calbayog City, Samar

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2025

Member: Philippine Institute of Certified Public Accountants

ACCOUNTING OFFICE
JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE
CERTIFIED PUBLIC ACCOUNTANT
#212 Prk. 3 Brgy.Suclayin, Arayat, Pampanga
Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

The Board of Directors and Stockholders
RURAL BANK OF CALBAYOG CITY, INC.
82 T. Bugallon Street, Calbayog City, Samar

Opinion

I have audited the accompanying Financial Statements of the **RURAL BANK OF CALBAYOG CITY, INC.** of the Statements of Financial Position as of December 31, 2025 and 2024 and the Statements of Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, including a summary of material accounting policy information and explanatory notes.

In my opinion, the financial statements presents fairly, in all material respects, the financial position of the **RURAL BANK OF CALBAYOG CITY, INC.** as of December 31, 2025 and 2024 and its financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for opinion

I conducted my audit in accordance with the Philippine Standards on Auditing (PSA's). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements' section of the report. I am independent from the entity in accordance with the Code of Ethics for Professional Accountants in the Philippines together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS), 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 entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial misstatements, whether due to fraud or error, design and perform audit procedures responsive to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. 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 company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention to my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease, or 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.

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

Statements Required by Rule 68, Part I Section 5 (b) of Securities Regulation Code (SRC), as Amended on August 19, 2019

We have audited the financial statements of **RURAL BANK OF CALBAYOG CITY, INC.** as at and for the period ended December 31, 2025, on which we have rendered the attached report dated March 21, 2026. The supplementary information shown in Note 28 the Reconciliation Retained Earnings Available for Dividends Declaration, as required by Part I, Section 5 (b) of Rule 68 of the Securities Regulation Code is presented for the purpose of filing with the Securities and Exchange Commission and is not a required part of the basic statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Part I, Section 4 of Rule 68 of the Securities Regulation Code.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010, RR No. 19-2011 and Bangko Sentral ng Pilipinas (BSP) under Circular 1074

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Note 30 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and is not required part of the basic financial statements. Such information is the responsibility of management of the **RURAL BANK OF CALBAYOG CITY, INC.** The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respect in relation to the basic financial statements taken as a whole.

JACKIE LOU R. OCBENIA-DUNGCA, CPA
CPA Cert. No 0146814
TIN: 230-447-466-000
PTR No.:4652165, January 13, 2026
City of San Fernando Pampanga
BIR ACC. No.: 04-005756-001-2025, Expiring on 04 September 2028
BOA ACC.No.:5299, Expiring on June 30, 2027
BSP ACC No. 146814; CY 2021-2025 Group C; CY 2026-2030 Group B
CDA CEA No.: 1093 Expiring on June 13, 2029

March 21, 2026

RURAL BANK OF CALBAYOG CITY, INC.

STATEMENTS OF FINANCIAL POSITION

		As at December 31		
		2025		2024
ASSETS				
Cash and Other Cash Items (Note 7.1)	**P**	**4,556,093**	P	4,528,285
Due from BSP and other Banks (Note 7.2)		**41,445,920**		62,944,934
Debt Securities Measured at Amortized Cost (Note 8)		**6,709,170**		8,088,339
Loans and Receivable, Net (Note 9)		**174,908,181**		126,909,722
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 10)		**4,595,602**		3,361,492
Investment Properties (Note 11)		**3,219,201**		2,538,360
Right of Use Assets (Note 12)		**117,259**		333,371
Intangible Assets (Note 13)		**232,609**		293,209
Other Assets (Note 14)		**3,208,766**		1,413,815
Deferred Tax Assets (Note 25)		**28,374**		26,911
TOTAL ASSETS		**239,021,175**		210,438,439
LIABILITIES & SHAREHOLDERS' EQUITY				
LIABILITIES				
Deposit Liabilities (Note 15)		**163,058,054**		144,279,185
Bills Payable (Note 16)		**7,827,935**		4,408,522
Accrued Interest, Taxes and Other Expenses Payable (Note 17)		**135,137**		132,280
Other Liabilities (Note 18)		**5,148,319**		5,515,342
Income Tax Payable		**1,310,892**		740,327
TOTAL LIABILITIES		**177,480,337**		155,075,656
SHAREHOLDERS' EQUITY				
Share Capital (Note 19)				
Ordinary Share Capital		**20,000,000**		20,000,000
Preferred Stock		**5,000,000**		5,000,000
Retained Earnings		**36,540,838**		30,362,782
TOTAL SHAREHOLDERS' EQUITY		**61,540,838**		55,362,782
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**P**	**239,021,175**	P	210,438,438
BOOK VALUE PER SHARE	**P**	**307.70**	P	276.81

See accompanying Notes to Financial Statements

RURAL BANK OF CALBAYOG CITY, INC.
STATEMENTS OF INCOME

		For the Years Ended December 31		
		2025		2024
INTEREST INCOME ON				
Loans Receivable	**P**	**24,113,340**	P	16,040,762
Sales Contract Receiveble		**68,717**		102,458
Due from Other Banks (Note 7.2)		**73,778**		114,519
Debt Securities Measured at Amortized Cost (Note 8)		**296,172**		312,069
		24,552,007		16,569,808
INTEREST EXPENSE ON				
Deposit Liabilities (Note 15)		**1,799,610**		1,020,895
Lease Liabilities		**16,424**		15,943
		1,816,034		1,036,838
NET INTEREST INCOME		**22,735,973**		15,532,970
Other Income (Note 20)		**9,550,335**		7,071,262
TOTAL OPERATING INCOME		**32,286,308**		22,604,232
OTHER OPERATING EXPENSES				
Provision for Credit Losses		**213**		-
Compensation and Fringe Benefits (Note 21)		**10,669,585**		9,138,091
Other Operating Expenses (Note 23)		**9,034,758**		6,761,804
Depreciation and Amortization (Note 24)		**869,972**		672,083
Taxes and Licenses (Note 29)		**1,455,322**		784,862
TOTAL OPERATING EXPENSES		**22,029,850**		17,356,840
INCOME BEFORE INCOME TAX		**10,256,458**		5,247,392
PROVISION FOR INCOME TAX (Note 25)		**2,494,973**		1,229,306
NET INCOME AFTER INCOME TAX	**P**	**7,761,485**	P	4,018,086
EARNINGS PER SHARE	**P**	**38.81**	P	20.09

See accompanying Notes to Financial Statements.

RURAL BANK OF CALBAYOG CITY, INC.
STATEMENTS OF CHANGES IN EQUITY
For the Year Ended December 31, 2025 and 2024

		ORDINARY SHARE CAPITAL (Note 19)		PREFERRED STOCK		RETAINED EARNINGS - FREE		Total Equity
Balance at January 1, 2025	**P**	**20,000,000**	**P**	**5,000,000**	**P**	**30,362,782**	**P**	**55,362,782**
Total income for the year		**-**		**-**		**7,761,485**		**7,761,485**
Provision and Adjustments		**-**		**-**		**(1,583,429)**		**(1,583,429)**
Balance at December 31, 2025		**20,000,000**		**5,000,000**		**36,540,838**		**61,540,838**
Balance at January 1, 2024		20,000,000		5,000,000		26,881,656		51,881,656
Total income for the year		-		-		4,018,086		4,018,086
Provisions and Adjustments		-		-		(536,960)		(536,960)
Balance at December 31, 2024	P	20,000,000	P	5,000,000	P	30,362,782	P	55,362,782

See accompanying Notes to Financial Statements.

RURAL BANK OF CALBAYOG CITY, INC.
STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
		2025		2024
CASH FLOW FROM OPERATING ACTIVITIES				
Income before tax	**P**	**10,256,458**	P	5,247,392
Adjustment to reconcile Net Income to				
Net cash provided by operating activities:				
Depreciation/Amortization (Note 10, 11, 12 and 22)		**869,972**		672,083
Income from disposal of Asset Acquired (Note 18)		**(3,090,000)**		(849,307)
Operating income before working capital adjustments		**(14,699,331)**		(10,462,802)
Decrease/(Increase) in:				
Loans & Receivables (Note 9)		**(47,998,673)**		(23,184,860)
Other Assets (Note 14)		**(1,794,951)**		(302,534)
Increase / (Decrease) in current liabilities				
Deposit liabilities (Note 15)		**18,778,869**		7,835,032
Accrued interest, taxes and other expense payable (Note 17)		**2,857**		80,692
Other liabilities (Note 18)		**(150,947)**		1,140,125
Income Taxes paid		**(1,925,871)**		(665,764)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**(25,052,072)**		(10,027,141)
CASH FLOW FROM INVESTING ACTIVITIES				
Debt Securities Measured at Amortized Cost		**1,379,169**		1,423,655
Cash payments on Investment Properties (Note 11)		**(1,334,416)**		(469,609)
Cash receipts from Investment Properties		**481,420**		652,790
Cash payments on Premises, Furniture, & Equipment (Note 10)		**(1,655,214)**		(2,679,263)
Cash receipts from disposal of Acquired Assets		**3,090,000**		849,307
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES		**1,960,958**		(223,120)
CASH FLOW FROM FINANCING ACTIVITIES				
Adjustments Charged to Retained Earnings		**(1,583,429)**		(536,960)
Payments of Lease Liabilities		**(216,077)**		(246,496)
Procceds (Payments) of Bills Payables		**3,419,414**		4,408,522
NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES		**1,619,908**		3,625,064
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS		**(21,471,206)**		(6,625,195)
CASH & CASH EQUIVALENTS - BEGINNING		**67,473,219**		74,098,414
CASH & CASH EQUIVALENTS - ENDING	**P**	**46,002,013**	P	67,473,219

See accompanying Notes to Financial Statements.

1. CORPORATE INFORMATION

RURAL BANK OF CALBAYOG CITY, INC. ("the Bank") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1959 with Registration No. 14952 and granted by the Bangko Sentral ng Pilipinas (BSP) an authority to operate on February 7, 1959.

The Bank was organized under Rural Bank Act of 1952 (Republic Act No. 720, as amended by Republic Act No. 7353) primarily to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises; to have and exercise all authority and powers, to do and perform all acts, and to transact all business which may legally be had or done by Rural Banks organized under and in accordance with the Rural Banks' Act, as it exists or may be amended, and to do all other things incident thereto and necessary and proper in connection with said purpose within such territory as may be determined by the Monetary Board of the Central Bank of the Philippines. The Bank is also subject to the provisions of Republic Act (RA) No.8791, otherwise as the General Banking Law of 2000.

The Bank's principal address which is also its registered address located at 82 T. Bugallon Street, Calbayog City, Samar and is domiciled in the Philippines. The Bank currently holds its main office at Calbayog City, Samar. It has currently two (2) branches and one (2) branch-lite office located at:

1.	Allen (Branch)	Rizal St. Sabang I, Allen, Northern Samar
2.	Sta. Margarita (Branch)	Brgy. Monbon, Sta. Margarita, Samar
3.	Moneyshop (Extension Office)	Stall #170 New Public Market, Brgy. Bagacay,Calbayog City, Samar
4.	Oquendo (Branch-lite Office)	Public Market, Brgy. Oquendo (Pob.), Calbayog City, Samar

Approval of Financial Statements
The accompanying financial statements of the Bank for the year ended December 31, 2025 were authorized for issue by its Board of Directors on March 21, 2026.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The significant accounting policies applied in the preparation of these financial statements are set out separately below or explained in the respective notes to these financial statements. These policies have been consistently applied to the periods presented, unless otherwise stated.

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments, if any, that have been measured at fair value. The financial statements are presented in Philippine peso ("₱") and all values are rounded to the nearest peso except when otherwise indicated.

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments, if any, that have been measured at fair value. The financial statements are presented in Philippine peso ("₱") and all values are rounded to the nearest peso except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements provide comparative information in respect to previous period. In addition, the Bank presents an additional statement of financial position at the beginning of the earlier period presented when there is retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

Statement of Compliance
The Bank's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and relative laws, regulations and industry practices applicable to rural banks. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretations of the Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC)/International Financial Reporting Interpretations Committee (IFRIC) which have been approved and adopted by the Financial Reporting Standards Council (FRSC). and adopted by the SEC.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except that the Bank has adopted the following new accounting pronouncements beginning January 1, 2025. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated.

Amendments, and Interpretations Adopted

Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

The Bank adopted for the first time amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability, which are mandatorily effective for annual periods beginning on or after January 1, 2025. The amendments require entities to assess whether a currency is exchangeable and to determine a spot exchange rate when exchangeability is lacking. These amendments also mandate the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments had no significant impact on the financial statements of the Bank.

New and Amended PFRS Issued But Not Yet Effective
Relevant new and amended PFRS, which are not yet effective as at December 31, 2025 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2026

(i) PFRS 9 and PFRS 7 (Amendments), Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments (effective from January 1, 2026). These amendments clarify and refine the classification and measurement guidance in PFRS 9, particularly when to derecognize financial liabilities (generally on settlement date) and introduce an accounting policy option to derecognize certain liabilities earlier when settled via electronic payment systems if specified conditions are met. These also clarify contractual cash flow assessments for financial assets with contingent [including Environmental, Social and Governance (ESG) goal-linked] features and provide guidance on non-recourse assets and contractually linked instruments. Correspondingly, PFRS 7 adds enhanced disclosures for instruments with contingent/ESG-linked terms and for equity instruments designated at fair value through other comprehensive income (FVOCI).

(ii) PFRS 9 and PFRS 7 (Amendments), Financial Instruments, and Financial Instruments: Disclosures – Amendments to Contracts Referencing Nature-dependent Electricity (effective from January 1, 2026)

(iii) PFRS 17, Insurance Contracts – Insurance Contracts (effective from January 1, 2027)

(iv) PFRS 17 (Amendments), Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information (effective from January 1, 2027)

(v) PFRS 18, Presentation and Disclosure in Financial Statements (effective from January 1, 2028). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

(vi) PFRS 10 and PAS 28 (Amendments), Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely).

Financial Instruments

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

Initial Recognition and Measurement
Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after recognition, an expected credit allowance (ECL) is recognized for financial assets measured at amortized cost.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that used only data from observable markets, the difference is recognized as a gain or loss.

b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial Assets

Classification and Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains or losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.

The Bank's cash and cash equivalents, loans receivable and Investment Securities fall in this category of financial instruments.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash and other cash items, unrestricted balances with BSP and due from other banks which are subject to insignificant risk of changes in value. Cash and cash equivalents are highly liquid and readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and which are subject to insignificant risk of changes in value. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are valued at face amount. Cash denominated in foreign currency is translated in peso using the closing rate as of the financial date. If a bank or financial institution holding the funds of the Bank is in bankruptcy or financial difficulty, cash should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

Cash on Hand

Cash on hand represents the total amount of cash in the bank's vault in the form of notes and coins under the custody of the cashier/cash custodian. This is measured at face value.

Due from Bangko Sentral ng Pilipinas

This represents the balance of the deposit account in local currency maintained with the Bangko Sentral to meet reserve requirement subject to existing rules and regulations. This is measured at face value.

Due from Other Banks

This represents the balance of the deposit accounts maintained with other resident banks. These are stated in the Statement of Financial Position at their face value. Income on interest bearing deposits are credited to and included in the determination of income in the Statement of Comprehensive Income.

Loans Receivables

Loans receivable account includes loans extended to clients classified as small and medium scale enterprise loan, other loans and agrarian reform and other agricultural loans. Loans receivables are recognized when cash is advanced to borrowers. These are recognized initially at fair value plus transaction costs that are directly attributable to the receivable. These are subsequently measured at amortized costs using effective interest method less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as “Interest Income” in the Statement of Comprehensive Income. The losses arising from impairment are recognized in profit or loss.

Loans & Discounts

Receivables from customers are stated at the outstanding balance reduced by an allowance for probable loan losses.

Interest income on non-discounted term loan is accrued monthly as earned, except in the case of non-accruing loans.

Unearned discounts are recognized as income over the period for which such discount has been collected using the effective interest method. In accordance with the existing BSP regulations no interest income is accrued on accounts classified as past due.

Under existing BSP regulations, non-accruing loans are those that have been defined as being past due and items in litigations, or those for which, in the opinion of management, collection of interest or principal is doubtful. Interest income on these loans is recognized only to the extent of amount collected. Loans are not classified as accruing until interest and/or principal due are collected and the loans are brought to current or are restructured in accordance with existing BSP regulations and future payments appear assured. Collaterals of restructured loans exceeding ₱1 million shall be revalued by an independent appraiser acceptable to BSP.

Sec. 304 of the Manual of Regulations for Banks (MORB) states that past due accounts of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at contractual due date.

Sec. 304 states that loans, investments, receivables or any financial asset shall be considered non performing even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date or accrued interest for more than 90 days have been capitalized, refinanced or delayed by agreement. Restructured loans shall be considered performing only, if prior to restructuring, the loans were categorized as performing. Non-performing loans and other receivables shall remain classified as such until a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or b) written off.

The allowance for credit losses is the estimated amount of losses in the Bank’s portfolio, based on evaluation of the quality of loans and prior loan loss experience (Appendix 15 of the MORB). Any amount set aside with respect to losses on loans and advances in addition to those losses that have been specifically identified or potential losses are indicatively present in the portfolio of loans and advances, are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period. The allowance is increased by provisions charged to expense and reduced by reasonable write-offs and reversals as determined by the Bank.

Sales Contract Receivable

Sales Contract Receivable (SCR) shall be recorded based on the present value of the installments receivables discounted at the imputed rate of interest. Discount shall be accrued over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PFRS 15“Revenue”. Provided, furthermore, that SCR shall be subject to impairment provisions of PFRS 9.

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

1. That there has been a down payment of at least twenty percent (20%) of the agreed selling price or in the absence thereof, the installment payments on the principal had already amounted to at least twenty percent (20%) of the agreed selling price;
2. That payment of the principal must be in equal installments or in diminishing amounts and with maximum intervals of one (1) year;
3. That any grace period in the payment of principal shall not be more than two (2) years; and
4. That there is no installment payment in arrear either on principal or interest: Provided, That an SCR account shall be automatically classified “Substandard” and considered non-performing in case of non-payment of any amortization due. Provided, further, that an SCR which has been classified “Substandard” and considered non-performing due to non-payment of any amortization due may only be upgraded/restored to unclassified and/or performing status after a satisfactory track record of at least three (3) consecutive payments of the required amortization of principal and/or interest has been established.

Financial Liabilities

Classification and Measurement

A financial liability is any liability that is:

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

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

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

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

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

Deposit Liabilities
The deposit liability account includes savings deposits and term deposits. Savings deposits are interest bearing or non-interest bearing and are withdraw-able upon presentation of properly accomplished withdrawal slip and passbook. Term deposits refer to interest-bearing deposits with specific maturity dates and evidenced by certificate issued by the Bank.

Accrued Expenses and Other Liabilities
These refer to obligations already incurred by the Bank which are not yet paid as of the balance sheet date. These are normally measured at actual costs.

Dividends distributions to shareholders are recognized as financial liabilities when the dividends are declared by the Bank's Board of Directors and subject to the requirements of Section 124 of the Manual Regulations for Banks (MORB).

As of December 31, 2025 and 2024, the Bank has not designated any financial liabilities upon initial recognition as at FVTPL

Classification as Debt or Equity Instruments
Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liabiliy and an equity instruments.

Other Payables arising from contractual obligations
Other Payables arising from contractual obligations include accounts payable, lease liabilities and other accrued payables excluding those pertaining to obligations as mandated by law such as taxes payable, SSS payables and the like. These other payables qualifying into the definition of financial liabilities under PFRS 9 are subsequently measured at the expected settlement amounts. The short-term nature of such payables renders the effect of discounting to be immaterial.

Borrowing Costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period or time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the Statement of Comprehensive Income in the period in which they are incurred.

Derecognition of Financial Instruments

Financial Assets
The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party and meets the qualification parameters for derecognition.

The Banks had transferred a financial asset if, and only if, it either transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. When the Bank retains the contractual rights to receive the cash flows of a financial assets but assumes a contractual obligation to pay those cash flows, the Bank treats the trasaction as a transfer of financial asset if the following conditions are met:

a) The Bank has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from original asset;
b) The Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security as security to the eventual recipients for the obligation to pay them cash flows; and
c) The Bank has na obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in Statement of Comprehensive Income.

Impairment of Financial Instruments
At each reporting date, the Bank measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instruments has increased significantly since initial recognition.

If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Bank recognizes in the Statement of Comprehensive Income the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date. Loss allowance for financial assets at FVOCI are recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

The Bank shall measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of PFRS 15.

The Bank measures expected credit losses of a financial instrument in a way that reflects:
a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money; and
c) Reasonable and supportable informatiob that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect expected collectability of the future cash flows of the instruments.

In applying this forward-looking approach, a distinction is made between:
(i) financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
(ii) financial instruments that have not deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Bank shall directly reduce the gross carrying amount of a financial asset when the Bank has no reasonable expectations of recovering a financial asset on its entirety or a portion thereof. A write-off constitutes a derecognition event.

Definition of "default" and "cure"
The Bank defines a financial instrument as in default, which is fully aligned with the definition of creditimpaired, in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An Instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days and has exhibited a satisfactory track record.

Write-off Policy
The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include 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. Any outstanding contractual amounts of such assets written off during the period ended December 31, 2025, and 2024, if there is any is disclosed in the notes discussing details of Loans and Other Receivables.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there's an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of the business, event of default, and event of insolvency or bankruptcy of the Bank and all of the counterparties.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank shall not offset the transferred asset and the associated liability.

Other Assets
Other assets represent residual accounts which were not classified as a separate line item in the Financial Reporting Package (FRP) - Manual of Accounts issued by the Bangko Sentral ng Pilipinas.

Premises, Furniture, Fixtures and Equipment
Premises, furniture, fixtures, and equipment except land, are carried at cost less accumulated depreciation and amortization and any impairment value. Land is stated at cost less any impairment value.

Land is stated at cost less any impairment losses. All other items of bank premises, furniture, fixtures and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

When major improvement is performed, its cost is recognized in the carrying amount of the premises, furniture, fixtures, and equipment as a replacement if the recognition criteria are satisfied.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. Land is not depreciated.

The estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment are as follows:

Building	10 years
Leasehold Improvements	10 years
Transportation equipment	3 - 5 years
Furniture and fixtures	3 - 5 years

Fully depreciated assets are retained in the accounts at ₱1 net value until they are no longer in use and no further charge for depreciation is made with respect to those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any resulting gain or loss are reflected in the income for the period. Any disposal or deletion of property and equipment from the Bank's book of accounts should be approved by the management.

Leasehold rights and improvements amortization if there is any, is computed over the lease term or the estimated useful life of the improvement, whichever is shorter. The estimated useful life of leasehold rights and improvements is five years depending on the nature of the improvement.

The useful lives and depreciation or amortization method are being reviewed by the Bank periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of premises, furniture, fixtures, and equipment. The residual value, if any, is also reviewed and adjusted if appropriate, at each balance sheet date.

Intangible Assets
An intangible asset pertains to acquired information technology software capitalized on the basis of the cost incurred to acquire and bring to use the specific software. This asset is stated at historical cost less amortization. However, costs for licenses incurred for maintaining the software are charged to operations. Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets provided, they meet the following recognition requirements:

- Demonstration of technological feasibility of the prospective product for internal use or sale;
- The intangible asset will generate probable economic benefits through internal use or sale;
- Sufficient technical, financial and other resources are available for completion; and
- The intangible asset can be reliably measured.

Intangible assets are subject to impairment testing. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install specific software.

Amortization on other computer software is provided on a straight-line method over the estimated useful lives of five (5) years

Investment Properties
Investment properties represent properties that were foreclosed by the Bank from defaulted borrowers and held either to earn rental income or for capital appreciation or for sale or for both, this also includes the foreclosed properties of the bank as required by the Manual of Regulations for Banks and available for sale after redemption period in the ordinary course of business.

ROPA are booked initially at the carrying amount of the loan (i.e. outstandiing loan balance adjusted for any unamortized premium discount less allowance for credit losses computed based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PFRS 9 provisioning requirements) plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property: Provided, that the carrying amount of ROPA exceed P5,000,000, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

Subsequent to initial recognition, depreciable items of ROPA are carried at cost less accumulated depreciation and any impairment losses.

ROPA are derecognized when it has either been disposed of or permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of ROPA is recognized in the Statement of Comprehensive Income in the year of retirment or disposal.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment properties including the related accumulated depreciation and any impairment losses are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss and is presented as part of Other Operating Income in the statement of comprehensive income in the year of retirement or disposal.

Right-of-use Assets
The Banks recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

	Years
Building	2 to 3

Impairment of Non-Financial Assets
At each reporting date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exist or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing in use, the estimated future cash flows are discounted to its 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 to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if ther has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statements of Comprehensive Income unless the asset is carried at a revalued amount, in which case reversal is treated as revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on systematice basis over its remaining life.

Equity

Share Capital
Share Capital is measured at par value for all shares issued and outstanding. When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. The subscribed capital stock is reported in equity less the related subscription receivable not currently collectible. Capital stock consists of common and preferred. Preferred stocks are (a) cumulative, (b) non-voting, and (c) non-redeemable.

Subscribed common stock is recognized at subscribed amount net of subscription receivable.

Subscriptions receivable pertains to uncollected portion of subscribed stocks. The Bank accounted for the subscription receivable as a contra equity account.

Retained earnings represents the cumulative balance of periodic net income or loss, dividend contributions, prior
Retained earnings represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividends
Cash dividends are recognized as liability and deducted from the equity when approved by the Board of Directors (BOD) while stock dividends are deducted from equity when approved by BOD and stockholders. Dividends for the year that are approved after the reporting date are dealt with as subsequent events. Stock issuance costs are accounted for as deduction from equity.

Earnings per Share
Earnings per share (EPS) is computed by dividing net income by the weighted average number of ordinary shares outstanding during the year with retroactive adjustments applicable, if any, to preference shares.

Book Value per Share
The book value per common share is derived from the total stockholders' equity net of preferred shares and dividends (for cumulative shares) divided by the total number of ordinary shares outstanding during the year.

Revenue Recognition
The Bank derives revenue from interest income, loan fees and service charges, interest income from bank deposits, and other income over time and at a point in time.

The Bank primarily derives its revenue from interest income on loans. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services. The Bank assesses its revenue arrangements against specific criteria in order to determine whether it is acting as principal or as an agent. The Bank is acting principal in its revenue arrangements to its customers, revenue is recognized on a gross basis. However, if the Bank is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

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

Revenue within the scope of PFRS 15:

<u>*Loan Fees, Service Charges and Commissions*</u>
Loan fees directly related to acquisition and origination of loans are included in the cost of receivables and are amortized using the effective interest rate method over the term of the loan. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower.

Service charges and commissions are recognized earned or accrued where there is reasonable degree as to its collectability and based on the agreed term and conditions with customers which are generally when the services has been performed. This is included as part of the Other Operating Income in the statement of income.

Revenue outside the scope of PFRS 15:

<u>*Interest Income*</u>

Interest on Loans
Interest Income on loans and discount with advanced interest are recognized periodically using the effective interest method of amortization. On the other hand, interest income on loans and discount with no advanced interest are recognized on accrual basis. The accrual basis of recognition of interest income, however, ceases when the loans and discount is already past due.

The Bank shall only charge interest based in the outstanding balance of a loan at the beginning of an interest period. For a loan where the principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.

Other Income
Other income arising from from sources which are not included in all income sources are, penalties and charges for clients' request of statement of accounts.

Cost and Expense Recognition
Cost and expense are decrease in economic benefits in the form of decreases in assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are received or when the expense is incurred.

Interest Expense
Interest expense for financial liabilities is recognized in profit or loss on accrual basis using EIR of the financial liabilities to which they relate.

Other Expense
Other expenses encompass losses as well as expenses that arise in ordinary course of business of the Bank. Other expenses are recognized when incurred

Employee Benefits
Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including directors and management. The Bank recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period.

Short-term benefits
The Bank provides short term benefits to its employees in the form of salaries and wages, 13th month pay, contributions to SSS/PHIC/HDMF and other short term employee benefits and are presented as part of the operating expenses as compensation and fringe benefits-employees.

Retirement Benefits

The Bank's retirement benefit costs is not accounted for using the projected unit actual actuarial valuation method as prescribed by PAS 19, but determined by observing the minimum legal requirements as stated RA 7641 and retirement policy whichever is beneficial. No significant assumption was used by the Bank that would generally affect the recognized expenses and recorded obligation in the future period. Annually, the Bank assesses the sufficiency of the recorded retirement benefit liability. Any increase or decrease thereto is adjusted through the Bank's Statement of Comprehesive Income.

Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees.

Income Taxes

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax(RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Related Party Relationships and Transactions

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

Provisions 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. This also includes any provisions of bank for losses and provision for retirement of employees.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. 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. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period 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. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Bank can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments used 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.

Judgments are made by management in the development, selection and disclosure of the Bank's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revisited if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

a. *Classification of financial instruments*
The Bank exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

b. *Determination of Functional currency*
PAS 21, the effects of Changes in Foreign Exchange Rates requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- b.1. The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- b.2. The currency in which funds from financing activities are generated; and
- b.3. The currency in which receipts from operating activities are usually retained.

The bank has determined that its functional currency is the Philippine Peso which is the currency of the primary environment in which the Bank operates.

c. *Recognition of Provision and Contingencies*
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are presented in the Notes to the Financial Statements.

d. *Classification of Acquired Properties and Fair Value Determination of Non-current Assets Held for Sale and Investment Property*
At initial recognition, the Bank determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

Estimates

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

a. *Determination of Fair Values of Financial Assets and Liabilities*

PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Bank utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would directly affect the Bank's statement of comprehensive income and statement of changes in equity.

b. *Allowance for Credit Losses*

The allowance for credit losses, which includes both specific and general loan loss reserve represents management's estimate of probable losses inherent in the portfolio, after considering the prevailing and anticipated economic conditions, prior loss experience, estimated recoverable value based on fair market values of underlying collaterals and prospect of support from guarantors, subsequent collections and evaluations made by the BSP. The BSP observes certain criteria and guidelines in establishing specific loan loss reserves for classified loans and other risk assets a provided under Sec. 143 and Appendix 15 of the Manual of Regulations for Banks.

Other Risk Assets

Other risk assets such as accounts receivable are also given allowance after considering the nature of the transaction and the degree of collectibles of the accounts.

Provisions for losses (expense account) on the above cited risk assets are determined by the required allowance at the end of the year less the beginning allowance for a particular year adjusted by write-off and recovery, if any.

c. *Useful lives of Bank Premises, Furniture, Fixtures & Equipment*

The useful lives of Bank Premises, Furniture, Fixtures and Equipment are estimated based on the period over which these assets are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment are reviewed periodically and are updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the Bank Premises, Furniture, Fixtures and Equipment. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment.

d. *Useful life of Depreciable Investment Property*

The assumptions and estimates used by the Bank in the useful life of Investment Property are made to objectively determine the productivity or use of the assets. The BSP however in its Circular 494 provided that Investment Property-building and Investment Property-Other Non-Financial Assets specifically those that were accounted for as Investment Property under PAS 40 shall be depreciated only for a period of not more than 10 and 3 years respectively reckoning from the date of foreclosure. Thus, the lower between the estimate of the Bank and BSP regulation shall prevail.

e. *Determination of Impairment of Non-financial Assets*

An impairment review should be performed when certain impairment indicators are present.

Determining the value in use of Bank Premises, Furniture, Fixtures and Equipment which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that Bank Premises, Furniture, Fixtures and Equipment are impaired.

Any resulting impairment loss could have a material adverse impact on the Bank's financial position and financial performance.

f. *Recognition of Retirement Costs*
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include among others, discount rates and salary rate increase. Actual results that differ from the assumptions generally affect the recognized expense and recorded obligation in such future periods. While the Bank believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

g. *Recognition of Deferred Tax Assets*
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial instruments consist of cash and cash equivalents, receivables and payables which arise from operations, and long term investments. The Bank's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Bank through a rigorous, comprehensive and continuous process of identification measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls. The Bank has placed due importance to expanding and strengthening its risk management process and considers it as a vital component to the Bank's continuing profitability and financial stability. Central to the Bank's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business validity and good financial position in the market.

The inherent risks which can arise from the Bank’s financial instruments are credit risk, market risk (i. e. interest rate risk, currency risk and price risk) and liquidity risk. The Bank's risk management objective is primarily focused on controlling and mitigating these risks. The Board of Directors reviews and agrees on policies for managing each of these risks and are summarized as follows:

Credit Risk
Credit risk is the risk of financial loss due to the other party's failure to discharge an obligation cited in a binding financial instrument. The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers and enters into either market-traded or over-the-counter derivatives, through implied or actual contractual agreements. The Bank manages the level of credit risks it accepts through comprehensive credit risk policy setting assessment and determination of what constitutes credit risk for the Bank; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Additionally, the tables below show the maximum exposure to on-balance sheet credit risk of the Bank as at December 31, 2025 and 2024:

	2025	2024
Cash and other cash items	**P 4,556,093**	P 4,528,285
Due from BSP	**5,182,187**	5,300,417
Due from other banks	**36,263,733**	57,644,517
Debt Securites Measured at Amortized Cost	**6,709,170**	8,088,339
Loans Receivable	**174,908,181**	126,909,722
Total	**P 227,619,363**	P 202,471,280

Credit quality per class of financial assets

The tables below show the credit quality per class of financial assets as at December 31, 2025 and 2024:

2025									
		High grade		**Standard grade**		**Past due but not impaired**		**Impaired**	**Total**
Due from BSP	**P**	**5,182,187**	**P**	**-**	**P**	**-**	**P**	**-**	**5,182,187**
Due from other banks		**36,263,733**		**-**		**-**		**-**	**36,263,733**
Debt Securities		**6,709,170**		**-**		**-**		**-**	**6,709,170**
Loans Receivable*		**163,597,165**		**11,093,639**		**7,156,298**		**1,380,917**	**183,228,019**
Sales contract receivable*		**-**		**1,780,386**		**-**		**-**	**1,780,386**
Other Assets**				**1,545,362**		**-**		**-**	**1,545,362**
	P	**211,752,255**	**P**	**14,419,387**	**P**	**7,156,298**	**P**	**1,380,917**	**P 234,708,857**

amount is gross of ACL and net of unamortized discounts

*****comprised of miscellaneous assets and accounts receivable***

2024										
		High grade		Standard grade		Past due but not impaired		Impaired		Total
Due from BSP	P	5,300,417	P	-	P	-	P	-	P	5,300,417
Due from other banks		57,644,517		-		-		-		57,644,517
Debt Securities		8,088,339		-		-		-		8,088,339
Loans Receivable*		115,592,990		9,094,256		11,189,674		1,570,026		137,446,946
Sales contract receivable		-		1,134,390		-		-		1,134,390
Other Assets**		-		212,104		-		-		212,104
	P	186,626,263	P	10,440,750	P	11,189,674	P	1,570,026	P	209,826,713

**amount is gross of ACL and net of unamortized discounts*

***comprised of retirement fund, accrued interest and accounts receivable*

Market Risk

Market risk is the risk of loss that may result from the changes in price of a financial product. The value of a financial product may change as a result of changes in interest rates (currency risk) and market prices (price risk). Interest rate risk is the risk that the value of financial instrument will fluctuate because of changes in market interest rates, Currency risk on the other hand is the risk that the value of instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Interest rate risk

The Bank's loan receivables earn effective interest rates ranging from 5% to 30% and 8% to 30% for 2025 and 2024, respectively. The Bank's interest rate on its deposit liabilities is ranging from 0.025% to 1.45% for all years presented.

However, the Bank earns interest at 0.01% to 0.5% and 0.18% with other Banks for the year 2025 and 2024, respectively.

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. It may result from either inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Bank monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Bank maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuations in cash flows and a balance between continuity of funding and flexibility through the use of short-term debt and advances from related parties and an arrangement for a stand-by credit line facilities with any reputable bank and in case of emergency. Interest rate and maturity matching analysis is used to quantify monitoring of liquidity position.

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

					2025					
		0 - 3 months		**3 - 6 months**		**6 - 12 months**		**Beyond 1 year**		**Total**
Financial Assets:										
Cash and other cash items	**P**	**4,556,093**	**P**	**-**	**P**	**-**	**P**	**-**	**P**	**4,556,093**
Due from BSP		**5,182,187**		**-**		**-**		**-**		**5,182,187**
Due from other banks		**36,263,733**		**-**		**-**		**-**		**36,263,733**
Debt Securities		**6,709,170**		**-**		**-**		**-**		**6,709,170**
Loans receivable*		**3,406,154**		**5,175,221**		**45,336,467**		**129,310,177**		**183,228,019**
Sales contract receivable*		**1,780,386**		**-**		**-**		**-**		**1,780,386**
Other Assets **		**1,545,362**		**-**		**-**		**-**		**1,545,362**
Total Financial Assets	**P**	**59,443,085**	**P**	**5,175,221**	**P**	**45,336,467**	**P**	**129,310,177**	**P**	**239,264,950**
Financial Liabilities:										
Deposit liabilities	**P**	**163,058,054**	**P**	**-**	**P**	**-**	**P**	**-**	**P**	**163,058,054**
Bills Payable		**7,827,935**		**-**		**-**		**-**		**7,827,935**
Accrued Interest Payable		**135,137**		**-**		**-**		**-**		**135,137**
Other Liabilities***		**124,519**		**-**		**-**		**1,219,492**		**1,344,011**
Total Financial Liabilities	**P**	**171,145,645**	**P**	**-**	**P**	**-**	**P**	**1,219,492**	**P**	**172,365,137**
Liquidity Position (Gap)	**P**	**(111,702,560)**	**P**	**5,175,221**	**P**	**45,336,467**	**P**	**128,090,685**	**P**	**66,899,813**

**amount is net of unamortized discount and gross of specific loan loss provision*

*** comprised of miscellaneous assets and accounts receivable*

****comprise of accounts payable, lease liability and pension obligation*

					2024					
		0 - 3 months		3 - 6 months		6 - 12 months		Beyond 1 year		Total
Financial Assets:										
Cash and other cash items	P	4,528,285	P	-	P	-	P	-	P	4,528,285
Due from BSP		5,300,417		-		-		-		5,300,417
Due from other banks		57,644,517		-		-		-		57,644,517
Debt Securities		8,088,339		-		-		-		8,088,339
Loans receivable*		5,187,194		8,832,843		23,440,479		99,986,430		137,446,946
Sales contract receivable*		1,134,390		-		-		-		1,134,390
Other Assets**		212,104		-		-		-		212,104
Total Financial Assets	P	82,095,246	P	8,832,843	P	23,440,479	P	99,986,430	P	214,354,998
Financial Liabilities:										
Deposit liabilities	P	144,271,799	P	1,651	P	5,735	P	-	P	144,279,185
Bills Payable		4,408,522		-		-		-		4,408,522
Accrued Interest Payable		132,280		-		-		-		132,280
Other Liabilities***		112,484		-		-		1,412,111		1,524,595
Total Financial Liabilities	P	148,925,086	P	1,651	P	5,735	P	1,412,111	P	150,344,583
Liquidity Position (Gap)	P	(66,829,839)	P	8,831,193	P	23,434,744	P	98,574,318	P	64,010,415

**amount is net of unamortized discount and gross of specific loan loss provision*

*** comprised of accounts receivable*

****comprise of accounts payable, lease liability and pension obligation*

Operational Risks

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the Bank's involvement in financial instruments, personnel, technology and infrastructure and external factors other than market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. The Bank's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Minimum Liquidity Ratio (MLR)

Minimum Liquidity Ratio (MLR) for Stand-Alone TBs, RBs and Coop Banks. To promote short-term resilience to liquidity shocks, banks shall maintain a stock of liquid assets proportionate to their on and off-balance sheet liabilities. The prudential MLR requirement applies to all TBs, RBs and Coop Banks and QBs that are not subsidiaries of UBs/KBs.

A prudential MLR Minimum requirement of twenty percent (20%) shall apply to banks on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of a bank's eligible stock of liquid assets to its total qualifying liabilities in accordance with MORB Section 145.

On March 26, 2020, the Monetary Board in its Resolution No. 427.B issues the Memorandum No. M-2020-020 reducing the MLR from twenty percent (20%) to sixteen percent (16%) to address the increasing liquidity risk exposure of the Banks arising from higher demands for funds by depositors, borrowers or both brought by the COVID-19 outbreak the implementation of community quarantine until December 31, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the reducing of MLR of stand-alone thrift, rural, and cooperative banks until the end of December 31, 2022. Therefore, effective January 01, 2023, the MLR requirement shall be reinstate to twenty percent (20%).

			2025		2024
PART 1. MINIMUM LIQUIDITY RATIO (MLR)					
A.	Stock of Liquid Assets		P **46,002,013**		P 67,473,219
B.	Qualifying Liabilities		**138,692,919**		115,618,965
Minimum Liquidity Ratio			**33.17%**		58.36%
PART II. STOCK OF LIQUID ASSETS					
Cash on Hand			**4,556,093**		4,528,285
Bank Reserves in the BSP			**5,182,187**		5,300,417
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP			**-**		-
Deposits in Other Banks			**36,263,733**		57,644,517
			46,002,013		67,473,219
PART III. QUALIFYING LIABILITIES					
A.	Qualifying Liabilities				
	1. Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below	P **77,574,836**	P **38,787,418**	P 78,913,382	P 39,456,691
	2. Borrowings that are non-callable in , or have contractual maturity dates beyond, the next 30 calendar days	**-**		-	
	3. Total on Balance Sheet Liabilities	**177,480,337**		155,075,656	
	4. Deduct: [Sum of A1 to A2]	**77,574,836**	**38,787,418**	78,913,382	39,456,691
B.	Other non-balance sheet liabilities (Item A.3 less A.4)	**99,905,501**	**99,905,501**	76,162,274	76,162,274
C.	Irrevocable obligations under off-balance sheet items		**-**		
D.	Total (Sum of Adjusted Amount of Item A(1), A(2), B and C)		P **138,692,919**		P 115,618,965

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

The following table presents the carrying amounts and fair values of the Bank's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

As at December 31, 2025

	Carrying Value	Level 1	Level 2	Level 3
Cash and other cash items	P **4,556,093**	P **-**	P **4,556,093**	P **-**
Due from BSP	**5,182,187**	**-**	**5,182,187**	**-**
Due from other banks	**36,263,733**	**-**	**36,263,733**	**-**
Debt Securities	**6,709,170**	**-**	**6,709,170**	**-**
Loans and Receivable	**174,908,181**	**-**	**174,908,181**	**-**
Deposit Liabilities	**163,058,054**	**-**	**163,058,054**	**-**
Bills Payable	**7,827,935**	**-**	**7,827,935**	**-**
Accrued Expenses and Other Liabilities	**5,283,456**	**-**	**5,283,456**	**-**
Total	P **403,788,809**	P **-**	P **403,788,809**	P **-**

As at December 31, 2024

	Carrying Value		Level 1		Level 2		Level 3
Cash and other cash items	P	4,528,285	P	-	P 4,528,285	P	-
Due from BSP		5,300,417		-	5,300,417		-
Due from other banks		57,644,517		-	57,644,517		-
Debt Securities		8,088,339		-	8,088,339		
Loans and Receivable		126,909,722		-	126,909,722		-
Deposit Liabilities		144,279,185		-	144,279,185		-
Bills Payable		4,408,522		-	4,408,522		-
Accrued Expenses and Other Liabilities		5,647,623		-	5,647,623		-
Total	P	356,806,610	P	-	P 356,806,610	P	-

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

		2025		2024
7.1. *Cash and Other Cash items*				
Cash on Hand and in Vault	**P**	**4,556,093**	P	4,528,285
Check and Other Cash Items		**-**		-
Total cash and other cash items		**4,556,093**		4,528,285
7.2. *Due from BSP and other Banks*				
Due from Bangko Sentral ng Pilipinas		**5,182,187**		5,300,417
Due from Other Banks		**36,263,733**		57,644,517
Total		**41,445,920**		62,944,934
Total Cash and Cash Equivalents	**P**	**46,002,013**	P	67,473,219

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Checks and other cash items include cash items (other than currency and coins on hand) such as checks drawn on the other banks or other branches after the Bank's clearing cut-off time until the close of the regular banking hours. For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

The balance of Due from BSP account serves as the Bank's reserve for its deposit liabilities. Under the Manual of Regulations for Banks, a Bank is required to maintain its reserve requirements for its deposit liabilities in the form of deposits with the BSP Section 252 of MORB further provides that such deposit account with the BSP is not considered as a regular current account. Drawings against such deposits shall be limited to: (a) settlement of obligations with the BSP; and, (b) withdrawals to meet cash requirements.

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its operating funds. Breakdown of this account follows:

		2025		2024
Private banks				
Commercial banks	**P**	**10,152,558**	P	13,978,913
Government bank				
Land Bank of the Philippines		**26,074,799**		33,631,617
Development Bank of the Philippines		**36,376**		10,033,987
Total Due from Other Banks	**P**	**36,263,733**	P	57,644,517

Under Sec.362g of the Manual of Regulations for Banks, loans and other credit accommodations as well as deposits and usual guarantees by a bank to any other bank whether locally or abroad shall be subject to the Single Borrower's Limit of 25% of the Net worth as herein prescribed or ₱100 Million whichever is higher. Provided that the lending bank shall exercise proper due diligence in selecting a depository bank and shall formulate appropriate policies to address the corresponding risks involved in the transactions.

As of December 31, 2025, the Bank's SBL was registered at ₱15,479,730 and as per BSP Manual of Regulations, banks are exempted on the ceiling of single borrower's limit (SBL) on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for clearing operation.

As of December 31, 2025, none of the Banks has exceeded the prescribed limit or ₱ 100 million under Circular No. 734 Series of 2011.

Cash in bank represents current, savings and time deposit account in local bank which earns interest at 0.01% to 0.5% and 0.18% for the year end 2025 and 2024, respectively.

Interest income from bank accounts and short-term cash deposits amounted ₱73,778 and ₱114,519 in 2025 and 2024, respectively.

The Bank reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

The Bank holds no cash and cash equivalents in 2025 and 2024 which are not available for use by Bank.

8. DEBT SECURITIES MEASURED AT AMORTIZED COST

This account consists of:

		2025		2024
Agrarian Bonds	P	6,709,170	P	8,088,339
Less: Unamortized Discount/Premium		-		-
Allowance for Credit Losses		-		-
Total	**P**	**6,709,170**	P	8,088,339

Under current bank regulations, investments in bonds and other debt instruments shall not exceed 50% of adjusted statutory net worth plus 40% of total deposit liabilities. As of December 31, 2025 and 2024, the Bank's investments are within the prescribed limits.

Interest income from investments accounts and short-term cash deposits amounted ₱296,172 and ₱312,069 in 2025 and 2024, respectively.

As of December 31, 2025 and 2024, no financial assets were used as collateral for liabilities or contingent liabilities

9. LOANS AND RECEIVABLE

The loan receivables are stated at outstanding balances, net of estimated allowance for credit losses and unearned income/discounts, broken down as follows:

		2025		2024
Current Loans	P	163,876,485	P	116,285,481
Past Due Loans				
Performing		11,093,639		9,095,883
Non-Performing		7,156,298		11,208,177
Items in Litigation		1,380,917		1,570,026
Total		183,507,339		138,159,567
Less: Unamortized Interest and Discount		279,320		712,621
Total, net of discount		183,228,019		137,446,946
Less: Allowance for Credit Losses				
Specific		8,908,624		10,480,014
General		1,191,600		1,191,600
Total Loans Receivables-net	P	173,127,795	P	125,775,332
Add: Sales Contract Receivable, net (Note 9.1)		1,780,386		1,134,390
Total Loans and Receivables-net	P	174,908,181	P	126,909,722

As of December 31, 2025 and 2024, total interest earned from loans and receivable amounted to ₱24,182,057 and ₱16,143,221 , respectively.

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

The Bank has put in place a reliable credit classification system to promptly identify deteriorating credit exposures and determine appropriate allowance for credit losses. Classification can be done on the basis of internal credit risk rating system, including payment delinquency status. All credit classifications, not only those reflecting severe credit deterioration, are considered in determining the appropriate allowance for credit losses.

Note 9.1 - Sales Contract Receivable

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

This account consists of:

		2025		2024
Performing	**P**	**973,235**	P	1,142,061
Non- performing		**807,151**		-
Total		**1,780,386**		1,142,061
Less: Allowance for Credit Losses		**-**		-
Unamortized Discount		**-**		7,671
Sales Contract Receivable-net	**P**	**1,780,386**	P	1,134,390

In compliance with the regulations of the BSP, the Bank strictly adheres to the setting up of the valuation allowance for risk assets based on the loan loss methodology of the Bank. The Bank reviews the quality of its loan portfolio and prepares a quantitative classification of its risk assets including loans.

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

		2025		2024
Balance at beginning of year	**P**	**11,671,614**	P	11,671,614
Provision		**-**		-
Accounts written-off		**-**		-
Reversal		**(1,571,389)**		-
Balance at end year	**P**	**10,100,225**	P	11,671,614

The total Allowance for Credit Losses of ₱10,100,225 which composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the BSP Memorandum Circular 1011.

10. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts of these fixed assets and their respective accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment shown below.

Details of net carrying amount as of December 31, 2025

		Cost		**Accumulated Depreciation/ Amortization**		**Net Carrying Amount**
Cost						
Land	**P**	**337,500**	**P**	**-**	**P**	**337,500**
Building		**2,704,110**		**634,326**		**2,069,784**
Furniture and Fixtures		**803,814**		**704,653**		**99,161**
Transportation Equipment		**3,272,069**		**2,099,504**		**1,172,565**
Leasehold Improvements		**1,579,290**		**1,579,290**		**-**
Information Technology		**3,854,806**		**2,938,214**		**916,592**
Total	**P**	**12,551,589**	**P**	**7,955,987**	**P**	**4,595,602**

Details of net carrying amount as of December 31, 2024

		Cost		Accumulated Depreciation/ Amortization		Net Carrying Amount
Cost						
Land	P	337,500	P	-	P	337,500
Building		1,582,802		584,406		998,396
Furniture and Fixtures		803,814		681,669		122,143
Transportation Equipment		3,159,629		1,943,837		1,215,792
Leasehold Improvements		1,579,290		1,579,290		-
Information Technology		3,433,340		2,745,680		687,660
Total	P	10,896,375	P	7,534,883	P	3,361,492

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2025 and 2024 is shown below:

Roll forward analysis of acquisition cost for the year ended December 31, 2025:

		Balance at beginning of year		Additions		Disposals		Adjustments		Balance at end of year
Cost										
Land	**P**	**337,500**	**P**	**-**	**P**	**-**	**P**	**-**	**P**	**337,500**
Building		**1,582,802**		**1,121,308**		**-**		**-**		**2,704,110**
Furniture and Fixtures		**803,814**		**-**		**-**		**-**		**803,814**
Transportation Equipment		**3,159,629**		**112,440**		**-**		**-**		**3,272,069**
Leasehold Improvements		**1,579,290**		**-**		**-**		**-**		**1,579,290**
Information Technology		**3,433,340**		**421,466**		**-**		**-**		**3,854,806**
Total		**10,896,375**		**1,655,214**		**-**		**-**		**12,551,589**
Accumulated Depreciation										
Building		**584,406**		**49,920**		**-**				**634,326**
Furniture and Fixtures		**681,669**		**22,984**		**-**		**-**		**704,653**
Transportation Equipment		**1,943,837**		**155,667**		**-**		**-**		**2,099,504**
Leasehold Improvements		**1,579,290**		**-**		**-**		**-**		**1,579,290**
Information Technology		**2,745,680**		**192,534**		**-**		**-**		**2,938,214**
Total		**7,534,882**		**421,105**		**-**		**-**		**7,955,987**
Net carrying amount	**P**	**3,361,493**							**P**	**4,595,602**

Roll forward analysis of acquisition cost for the year ended December 31, 2024:

		Balance at beginning of year		Additions		Disposals		Adjustments		Balance at end of year
Cost										
Land	P	337,500	P	-	P	-	P	-	P	337,500
Building		584,406		998,396		-		-		1,582,802
Furniture and Fixtures		3,631,287		107,423		-		(2,934,896)		803,814
Transportation Equipment		2,084,629		1,075,000		-		-		3,159,629
Leasehold Improvements		1,579,290		-		-		-		1,579,290
Information Technology		-		498,444		-		2,934,896		3,433,340
Total		8,217,112		2,679,263		-		-		10,896,375
Accumulated Depreciation										
Building		584,406		-		-				584,406
Furniture and Fixtures		3,273,499		16,212		-		(2,608,041)		681,669
Transportation Equipment		1,853,587		90,250		-		-		1,943,837
Leasehold Improvements		1,579,290		-		-		-		1,579,290
Information Technology		-		137,639		-		2,608,041		2,745,680
Total		7,290,782		244,101		-		-		7,534,883
Net carrying amount	P	926,330							P	3,361,492

Depreciation amounting to ₱421,105 and ₱244,101 in 2025 and 2024, respectively, are shown as separate components of operating expenses in the Statements of Income (see Note 24).

No additions to property and equipment during the year are treated as non-cash transactions for cash flows.

The value of the Bank premises, furniture, fixtures and equipment of ₱4,595,602, net of accumulated depreciation, as of December 31, 2025 is 7% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Section 109).

The Bank, after due consideration of the assessment of its impairment, believes that there are no indications that the property and equipment as of December 31, 2025 and 2024 are impaired or its carrying amount cannot be recovered.

11. INVESTMENT PROPERTIES

This account is consisting of real estate properties acquired by the Bank in settlement of loans which were recognized as ROPA and accounted for as investment properties to conform with PAS 40.

The gross carrying amounts and accumulated depreciation and impairment of investment properties are shown in the below.

		2025		2024
Land	P	2,323,347	P	1,942,285
Building		1,233,909		761,976
Total		3,557,256		2,704,261
Less: Accumulated Depreciation		338,055		165,901
Total		3,219,201		2,538,360
Less: Allowance for Credit Losses		-		-
Net Carrying Amount	**P**	**3,219,201**	P	2,538,360

A reconciliation of the carrying amounts of the Bank’s investment propertyat the beginning and end of 2025 and 2024 is shown in below:

		2025		2024
Balance at beginning of year net of accumulated depreciation and Impairment loss	P	2,538,360	P	3,494,341
Additions		1,334,416		469,609
Disposal		(80,000)		(652,790)
Depreciation		(172,155)		(114,737)
Adjustments		(401,420)		(658,063)
Balance at end of year net of accumulated depreciation and Impairment loss	P	3,219,201	P	2,538,360

As of December 31, 2025 and 2024, no amount of investment in property was used as collateral for liabilities.

Additions to investment property during the year are through transfer of loans receivables to ROPA account.

12. RIGHT OF USE ASSET

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

In compliance with PFRS 16, the movement of right-of-use assets is as follow:

		Total
Cost		
Balance at January 1, 2024	**P**	**1,157,931**
Additions		**412,924**
Balance at December 31, 2024		**1,570,855**
Additions		**-**
Balance at December 31, 2025		**1,570,855**

Accumulated Amortization		
Balance at January 1, 2024		**856,479**
Amortization		**252,645**
Adjustments		**128,359**
Balance at December 31, 2024		**1,237,483**
Amortization		**216,112**
Balance at December 31, 2025		**1,453,595**
Net Book Value - 2025	**P**	**117,259**
Net Book Value - 2024	P	333,371

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

13. INTANGIBLE ASSETS

		Systems and Softwares
Cost		
Balance at January 1, 2024	P	606,000
Additions		-
Balance at December 31, 2024		606,000
Additions		-
Balance at December 31, 2025		**606,000**
Accumulated Amortization		
Balance at January 1, 2024		252,191
Amortization		60,600
Balance at December 31, 2024		312,791
Amortization		60,600
Balance at December 31, 2025		**373,391**
Net Book Value - 2025	**P**	**232,609**
Net Book Value - 2024	P	293,209

14. OTHER ASSETS

This account is consists of:

		2025		2024
Financial Asset				
Accounts Receivable	**P**	**1,155,281**	P	72,022
Petty Cash Fund		**10,000**		10,000
Non-Financial Assets				
Prepaid Expenses		**277,386**		242,689
Stationery and Supplies		**316,535**		290,960
Miscellaneous Asset		**390,081**		140,081
Others		**1,059,483**		658,063
Total		**3,208,766**		1,413,815
Allowance for credit losses - AR		**-**		-
Total Other Assets, Net	**P**	**3,208,766**	P	1,413,815

15. DEPOSIT LIABILITIES

This account is consists of:

		2025		2024
Savings Deposit	**P**	**163,058,054**	P	144,271,800
Time Deposit		**-**		7,385
Total Deposit Liabilities	**P**	**163,058,054**	P	144,279,185

Savings Deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time. The total deposits for the year increased by P18,778,869 or 13% over the figures of 2024.

For the year 2025 and 2024, regular savings deposit carries an annual interest rate of 0.025%, while special savings and time deposits ranges between 0.65% to 7% per annum.

Under BSP Circullar No. 1201 Series of 2024, the reduction in reserve requirements. On September 5, 2024, the Monetary Board in its Resolution No. 1027, approved the reduction in the reserve requirement ratios of deposit and deposit substitute liabilities in local currency of banks effective reserve week starting 25 October 2024 which shall now be zero percent (0%) for rural banks (RBs) and cooperative banks (Coop Banks).

Interest expense for the years ended December 31, 2025 and 2024 amounted to ₱1,799,610 and ₱1,020,895, respectively.

16. BILLS PAYABLE

This account consists of borrowings from Agricultural Credit Policy Council (ACPC) availed for the purpose of funding the loans extended to marginalized group of farmers and fisherfolks. The loan bears no interest with maturity of ten (10) years from date of grant.

		2025		2024
Bills Payable	**P**	**7,827,935**	P	4,408,522
Total	**P**	**7,827,935**	P	4,408,522

17. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

		2025		2024
Accrued Interest Expense on Financial Liabilities	**P**	**135,137**	P	132,280
Total	**P**	**135,137**	P	132,280

Accrued interest payable represents the recognition of interest expense already due on financial liabilities as of December 31, 2025 but subsequently paid in the next accounting period.

18. OTHER LIABILITIES

This account consists of:

		2025		2024
Accounts Payable	**P**	**124,519**	P	112,484
Withholding Taxes Payable		**42,181**		54,295
Accrued Percentage Tax		**-**		261,304
SSS, Medicare and Pag-Ibig Contribution Payable		**53,043**		79,218
Lease Liability		**123,111**		339,187
Pension and Other Retirement Benefits (Note 22)		**1,096,380**		1,072,924
Dividends Payable		**335,786**		173,219
Documentary Stamp Tax		**72,140**		51,825
Unearned Income		**2,121,992**		2,231,412
Unclaimed Balances		**967,727**		1,005,996
Miscellaneous		**211,440**		133,478
Total	**P**	**5,148,319**	P	5,515,342

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

Withholding tax payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is obliged to withhold as a withholding agent of the government. SSS, Medicare and Pag-ibig Contribution are employees contribution and payment of loan which are to be remitted by the Bank on January 2026.

Pension and Other Retirement benefits represents liability recognized by the Bank for the benefit of its officers and employees upon reaching their retirement age.

Dividends Payable are due to preferred shares.

The lease liability is calculated using the present value of the lease payments over the lease term discounted using the average incremental borrowing rate as provided by the Bangko Sentral ng Pilipinas.

Unclaimed Balances are deposit account balances which are dormant for ten years or longer which are due for transfer to the Treasurer of the Philippines due to absence of claimant

19. EQUITY

19.1 SHARE CAPITAL

Preference Share Capital

The preference share capital of the Bank is given priority in the distribution of the assets of the corporation in case of liquidation. As to dividends, preferred shares are entitled to receive dividends on the said shares to the extent agreed upon before any dividends at all are paid to ordinary shareholders. Preferred shares are non-cumulative and non-participating. As to voting rights, preference shareholders are not entitled to vote in the normal course of business and decision making of the bank except as those provided in Section X of the Corporation Code of the Philippines.

Ordinary Shares

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

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

	2025			2024		
	Shares		**Amount**	Shares		Amount
Share Capital – P100 par value, 200,000 authorized shares						
Ordinary Shares at the beginning of the year	**200,000**	**P**	**20,000,000**	200,000	P	20,000,000
Additional Infusion	**-**		**-**	-		-
Ordinary Shares the end of the year	**200,000**		**20,000,000**	200,000		20,000,000
Subscription receivable	**-**		**-**	-		-
Total	**200,000**	**P**	**20,000,000**	200,000	P	20,000,000

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

	2025			2024		
	Shares		**Amount**	Shares		Amount
Share Capital – P100 par value, 50,000 authorized shares						
Peferred Shares at the beginning of the year	**50,000**	**P**	**5,000,000**	40,050	P	4,005,000
Issuances of shares	**-**		**-**	9,950		995,000
Issuance of shares of stocks from settlement of subscriptions receivable	**-**		**-**	-		-
	-		**-**	-		-
Preferred Shares the end of the year	**50,000**	**P**	**5,000,000**	50,000	P	5,000,000

19.2 DIVIDEND DECLARATION

On February 7, 2024, during their regular meeting the Board of Directors of the Bank approved and declared cash dividends from its unrestricted retained earnings amounted to P1,250,000 as per board resolution no. 005 series of 2024 dated January 20, 2024 and P2,000,000 as per board resolution no. 005 series of 2025 dated January 18, 2025.

19.3 RETAINED EARNINGS

The reconciliation of surplus during the period is as follows:

		2025		2024
Balance, Beginning	P	30,362,782	P	26,881,656
Net Income		7,761,485		4,018,086
Provisions and Adjustments		(1,583,429)		(536,960)
Balance, Ending	**P**	**36,540,837**	P	30,362,782

Provision and Adjustments

		2025		2024
Prior Period Income and expense	P	(1,583,429)	P	(536,960)
Others		-		-
Total	**P**	**(1,583,429)**	P	(536,960)

19.4 CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The Bank maintains sufficient capital necessary to support its primary purpose and/or undertakings which it has initiated and promoted. The Bank management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations of unanticipated events created by consumer behavior or capital market conditions.

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

Regulatory Qualifying Capital

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

Under Section 127 of the MORB, as amended by Circular No. 1079 dated March 2020, the risk-based capital adequacy framework for stand alone thrift banks, rural banks and cooperative banks are in Appendix 62 of the MORB.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

Under Section 121: *Minimum Required Capital,* Rural Banks with up to five (5) branches including head office in all other areas are required to comply with the new minimum capital of P50M within five (5) years as amended by BSP Circular No. 1151 series of 2022. A capital build up program is also required to be submitted to the BSP within six (6) months from date of the circulars effectively. The Bank was not in a capital deficiency position as of the reporting date. As of December 31, 2025, the Bank's paid-up capital stock, together with its retained earnings, exceeded the ₱50 million minimum capital requirement prescribed under Section 121 of the MORB for rural banks with head office only or up to five (5) branches. Accordingly, Management maintains that the Bank was compliant with the applicable minimum capital requirement as of said date, subject to BSP validation and any applicable regulatory adjustments.

The CAR of the Bank as at December 31, 2025 and 2024, as adjusted, is shown in the table below:

		2025		2024
Tier 1 Capital	P	**56,512,465**	P	50,337,436
Tier 2 Capital		**1,191,600**		1,191,600
Total Qualifying Capital	P	**57,704,064**	P	51,529,037
Risk Weighted Assets	P	**188,549,264**	P	180,729,099
Tier 1 Ratio		**29.97%**		27.85%
Tier 2 Ratio		**0.63%**		0.66%
Capital Adequacy Ratio (CAR)		**30.60%**		28.51%

The Bank's Total Qualifying Capital as at December 31, 2025 and 2024 were computed as follows:

		2025		2024
A. Calculation of Qualifying Capital				
A.1. Common Equity Tier 1 (CET 1) Capital				
Core Tier 1 Capital				
Paid-Up Capital - Ordinary	P	**20,000,000**	P	20,000,000
Retained Earnings		**36,540,838**		30,362,782
Deductions from Core Tier 1 Capital				
Deferred Tax Asset, Net of Deferred Tax Liability		**28,374**		25,346
Total CET 1 Capital		**56,512,465**		50,337,436
A.2. Additional Tier 1 (AT 1) Capital				
Paid-up perpetual and non-cumulative preferred stock		**5,000,000**		5,000,000
Total Tier 1 Capital		**61,512,465**		55,337,436
B. Tier 2 Capital				
General Loan Loss Provision		**1,191,600**		1,191,600
Total Upper Tier 2 Capital		**1,191,600**		1,191,600
TOTAL QUALIFYING CAPITAL	P	**62,704,064**	P	56,529,037

Capital ratios	2025	2024
Total regulatory capital expressed as percentage of total risk weighted assets	**30.60%**	28.51%
Total CET 1 capital expressed as percentage of total risk weighted assets	**29.97%**	27.85%
Total Tier 1 capital expressed as percentage of total risk weighted assets	**32.62%**	30.62%

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios adopted by the BSP in supervising the Bank.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments. As at December 31, 2025 and 2024, the Bank is compliant with CAR requirement.

20. OTHER INCOME

This account consists of:

		2025		2024
Fees and Commissions	P	**2,750,662**	P	1,707,592
Gains From Sale/Derecognition of Investment Properties		**3,090,000**		849,307
Miscellaneous Income		**3,709,673**		4,514,363
Total	P	**9,550,335**	P	7,071,262

For the year 2025 and 2024, miscellaneous Income consists of amounts from recovery of written-off accounts amounting to P1,143,026 and P1,479,071, loan processing fees amounting to P2,255 and P816,000, penalties for past-due accounts amounting to P659,429 and P472,923, income from sale of ROPA amounting P65,500 and P1,290,500 and others amounting to P1,839,463 and P455,869, respectively.

21. COMPENSATION AND BENEFITS

This account consists of the following:

		2025		2024
Salaries, Wages and Other Benefits	**P**	**8,559,779**	P	6,894,668
Director's Fee		**1,580,000**		1,764,000
SSS, Philhealth, and Employees Compensation Premium and Pag-ibig Fund Contribution		**529,806**		479,423
Total	**P**	**10,669,585**	P	9,138,091

22. RETIREMENT BENEFITS PLAN

In compliance with R.A. 7641, defined benefit plan, on which the bank's obligation is to provide specific level of benefits for every year of service, the bank will pay lump sum to its regular employees when they retire. The lump sum is their basic salary in the final year of service multiplied by the number of year in service.

The bank has not obtained an updated actuarial valuation of its employees' retirement benefits computed using the projected unit credit method as of December 31, 2025, as required by PAS/IAS 19, Employee Benefits and PAS/IAS 26, Accounting and Reporting of Retirement Plan. The bank has its own retirement policy to comply with the requirements of Philippine Laws the Republic Act 7641. The required disclosure such as, its exposure to risk, demographic and financial assumptions, defined benefits plan and fair value of assets and the stress test dealing with timing and uncertainty of future cash flows were not disclosed. There is no sufficient information to compute the retirement obligation using the "Projected Unit Credit" method and to prepare the required disclosure pursuant with the provision of PAS 19 and PAS 26. The Management believes that the effect of such non-compliance is not material and will not affect the decision of users of these financial statements. Despite that, the bank maintains a retirement liability and plan asset.

The Bank's retirement benefit obligation pertains to a funded, contributory and non-contributory retirment benefit plan. The retirement plan, the Bank recognizes the payment of retirement, death, or disability benefits to its employees' beneficiaries as the case may be, subject to the conditions and limitations set in the Bank's retirement plan manual.

All regular/permanent employee regardless of age is eligible for Bank's retirement benefits. Normal retirement age is 60.

This account refers to the bank liability with respect to other post employment benefits given to employees.

		2025		2024
Beginning Balance	**P**	**1,072,924**	P	1,159,391
Additional provisions		**23,456**		-
Reductions arising from settlements		**-**		(86,467)
Balance at the end of the year	**P**	**1,096,380**	P	1,072,924

23. OTHER OPERATING EXPENSES

This account consists of the following:

		2025		2024
Traveling Expenses	**P**	**1,717,021**	P	488,703
Representation and Entertainment		**184,805**		269,992
Security, Clerical, Messengerial and Janitorial Services		**876,133**		807,943
Power, Light and Water		**379,127**		383,693
Information and Technology		**1,148,432**		715,617
Litigation Expenses		**308,155**		235,389
Postage, Telephone, Cables and Telegram		**103,874**		82,618
Insurance Expenses		**534,518**		487,608
Advertising and Publicity		**351,357**		124,092
Fines, Penalties and Other Fees		**70,253**		150,731
Fuel and Lubricants		**285,196**		210,273
Stationeries and Supplies Used		**155,520**		153,491
Management and Other Professional Fees		**1,031,600**		799,439
Repairs and Maintenance		**185,369**		429,352
Membership Fees and Dues		**11,040**		11,520
Donations and Charitable Contributions		**60,000**		67,525
Supervision Fees		**32,977**		27,192
Other Expenses		**1,506,681**		1,269,826
Rental		**92,700**		46,800
Total	**P**	**9,034,758**	P	6,761,804

24. DEPRECIATION AND AMORTIZATION EXPENSE

This account is consists of:

		2025		2024
Furniture, Fixtures and Equipment	**P**	**265,438**	P	16,212
Transportation Equipment		**155,667**		90,250
Information Technology		**-**		137,639
Right-of-use		**216,112**		252,645
Intangible		**60,600**		60,600
Investment Properties		**172,155**		114,737
Total	**P**	**869,972**	P	672,083

25. INCOME TAXES

Provision for income tax consists of:

		2025		2024
Current:	**P**	**2,496,436**	P	1,230,760
Deferred		**(1,463)**		(1,454)
Tax Expense reported in Statement of Income	**P**	**2,494,973**	P	1,229,306

The current and deferred tax is computed as follows:

Current Tax

		2025		2024
Statutory income tax	**P**	**2,564,115**	P	1,311,848
Income tax effects of:				
Interest income subject to final tax		**(92,487)**		(106,647)
Provision for credit losses on loans and receivables		**53**		-
Non-deductible expenses		**81,256**		93,809
Lease Payments		**(56,500)**		(68,250)
Accounts Written-off		**-**		-
Provision for Income Tax-Current	**P**	**2,496,436**	P	1,230,760

Computation of Income Tax:

		2025		2024
Net Income per books	**P**	**10,256,458**	P	5,247,392
Add: Non-deductible Expenses/Taxable Other Income				
Provision for Credit Losses on Loans and Receivables		**213**		-
Non-deductible expenses		**325,023**		375,235
Total		**10,581,694**		5,622,627
Less: Non-taxable Income and Income Subjected to Final Tax				
Accounts written-off		**-**		-
Lease Payments		**226,000**		273,000
Interest Income Subject to Final Tax		**369,950**		426,588
Net Taxable Income		**9,985,744**		4,923,039
Tax Rate		**25%**		25%
Normal Corporate Income Tax		**2,496,436**		1,230,760
Minimum Corporate Income Tax**		**420,356**		257,120
Income Tax Due		**2,496,436**		1,230,760
Less:				
Prior Year's Excess Credits – Taxes Withheld		**-**		-
Tax Payments other than MCIT		**1,185,544**		490,433
Income Tax Still Due/(Overpayment)	**P**	**1,310,892**	P	740,327

**Below is the computation of Minimum Corporate Income Tax (MCIT) for the year ended December 31, as follow:

		2025		2024
Revenue	**P**	**24,552,007**	P	16,569,808
Cost of Revenue		**12,714,587**		10,358,477
Gross Income		**11,837,420**		6,211,331
Add: Other Income		**9,550,335**		7,071,262
Less: Interest Income Subjected to Final Tax		**369,950**		426,588
Total Gross Income		**21,017,805**		12,856,005
MCIT Rate		**2.00%**		2.00%
Minimum Corporate Income Tax	**P**	**420,356**	P	257,120

An analysis of Deferred Tax Assets as follow:

		2025		2024
Deferred Tax Asset				
Deferred Tax Asset – Beginning	**P**	**320,117**	P	235,209
Provision for allowance credit losses		**53**		-
Lease Liability		**30,778**		84,797
Settlement of lease lealibity		**(10,167)**		111
Deferred Tax Asset – Ending		**340,781**		320,117
Deferred Tax Liability				
Deferred Tax Liability – Beginning		**293,206**		209,863
Right of use asset		**29,315**		83,343
Deferred Tax Liability – Ending		**322,521**		293,206
Deferred Tax Assets, Net	**P**	**18,260**	P	26,911

26. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Entities are considered to be related if they are subjected under common control or significant influence. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities;
- which are controlled, significantly influenced by or for which significant voting power is held;
- by key management personnel or their close family members, and
- post-employment benefit plans for the benefit of the Bank's employees.

The Bank has no several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Remunerations of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the senior management to constitute key management personnel for purposes of PAS 24.

The compensation of key management personnel included under 'Compensation and benefits' in the statement of income are as follows:

		2025		2024
Short-term employee benefits	**P**	**8,559,779**	P	6,894,668
Post-employment benefits		**-**		-
Total	**P**	**8,559,779**	P	6,894,668

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

27. OTHER MATTERS

1. Anti-Money Laundering Act (AMLA)
   The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering

2. As of December 31, 2025, all of the Bank's directors had undergone the requirements for corporate governance as confirmed by the Monetary Board as mandated by Section 132 of the MORB.

28. RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

In compliance with the requirements of paragraph 4(C) of SRC Rule 68, as amended, issuers of securities to the public, and stock corporations with unrestricted retained earnings in excess of 100% of paid-in capital stock, are mandated to submit with their audited financial statements a Reconciliation of Retained Earnings Available for Dividend Declaration which should present the prescribed adjustments as indicated in Annex 68-C of the Rule.

Unappropriated Retained Earnings, *as adjusted* to available for dividend distribution, beginning	**P**	**30,362,782**
Add: Net Income actually earned/realized during the period		
Net Income (Loss) during the period closed to Retained Earnings		**7,761,485**
Net Income actually earned during the period		**38,124,268**
Add (Less):		
Dividends Declarations during the period		**-**
Adjustments		**(1,583,429)**
Sub-total		**(1,583,429)**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	**P**	**36,540,839**

29. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR No. 15-2010 and RR NO. 19-2011

Revenue Regulation (RR) No 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the year.

Percentage Taxes (Gross Receipt Tax)

Under Section 121 of the National Internal Revenue Code, there shall be tax on gross receipts derived from all sources within the Philippines by all banks and non-bank financial intermediaries in accordance with the following rates:

a.)	On interest commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipt are derived:	
	Maturity period of five (5) years or less	5%
	Maturity period is more than five (5)	1%
b.)	On dividends..	0%
c.)	On royalties, rentals of property, real or personal, profit from exchange and all other items treated as gross income under Section 32 of the	7%
c.)	On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments..	7%

GRT in 2025 consists of taxes on:

		Tax Base		GRT
Interest income	**P**	**32,619,451**	P	1,084,619
Other income		**1,482,890**		103,802
Total	**P**	**34,102,341**	P	1,188,421

Documentary Stamp

On 30 May 2025, Republic Act No. 12214, otherwise known as the Capital Markets Efficiency Promotion Act (CMEPA), was enacted to reform the taxation of capital market transactions in the Philippines. The law amended several provisions of the National Internal Revenue Code relating to Documentary Stamp Tax (DST) and was subsequently implemented through regulations issued by the Bureau of Internal Revenue.

Under the amended provisions, effective 1 July 2025, the DST imposed on the original issuance of shares of stock and on debt instruments, including bonds, debentures, certificates of indebtedness, loan agreements, and promissory notes, is computed at a uniform rate of 0.75% based on the par value or actual consideration received in the case of shares of stock without par value, or on the issue price of the debt instrument, as applicable.

Prior to the effectivity of the CMEPA, DST on such instruments was imposed based on a fixed rate per ₱200 of par value or issue price (or fractional part thereof).

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, follow:

Taxes and Licenses

		2025
a. Local		
Business Permit	**P**	**251,860**
Real Property Tax		**28,249**
Others		**24,853**
b. National		
Percentage Tax		**1,150,360**
Total-Taxes and Licenses	**P**	**1,455,322**

Withholding Taxes

The Bank total withholding taxes paid for the year 2025 is brokendown as follows:

Withholding Tax on Compensation	P	12,646
Withholding Tax at Sources		263,782
Final Withholding Tax (Interest and Dividends)		503,301
Total	**P**	**779,729**

Tax Assessments and Cases
As at December 31, 2025, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.

Revenue Regulation (RR) No 19-2011

The Bank reported the following schedules and information on taxable income and deductible expenses to be taken in 2025 and 2024:

Sale of Services
The Bank's taxable sale of services amounted to ₱33,732,392, and income subject to final income tax and are exempt from tax amounted to ₱369,950 for the year ended December 31, 2025.

Cost of Services

		2025
Details of the Bank's tax deductible cost of services accounts are as follows:		
Direct Charges - Salaries and wages	**P**	**10,669,585**
Direct Charges - Insurance (PDIC)		**304,902**
Direct Charges – Supervision Fee		**32,977**
Direct Charges - others (interest expense net of 20% limit)		
Interest expense		**1,799,610**
Less: Limit (20% of interest income subj. to final tax)		**(92,487)**
Total	**P**	**12,714,587**

Itemized Deductions

		2025
Insurance- Others	**P**	**229,616**
Power, Light and Water		**379,127**
Litigation Expenses		**308,155**
Stationeries and Supplies Used		**155,520**
Security, Clerical, Messengerial& Janitorial Services		**876,133**
Fuel and Lubricants		**285,196**
Postage, Telephone, and Telegram		**103,874**
Management and Other Professional Fees		**1,031,600**
Traveling Expense		**1,717,021**
Repairs and Maintenance		**185,369**
Representation and Entertainment		**184,805**
Information Technology Expense		**1,148,432**
Membership Fees and Dues		**11,040**
Advertising and Publicity		**351,357**
Donations and Charitable Contributions		**60,000**
Fines, Penalties and Other Charges		**70,253**
Taxes and Licenses		**1,455,322**
Depreciation		**653,860**
Other Expenses		**1,506,680**
Rental		**318,700**
Total	**P**	**11,032,061**

30. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On February 7, 2020, the BSP issued Circular No. 1074 to amend certain provisions of the MORB and Manual of Regulations for Foreign Exchange Transactions (MORFXT). The Circular provides for new and amended disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.

In compliance with the requirements set forth by Circular No. 1074, hereunder are the supplementary information:

Financial Performance

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

		2025	2024
A.	Return on Average Equity	**13.28%**	7.49%
B.	Return on Average Assets	**3.45%**	1.99%
C.	Net Interest Margin	**11.08%**	8.42%
D.	Debt to Equity Ratio	**288.39%**	280.11%

The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2025 and 2024 was computed as follows:

Return on Average Equity (ROE)

Formula: ROE = Net Income after Tax / Average Capital

		2025		2024
Net Income	**P**	**7,761,485**	P	4,018,086
Equity				
2025		**61,540,838**		
2024		**55,362,782**		55,362,782
2023				51,881,656
Total		**116,903,621**		107,244,439
Average Equity	**P**	**58,451,810**	P	53,622,220
Return on Average Equity		**13.28%**		7.49%

Return on Average Assets (ROA)

Formula: ROA = Net Income after Tax / Average of Total Assets

		2025		2024
Net Income	**P**	**7,761,485**	P	4,018,086
Assets				
2025		**239,021,175**		
2024		**210,438,439**		210,438,439
2023				192,889,765
Total		**449,459,614**		403,328,205
Average Assets	**P**	**224,729,807**	P	201,664,102
Return on Average Assets		**3.45%**		1.99%

Net Interest Margin

Formula: Net Interest Margin Ratio = Net Interest Income/ Average Earning Assets

Formula: Average Earning Assets = Due From Other Banks+ Loans + Held to Maturity Financial Assets

		2025		2024
Net Interest Income	**P**	**22,735,973**	P	15,532,970
Interest Earnings Assets				
2025		**217,881,084**		
2024		**192,642,577**		192,642,577
2023				176,271,075
Total		**410,523,661**		368,913,652
Average Interest Earnings Assets	**P**	**205,261,831**	P	184,456,826
Net Interest Margin		**11.08%**		8.42%

Leverage Ratio and Total Exposure Measure

The Bank's leverage ratio and total exposure measure as of December 31 is presented asfollows:

		2025		2024
Total equity	**P**	**61,540,838**	P	55,362,782
Total assets	**P**	**239,021,175**	P	210,438,439
Leverage ratio		**25.75%**		26.31%
Total exposure measure	**P**	**239,021,175**	P	210,438,439

Under BSP Circular No. 1079 Series of 2020 dated March 9, 2020, leverage ratio is computed as total capital divided by total assets.

Capital Instruments

As of December 31, 2025 and 2024, the Bank share capital consist of:

	2025			2024		
	Shares*		**Amount**	Shares*		Amount
Authorized:						
Common stock - ₱100 par value	**200,000**	**P**	**20,000,000**	200,000	P	20,000,000
Preferred stock - ₱100 par value	**50,000**		**5,000,000**	50,000		5,000,000
Subscribed and paid-up:						
Common stock	**200,000**	**P**	**20,000,000**	200,000	P	20,000,000
Preferred stock	**50,000**		**5,000,000**	50,000		5,000,000
Balance at the end of the year	**250,000**	**P**	**25,000,000**	250,000	P	25,000,000

**Absolute number of shares*

Movements of common and preferred stock are shown below:

Common Stock

	2025			2024		
	Shares		**Amount**	Shares		Amount
January 1	**200,000**	**P**	**20,000,000**	200,000	P	20,000,000
Issuance	**-**		**-**	-		-
December 31	**200,000**	**P**	**20,000,000**	200,000	P	20,000,000

Preferred Stock

	2025			2024		
	Shares		**Amount**	Shares		Amount
January 1	**50,000**	**P**	**5,000,000**	40,050	P	4,005,000
Issuance	**-**		**-**	9,950		995,000
December 31	**50,000**	**P**	**5,000,000**	50,000	P	5,000,000

There are no capital instruments issued by the Bank in year 2025 and 2024.

Significant credit exposures as to industry/economic sector

As of December 31, 2025 and 2024, information on the concentration of credit as to industry, net of unearned discounts and deferred credits, follows:

As to Concentration of Credits to Certain Industry/Economic Sector:

Percentage per total loan portfolio		2025	%		2024	%
Agriculture, Forestry & Fishing	**P**	**17,650,317**	**9.63%**	P	13,495,118	9.82%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle		**22,315,499**	**12.18%**		17,563,742	12.78%
Manufacturing		**20,180,418**	**11.01%**		6,129,903	4.46%
Real Estate Activities		**55,672,010**	**30.38%**		47,293,287	34.41%
Education		**2,936,766**	**1.60%**		3,171,601	2.31%
Other Service Activities		**17,125,940**	**9.35%**		17,308,333	12.59%
Construction		**35,509,351**	**19.38%**		24,904,790	18.12%
Human Health and Social work activities		**7,493,411**	**4.09%**		1,806,515	1.31%
Transportation and Storage		**69,125**	**0.04%**		736,857	0.54%
Accomodation & Food Services Activities		**1,208,856**	**0.66%**		1,965,013	1.43%
Activities of Households for own use		**3,066,326**	**1.67%**		3,071,787	2.23%
Total	**P**	**183,228,019**	**100.00%**	P	137,446,946	100.00%

Percentage per tier 1 capital		2025	%		2024	%
Agriculture, Forestry & Fishing	**P**	**17,650,317**	**31.23%**	P	13,495,118	26.81%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle		**22,315,499**	**39.49%**		17,563,742	34.89%
Manufacturing		**20,180,418**	**35.71%**		6,129,903	12.18%
Real Estate Activities		**55,672,010**	**98.51%**		47,293,287	93.95%
Education		**2,936,766**	**5.20%**		3,171,601	6.30%
Other Service Activities		**17,125,940**	**30.30%**		17,308,333	34.38%
Construction		**35,509,351**	**62.83%**		24,904,790	49.48%
Human Health and Social work activities		**7,493,411**	**13.26%**		1,806,515	3.59%
Transportation and Storage		**69,125**	**0.12%**		736,857	1.46%
Accomodation & Food Services Activities		**1,208,856**	**2.14%**		1,965,013	3.90%
Activities of Households for own use		**3,066,326**	**5.43%**		3,071,787	6.10%
Total	**P**	**183,228,019**		P	137,446,946	

The BSP considers that significant credit exposures exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital.

As at December 31, 2025, one (1) of the industry exceeding 30.0 percent of the total loan portfolio and six (6) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2025 and 2024: Classification of loans: (Net of Unamortized Discounts)

As to Maturity:

		2025		2024
Due within one (1) year	**P**	**1,703,920**	P	14,231,368
Due beyond one (1) year		**181,524,099**		123,215,578
Total Loan Portfolio	**P**	**183,228,019**	P	137,446,946

As to Status

		2025		2024
Current Loans	**P**	**163,597,165**	P	115,592,990
Past Due Loans		**18,249,937**		20,283,930
Items in Litigation		**1,380,917**		1,570,027
Total Loan Portfolio	**P**	**183,228,019**	P	137,446,946

As to Security:

		2025		2024
Secured	P	**143,103,387**	P	113,475,342
Unsecured		**40,124,632**		23,971,604
Total Loan Portfolio	P	**183,228,019**	P	137,446,946

As to type of security:

		2025		2024
REM	P	**125,057,003**	P	106,570,400
Chattel		**18,046,384**		6,904,942
Hold-out		**-**		-
Others		**40,124,632**		23,971,604
Total	P	**183,228,019**	P	137,446,946

The following table shows the breakdown of receivable from customers gross of unearned discounts and deferred credits as to performing and non-performing as of December 31, 2025 and 2024:

Product Line		2025				
		Performing		Non-Performing		Total
Agrarian Reform loans	P	**728,301**	P	**65,179**	P	**793,480**
Other Agricultural Credit Loans		**16,075,928**		**326,862**		**16,402,790**
Microfinance Loans		**1,421,210**		**903,860**		**2,325,070**
Small Scale Enterprise Loans		**18,679,032**		**458,378**		**19,137,410**
Medium Scale Enterprise Loans		**13,829,538**		**-**		**13,829,538**
Loans to Private Corporations (Non-Financial)		**17,500,000**		**-**		**17,500,000**
Loans to Individuals for Housing Purposes		**43,563,270**		**-**		**43,563,270**
Loans to Individuals for Personal Purposes		**1,741,070**		**1,325,256**		**3,066,326**
Loans to Individuals for Other Purposes		**61,152,454**		**5,457,680**		**66,610,134**
Total	P	**174,690,804**	P	**8,537,215**	P	**183,228,019**

Product Line		2024				
		Performing		Non-Performing		Total
Agrarian Reform loans	P	245,908	P	1,614,012	P	1,859,920
Other Agricultural Credit Loans		13,571,551		640,653		14,212,204
Microfinance Loans		362,233		1,712,658		2,074,891
Small Scale Enterprise Loans		5,259,597		1,089,481		6,349,078
Medium Scale Enterprise Loans		8,765,436		-		8,765,436
Loans to Private Corporations (Non-Financial)		9,956,128		-		9,956,128
Loans to Individuals for Housing Purposes		30,857,731		4,553,495		35,411,226
Loans to Individuals for Personal Purposes		1,239,922		1,831,865		3,071,787
Loans to Individuals for Other Purposes		45,334,484		10,411,792		55,746,276
Total	P	115,592,990	P	21,853,956	P	137,446,946

Information on related party loans

As required by BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank.

In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As at December 31, 2025 and 2024, the Bank DOSRI accounts as follows:

2025		
Particulars	**DOSRI Loans**	**Related Party Loans (inclusive of DOSRI Loans)**
Outstanding Loans	**P 898,761**	**P 898,761**
Percent of DOSRI/Related Partyloans to total loan portfolio	**0.79%**	**0.79%**
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**

2024		
Particulars	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	P 1,082,669	P 1,082,669
Percent of DOSRI/Related Partyloans to total loan portfolio	0.79%	0.79%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	4.76%	4.76%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%

Aggregate amount of secured liabilities and assets pledged as security

As of December 31, 2025 and 2024, the Bank has no secured liabilities and assets pledged.

Commitments and contingent liabilities

This account consists of:

a.) The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of loans and receivables under litigation amounted to ₱1,380,917 and ₱1,570,027 as at December 31, 2025 and 2024, respectively.

b.) The Bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.

c.) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.

d.) The Bank has no contingent accounts for the years ended December 31, 2025 and 2024.

RURAL BANK OF CALBAYOG CITY, INC.

Comparison of Submitted Balance Sheet and Income Statement and Audited Financial Statements

As of December 31, 2025

		Submitted Report		Audited Report		Variance/ Discrepancy	Reasons for Discrepancy
Cash and Other Cash Items (Note 7.1)	P	**4,556,093**	P	**4,556,093**		**-**	
Due from BSP and other Banks (Note 7.2)		**41,445,920**		**41,445,920**		**-**	
Debt Securities Measured at Amortized Cost (Note 8)		**6,709,170**		**6,709,170**		**-**	
Loans and Receivable, Net (Note 9)		**173,127,795**		**173,127,795**		**-**	
Sales Contract Receivable (Note 9.1)		**1,780,386**		**1,780,386**		**-**	
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 10)		**4,595,602**		**4,595,602**		**-**	
Investment Properties (Note 11)		**4,278,684**		**3,219,201**		**1,059,483**	*FS presentation only*
Right of Use Assets (Note 12)		**117,259**		**117,259**		**-**	
Intangible Assets (Note 13)		**232,609**		**232,609**		**-**	
Deferred Tax Assets (Note 24)		**26,911**		**28,374**		**(1,463)**	*See AJE#2*
Other Assets (Note 14)		**2,149,283**		**3,208,766**		**(1,059,483)**	*FS presentation only*
Total Assets		**239,019,712**		**239,021,175**		**(1,463)**	
Deposit Liabilities (Note 15)		**163,058,054**		**163,058,054**		**-**	
Bills Payable (Note 16)		**7,827,935**		**7,827,935**		**-**	
Accrued Interest, Taxes, and Other Expenses (Note 17)		**135,137**		**135,137**		**-**	
Other Liabilities (Note 18)		**5,148,319**		**5,148,319**		**-**	
Income Tax Payable		**1,378,571**		**1,310,892**		**67,679**	*See AJE#1*
Total Liabilities		**177,548,016**		**177,480,337**		**67,679**	
Share Capital (Note 19)		**20,000,000**		**20,000,000**		**-**	
Preferred Stock		**5,000,000**		**5,000,000**		**-**	
Retained Earnings		**36,471,696**		**36,540,838**		**(69,143)**	*See AJE#1 & 2*
Total Capital		**61,471,696**		**61,540,838**		**(69,143)**	
Total Liabilities & Capital		**239,019,712**		**239,021,175**		**(1,463)**	*Net of adjustments*
Total Income		**34,102,342**		**34,102,342**		**-**	
Total Expenses		**23,845,883**		**23,845,883**		**-**	
Net Income Before Tax		**10,256,459**		**10,256,459**		**-**	
Income Tax Expense		**2,564,115**		**2,494,973**		**69,142**	*See AJE# 1 and 2*
Net Income After Tax	P	**7,692,344**	P	**7,761,486**	P	**(69,142)**	

See notes to financial statements

RURAL BANK OF CALBAYOG CITY, INC.

FINANCIAL HIGHLIGHTS

As of December 31,

	2025	2024	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	**34,102,342**	23,641,070	10,461,272
TOTAL EXPENSES	**26,340,858**	19,622,984	6,717,873
NET INCOME	**7,761,485**	4,018,086	3,743,399
EARNINGS PER SHARE			
Ordinary Shares	**38.81**	20.09	18.72
RETURN ON AVERAGE EQUITY	**13.28%**	7.49%	5.79%
RETURN ON AVERAGE ASSETS	**3.45%**	1.99%	1.46%
NET INTEREST MARGIN	**11.08%**	8.42%	2.66%
AT YEAR END			
TOTAL ASSETS	**239,021,175**	210,438,439	28,582,736
LOANS AND RECEIVABLES (NET)	**174,908,181**	126,909,722	47,998,460
LIQUID ASSETS	**52,711,183**	75,561,558	(22,850,375)
FIXED ASSETS	**4,595,602**	3,361,492	1,234,110
DEPOSIT LIABILITIES	**163,058,054**	144,279,185	18,778,869
EQUITY ACCOUNTS	**61,540,838**	55,362,782	6,178,056
BOOK VALUE PER SHARE			
Ordinary Shares	**307.70**	276.81	30.89
CAPITAL ADEQUACY RATIO	**30.60%**	28.51%	2.09%
PAST DUE RATIO	**10.70%**	15.83%	-5.13%
RATIO OF LIQUID ASSETS OVER DEPOSITS	**32.33%**	52.37%	-20.05%
DEBT TO EQUITY RATIO	**288.39%**	280.11%	0.08
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	**7.47%**	6.07%	1.40%

RURAL BANK OF CALBAYOG CITY, INC.

LIST OF ADJUSTING ENTRIES

December 31, 2025

No.	Descriptions/Particulars	Debit	Credit
1.	Income Tax Payable	67,678.55	
	Provision for Income Tax		67,678.52
	Retained earnings		0.03
	To adjust income tax for the period.		
2.	Deferred Tax Assets	30,777.68	
	Income Tax Benefits		1,462.86
	Deferred Tax Liabilities		29,314.82
	To record DTA and DTL on temporary differences per PAS 12.		