



**RURAL BANK OF PARACALE (Camarines Norte), INC.**  
Paracale, Camarines Norte

# 2025 ANNUAL REPORT

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# RURAL BANK OF PARACALE (Camarines Norte), INC.

Paracale, Camarines Norte

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# RURAL BANK OF PARACALE (Camarines Norte), INC.

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### I. CORPORATE POLICY

#### A. About the Bank

Founded on May 16, 1978 with seventy-six (76) stockholders pooling their resources to address socio-economic needs of the Municipality of Paracale as its priority target, it serves as catalyst of growth and presently has two (2) branches in the two biggest municipalities in the Province of Camarines Norte such as Labo and Daet.

We cater to the financial needs of the province by offering deposit services, working capital financing through short and medium terms and a participant in the alleviation poverty program of the government with the micro financing program of the bank.

The bank was also in the Microfinance Lending Program in 2000 through its Main Branch Office in Paracale before it was extended to the Daet Branch Office and Labo Branch Office by 2001. The bank noticed a high potential market in Microfinance Lending activities that's why the bank established Other Banking Office in Sta. Elena, Camarines Norte in 2003 as bank extension Office catering Microfinance Operations in Sta. Elena area. After a year, the bank expanded MFLP operations in Tagkawayan, Lopez, Calauag all in Quezon and Jose Panganiban, Camarines Norte.

Presently, Rural Bank of Paracale (Camarines Norte), Inc. has 142 Stockholders 9 of which are elected as Board of Directors and with 11 officers and 85 employees bank wide. The Bank also expanded their operation with three (3) Branch Lite Units located at Jose Panganiban, Camarines Norte, Calauag and Tagkawayan in Quezon Province which performs banking services as Regular Branch to extend and cater the needs of the community.

#### B. RBP Vision

To answer the needs of the people in the countryside and to professionally manage the bank by Directors and Staff toward the enhancement of sound banking services to uplift their living conditions.

#### C. RBP Mission

1. To make the credit facilities available at reasonable terms.
2. To generate jobs by assisting businesses in providing efficient banking services.
3. To support agro-economic activities and projects of the government in the countryside.
4. To professionalize the bank's management and personnel and complement through capability building programs for Employees, Officers and members of the Board of Directors.
5. To establish and sustain a viable and profitable financial institution for its stakeholders.



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### D. RBP Objectives

Promote and maximize the delivery of efficient and competitive banking services, especially to underserved markets and customers through innovative policies.

### E. Core Values

#### Integrity

We, at Rural Bank of Paracale (RBP), adhere to the highest standards of ethics in our practices and conduct throughout our operations to continually strengthen and build long lasting relationships through honesty, fairness, trustworthiness and reliability. We respect and safe-guard the interests of all our stakeholders and of our community as a whole. We are open and transparent in all our dealings with customers. We believe that maintaining the trust and confidence of the public is the key to earning an outstanding reputation and is at the center of all our core values. 'Do what is right'.

#### Accountability

We honor our commitments and take personal responsibility for our actions. We promise only what we can deliver and we exercise promptness and responsiveness in all our business dealings within and outside the Company. Own your actions.

#### Transparency

Transparency helps create trust among all stakeholders, encourages more informed decision-making, and supports an open exchange of ideas and information.

#### Stewardship

We are accountable for the resources entrusted to us by our stockholders, the depositors, the well-being of our employees and the banking needs of our customers. We are in business to protect their interests. Thus, we take care to act with vision, ever mindful of the effect of our decisions and actions.

#### Prudence

RBP fiduciary function requires prudence in making investment decisions so that public funds are on safe grounds. We advocate growth and expansion without sacrificing the interest and welfare of the bank.

#### Teamwork

We emphasize teamwork that respects individuality and promotes the free exchange of ideas. One gathers information from a number of departments and sources to base decisions on a comprehensive perspective. Work as one.

#### Leadership

We focus on leadership that encompasses a strong commitment to realizing one's own vision and generates growth by maximizing the synergy of the organization.



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### Trust and respect

We earn the trust and respect of our customers and colleagues by being open, honest and honourable in all we say and do.

### Performance

We recognize, reward and promote outstanding performance. Our commitment to excellence lies in the constant improvement of our management practices and know-how. As a result-oriented culture, we are driven by an inner passion to perform and succeed while demonstrating pride in our work.

### F. Bank's Brand

The Bank uses a slogan "Ang Bangkong Subok at Tapat sa Paglilingkod since 1978" that reflects to what the bank wanted to impart to all clients that RBP is giving service for the benefits and protection of the clients as we give full honesty for all the services we offered to the public.

### G. Bank's Business Model

The Existing Business model of the Bank is considered simple since the bank is currently engaged in simple business activities such as deposits taking and servicing loans. The bank also engaged in the following:

- a) Partner Lending Conduit of the Agricultural Credit Policy Council (ACPC);
- b) As Partner of the Philippine Guarantee Corporation's Agriculture Credit Guarantee Programs, providing guarantee coverage for unsecured loans to the Agri-Agra sector;
- c) Philippine Guarantee Program for guarantee on unsecured loan of MSME and guarantee on the loan under retail housing;
- d) LBP Agent Banking Partner; and
- e) GCash Merchant Partner



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## II. Financial Highlight

The Financial Highlight as presented below shows the profitability of the Bank, selected Balance Sheet data, selected financial ratios and other information of the Bank for 2 consecutive years comparing the bank operation for 2024 and 2025 as follows:

Minimum required data	SOLO	
	Current Year (2025)	Previous Year (2024)
<b>Profitability</b>		
Total Net Interest Income	72,522,670.00	80,120,827.00
Total non-interest Income	10,835,645.00	10,333,821.00
Total Non-interest Expenses	75,799,012.00	73,807,999.00
Pre-provision profit	7,461,593.00	15,291,512.00
Allowance for credit losses	97,710.00	1,355,137.00
Net Income	4,721,717.00	10,929,646.00
<b>Selected Balance Sheet Data</b>		
Liquid Assets	122,653,012.00	115,798,636.00
Gross Loans	468,776,282.00	444,784,323.00
Total Assets	682,186,869.00	628,112,508.00
Deposits	487,896,106.00	431,492,596.00
Total Equity	103,909,153.00	107,724,155.00
<b>Selected Ratios</b>		
Return on Equity	4.46%	10.69%
Return on Assets	0.72%	1.76%
CET I capital ratio (for Ubs/KBs)	16.11%	15.76%
Tier I capital ratio (for Ubs/KBs)	16.11%	15.76%
Capital Adequacy Ratio	16.62%	14.63%
<b>Others</b>		
Cash dividends declared	5,000,000.00	None
Headcount	93.00	96
Officers	13.00	11
Staff	80.00	85

## III. Financial Condition and Results of Operation

### A. President's Report

The year 2025 was another year of resilience and steady progress for the Bank as we continued to navigate the evolving landscape of the banking industry. Guided by prudent management and supported by the trust of our clients, shareholders, and partners, the Bank remained focused on sustaining financial stability, strengthening operations, and fulfilling its role in serving the communities where we operate.



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For the year ended 2025, the Bank recorded a net income of ₱4.7 million, representing a decrease from ₱7.4 million in 2024. The comparatively higher income in 2024 was primarily driven by the expansion of the Bank's loan portfolio and the full-year income contribution from honorarium loans released following the November 2023 Barangay Elections.

In 2025, although barangay officials again availed themselves of honorarium loans, most loan releases were made during the second half of the year, resulting in a shorter income-earning period within the reporting year. This timing difference largely explains the decline in net income compared with the previous year.

Interest income declined by 10%, from ₱87.6 million in 2024 to ₱79.7 million in 2025. The decrease was mainly attributable to lower loan-related income, particularly from honorarium loans, small and medium enterprise (SME) loans, and microfinance loans.

Meanwhile, other operating income increased slightly to ₱10.8 million from ₱10.3 million, supported by improved collection efforts, miscellaneous income, gains from the disposal of foreclosed properties, and recoveries from previously charged-off assets.

Operating expenses increased modestly to ₱75.8 million from ₱73.8 million, primarily due to higher personnel-related costs, including salary adjustments and performance incentives, as well as litigation expenses associated with the continued foreclosure of past-due accounts. As a result, total operating income declined to ₱83.4 million from ₱90.5 million in the previous year.

Despite the operational challenges encountered by some borrowers due to reversals in their business activities, the Bank continues to closely monitor these accounts and implement appropriate remedial measures to support recovery while safeguarding the quality of its loan portfolio.

The Bank's balance sheet remained stable and well-positioned for continued growth. Total resources increased by ₱57.6 million, supported by growth in deposits and loans. Total liabilities likewise increased to ₱578.3 million in 2025 from ₱520.4 million in 2024, reflecting stable funding sources and prudent financial management.

The Bank's capital position remained solid, although total capital slightly declined to ₱103.9 million from ₱104.2 million in 2024, primarily due to the decrease in undivided profits, the declaration of dividends, and the booking of previously unrecognized loan loss provisions. Despite this, the Bank's Capital Adequacy Ratio (CAR) improved to 16.62% from 16.20% in 2024, which remains significantly above the minimum requirement set by the Bangko Sentral ng Pilipinas (BSP). This reflects the Bank's strong capital base and its capacity to support future expansion.

Operationally, the Bank continued to strengthen its internal processes during the year. Initiatives were undertaken to enhance credit evaluation procedures, collection systems, and operational workflows, further improving efficiency,



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reinforcing risk management practices, and ensuring compliance with regulatory standards.

As a rural banking institution, we remain steadfast in our commitment to financial inclusion and countryside development. By providing accessible and responsible credit facilities, the Bank continues to support local enterprises, agricultural activities, and livelihood opportunities in the communities we serve.

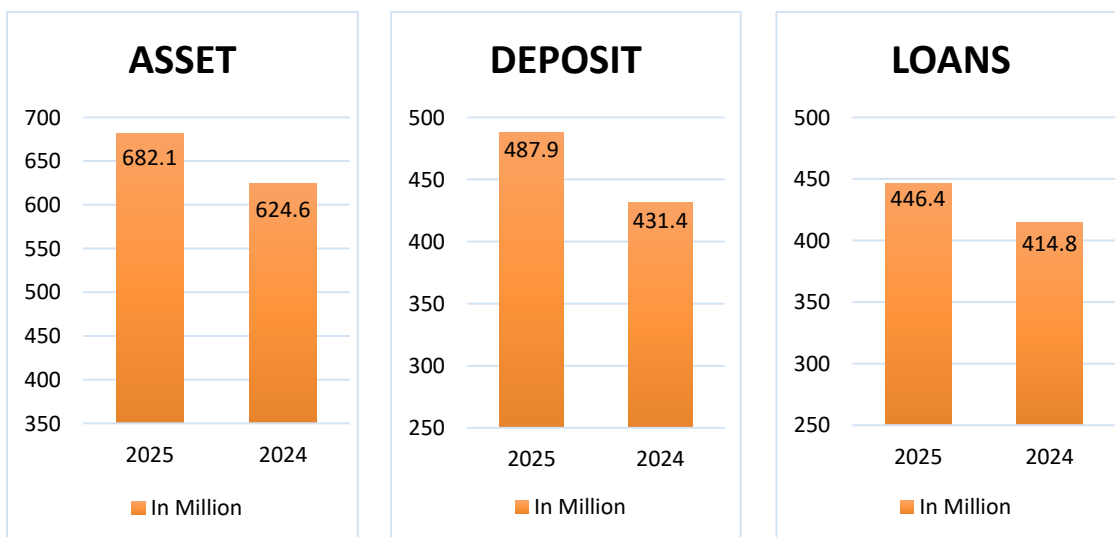
Looking ahead, we remain optimistic about the Bank’s long-term prospects. Our strategic priorities will continue to focus on strengthening asset quality, expanding responsible lending, improving operational efficiency, and sustaining long-term profitability, while maintaining the highest standards of governance and regulatory compliance.

On behalf of the Board of Directors, I extend our sincere gratitude to our shareholders, clients, partners, and regulators for their continued trust and support. I would also like to express my appreciation to our management team and employees for their dedication and commitment in helping the Bank achieve its goals.

Together, we look forward to building a stronger, more resilient, and more responsive financial institution in the years ahead.

**NORMAN A. BALITBIT**

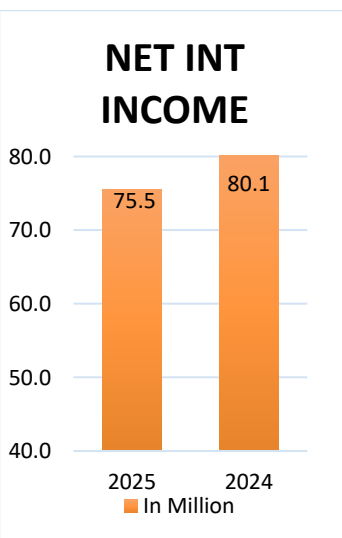
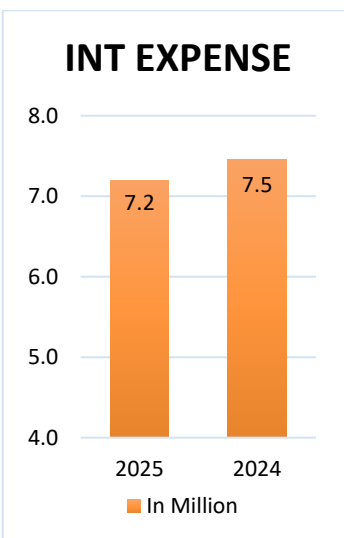
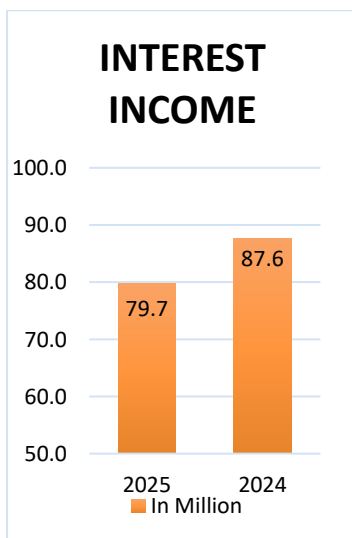
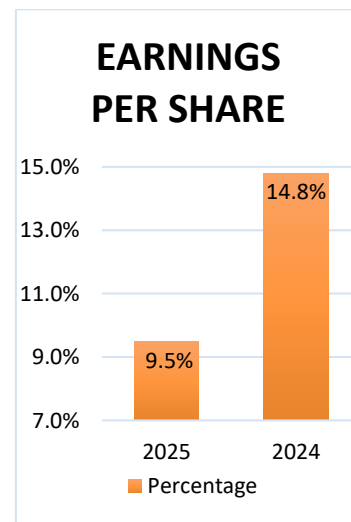
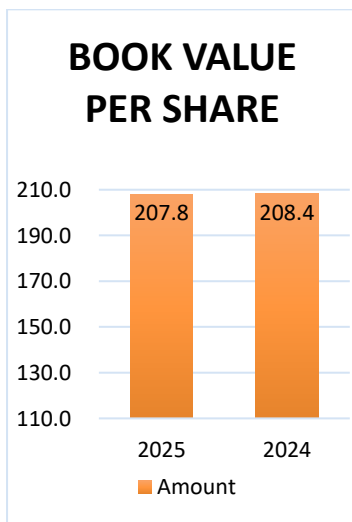
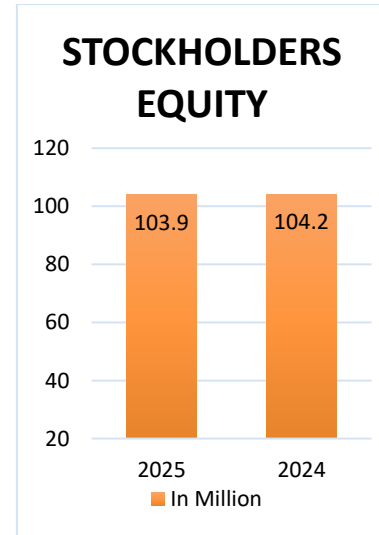
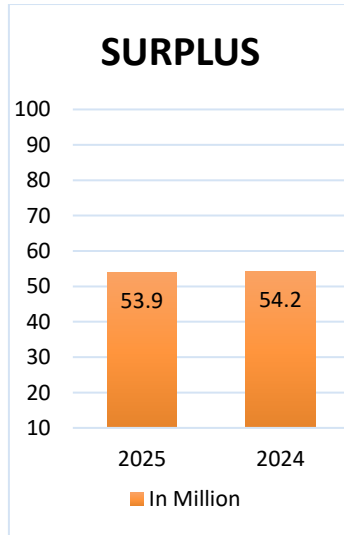
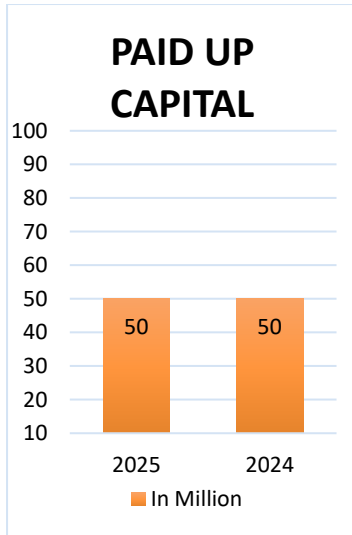
President

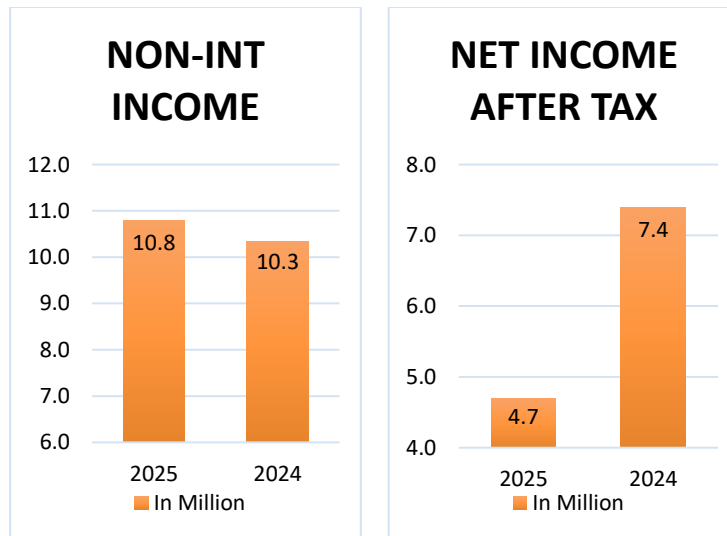




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#### IV. Risk Management Framework Adopted

##### a. Risk Management Culture and Philosophy

Rural Bank of Paracale, Inc. adopts an Enterprise-Wide Risk Management (EWRM) Framework that promotes a proactive and integrated approach to identifying, assessing, monitoring, and controlling risks across the organization. The framework is designed to ensure that risks are managed within the Bank's approved risk appetite and are aligned with its strategic objectives while maintaining compliance with applicable laws, regulations, and prudential standards.

The Bank's risk management framework encompasses the identification, assessment, monitoring, and mitigation of risks arising from its business activities. Key risk categories include credit risk, liquidity and capital risk, market risk, operational risk, compliance, legal and regulatory risk, information technology and cybersecurity risk, human resource risk, strategic risk, and reputational risk.

The Board of Directors provides overall oversight of the risk management framework and establishes the Bank's risk appetite, policies, and strategic direction. Senior Management is responsible for implementing risk management strategies and integrating risk management into daily operations. Functional units identify, assess, and manage risks within their respective areas of responsibility, while the Compliance Department monitors adherence to regulatory requirements and internal policies. The Internal Audit Department independently evaluates the effectiveness of the Bank's risk management and internal control systems and recommends improvements where necessary.

The Bank's key risk categories include:

- **Credit Risk** – including credit concentration, collection, prepayment, and contagion risks.
- **Liquidity and Capital Risk** – including liquidity, capital adequacy, lending capacity, and leverage risks.



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- **Market Risk** – including market and interest rate risks.
- **Operational Risk** – including process, product delivery, business continuity, fraud, and event risks.
- **Compliance, Legal, and Regulatory Risk** – including compliance, legal, contractual, related-party transaction, anti-money laundering, and regulatory risks.
- **Information Technology and Cybersecurity Risk** – including cybersecurity, information security, data privacy, system availability, and technology implementation risks.
- **Human Resource Risk** – including manpower adequacy, recruitment, retention, succession planning, training, and performance management risks.
- **Strategic Risk** – including strategic planning, competition, outsourcing, socio-political, and major initiative execution risks.
- **Reputational Risk** – including reputation, crisis communication, and customer protection risks.

Through this framework, the Bank fosters a strong risk-aware culture, enhances organizational resilience, and supports sustainable growth. The Bank regularly reviews and strengthens its risk management processes to ensure alignment with regulatory requirements, industry best practices, and the evolving risk environment.

### b. Risk Appetite and Strategy

The Bank has approved Risk Appetite Statement (RAS). The RAS establishes the level and type of risk that the Bank is willing to assume in pursuit of its strategic objectives while maintaining financial soundness, adequate liquidity, capital strength, and regulatory compliance.

The Bank adopts a prudent but flexible risk appetite that supports sustainable growth and profitability while safeguarding depositor funds and maintaining public confidence. Risk-taking activities are undertaken only when they are consistent with sound banking practices, effective risk controls, and the Bank's capital and liquidity capabilities.

The Bank maintains a moderate risk appetite across its principal risk areas, including credit, liquidity, market, operational, compliance, legal, information technology, strategic, and reputational risks. Key risk indicators are regularly monitored against Board-approved thresholds to ensure that risk exposures remain within acceptable levels.

The Bank's risk appetite framework includes quantitative and qualitative measures covering financial loss exposure, capital adequacy, asset quality, loan portfolio performance, collection efficiency, liquidity management, deposit concentration, maturity gap management, and risk-weighted asset composition. These measures provide management and the Board with a structured basis for assessing risk exposures and implementing timely corrective actions when necessary.



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Risk exposures are monitored regularly by Management and reported to the Board of Directors. Any breach of established risk thresholds is subject to an escalation process that requires management review, corrective action, and, when warranted, Board intervention to ensure that risks remain within the Bank's approved risk tolerance levels.

Through its Risk Appetite Framework, the Bank seeks to balance growth opportunities with prudent risk management, thereby supporting long-term sustainability, protecting stakeholder interests, and maintaining compliance with Bangko Sentral ng Pilipinas regulations.

### c. Bank Wide Governance Structure and Risk Management Process

The Board of Directors has the ultimate responsibility for ensuring an effective risk management system within the Bank with the assistance of the Management, Compliance and Audit. The Board has created the Audit Committee that would assist the Board of Directors in monitoring and evaluating the adequacy and effectiveness of the internal control system and oversight for the overall risk exposures of the bank respectively.

### d. Operational Resilience Initiative

In 2025, the Bank commenced the development of its Operational Resilience Framework in line with Bangko Sentral ng Pilipinas (BSP) regulatory expectations. As part of this initiative, the Bank completed and submitted its Operational Resilience Self-Assessment to the BSP and undertook activities to strengthen its capability to prevent, respond to, recover from, and adapt to operational disruptions.

The development of the framework forms part of the Bank's continuing efforts to enhance operational risk management, business continuity, information technology resilience, and customer service delivery. The formal approval and implementation of the Operational Resilience Framework were subsequently completed in 2026.

### e. AML Governance Culture and description of MTPP

The Bank adopted a comprehensive and risk-based MTPP geared toward the promotion of high ethical and professional standards and the prevention of the bank being used, intentionally or unintentionally, for money laundering and terrorism financing. The Bank's MTPP is consistent with AMLA, as amended and the provision set out in these rules and designed according to the covered institution's corporate structure and risk profile.

The main objective of the Bank's MTPP is to protect the integrity and confidentiality of banks accounts and to ensure that the bank in general shall not be used as a money laundering site and conduit for the proceeds of an unlawful activity as hereto defined; and to protect life, liberty and property from acts of terrorism and condemn those who support and finance it and reinforce the fight by criminalizing the financing of terrorism and related offenses.



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The Board and Management ensure that the bank will not be an avenue for Money-Laundering and Terrorist Financing activities by continuously complying with the rules and regulations set by the AMLC. The Bank strictly enforces effective implementation of the Bank's MTPP through client's identification and proper application of applicable due diligence based on the risk profile of the client and reporting of CTR and STR.

### V. Corporate Governance

#### A. Overall Corporate Governance Structure

Our board and senior management joined hands to govern the bank in setting up corporate objectives, run the day-to-day operation, operate the bank in a safe and sound manner, always consider the interests of recognized stakeholders, protect the interests of depositors and comply with the applicable laws and regulations.

We endeavor to follow pertinent laws, establish management processes through responsible business practices, rules and regulations. Continuing training education are necessary while compliance is a must through our people, systems and process.

The Bank acknowledges the thrust of the Bangko Sentral ng Pilipinas to continuously strengthen corporate governance in all of its supervised financial institutions cognizant that this is central in sustaining the resiliency and stability of the financial system. In this light, the Bank will align its existing regulations with the BSP Regulations which are also aligned with international best practices that promote good corporate governance such as the "Principles for Enhancing Corporate Governance" issued by the Basel Committee on Banking Supervision and at the same time aligning its existing regulations with the Code of Corporate Governance for Publicly-Listed Companies issued by the Securities and Exchange Commission as well as with best practices and standards issued by globally recognized standard setting bodies.

The Board of Directors and Management of the Rural Bank of Paracale (Camarines Norte), Inc. commit themselves to the principles and guidelines contained in the board approved Corporate Governance Manual, and acknowledge that the same shall guide the attainment of its corporate goals. The board of directors and management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness thereof within the bank.

#### B. Selection Process for the Board and Senior Management

The Board of Director was selected through election during annual stockholders meeting wherein all of the stockholders are considered official candidates with strong contenders being subjected to evaluation by the outgoing board if they conform with the qualifications to become a Board of Director and final approval of the BSP. Senior Management was selected after evaluation of the HR and the



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President and approval of the Board after meeting the following selection criteria: educational attainment, experience, exposure to bank operation, integrity, leadership and contribution and fit to the position.

The Bank aims to ensure that the Board of Directors is composed of a collective mix of individuals who possess the expertise and competence to effectively manage the Bank.

### C. Board's Overall Responsibility

The board of directors shall be primarily responsible for the governance of the bank. The board should formulate the bank's vision and mission, strategic objectives, policies and procedures that guide and direct the activities of the bank, and the mechanism for monitoring management's performance. It shall be the board's responsibility to foster long-term success of the bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Bank and its stockholders. The board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions, and responsibilities.

### D. Description of the Major Role and Contribution of the Chairman of the BOD

#### a) Roles of the Chairperson of the board of directors.

The Chairperson of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. He shall:

- (1) ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- (2) ensure a sound decision-making process;
- (3) encourage and promote critical discussion;
- (4) ensure that dissenting views can be expressed and discussed within the decision-making process;
- (5) ensure that members of the board of directors receive accurate, timely, and relevant information;
- (6) ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
- (7) ensure conduct of performance evaluation of the board of directors at least once a year.

#### b) Qualifications of the Chairperson of the board of directors.

To promote checks and balances, the Chairperson of the board of directors shall be a non-executive director or an independent director, and must not have served as President of the Bank within the past three {3} years. The positions of Chairperson and President shall not be held by one person. In exceptional cases where the position of Chairperson of the board of directors and President is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed.



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For this purpose, the board of directors shall define the responsibilities of the lead independent director, which shall be documented in the corporate governance manual. The board of directors shall ensure that the lead independent director functions in an environment that allows him to effectively challenge the President as circumstances may warrant. The lead independent director shall perform a more enhanced function over the other independent directors and shall:

- (1) lead the independent directors at board of directors meetings in raising queries and pursuing matters; and
  - (2) lead meetings of independent directors, without the presence of the executive directors.
- c) Vice Chairman of the board of directors, shall exercise the powers, authority and duties of the Chairman during the absence of the latter or in his inability to act. (Article VI, by-Laws)

### E. Definition, Limits and composition of the Board and Minimum No. of Independent Directors

#### a. Definition of Directors

- i. directors who are named as such in the articles of incorporation;
- ii. directors duly elected in subsequent meetings of the stockholders; and
- iii. those elected to fill vacancies in the board of directors

#### b. Limits on the Number of Directors

There will be either nine (9) members of board of directors but not less than five (5) or more than eleven (11) directors as stated in the bank's By-Laws at least two (2) of whom shall be independent directors. To the extent practicable, the members of the board of directors shall be selected from a broad pool of qualified candidates. A sufficient number of qualified non-executive members shall be elected to promote the independence of the board from the views of senior management. To the extent practicable, the members of the board of directors shall be selected from a broad pool of qualified candidates. Non-executive directors, who shall include independent directors, shall comprise at least majority of the board of directors to promote the independent oversight of management by the board of directors.

#### c. Minimum Number of Independent Directors

At least one-third (1/3) but not less than two (2) members of the board of directors shall be independent directors: Provided, That any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded up to the nearest whole number: Provided, further, That in the case of RBs, at least one (1) independent director shall be elected to the board of directors: Provided, furthermore, That RBs whose business model, is deemed complex by the Bangko Sentral, or as directed by the appropriate supervising department of the Bangko Sentral, shall have at least one-third (1/3) but not less than two (2) members of the board of directors as independent directors:



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Provided, finally, That any fractional result from applying the required minimum proportion, i.e., one-third (1/3) shall be rounded-up to the nearest whole number.

d. The composition of the Board of Directors of the Rural Bank of Paracale (Camarines Norte), Incorporated as of December 31, 2025 was as follows:

Name	Designation	Type of Directorship	No. of Years as Director	No. of Shares held with the Bank	% of Shares to Total Outstanding Shares
1. Errol R. Parcero	Chairman	Non-Executive Regular Director	18 years	8,740	1.75%
2. Jeron C. Lamadrid	Vice Chairman	Non-Executive Regular Director	18 Years	49,914	9.98%
3. Norman A. Balitbit	Director/ President	Executive Regular Director	22 years	43,705	8.74%
4. Jocelyn Edna L. De Belen	Independent Director	Non-Executive Independent Director	7 years	6,543	1.31%
5. Roland M. De Jesus	Director/ Main Office Manager	Executive Regular Director	9 months	2,973	0.59%
6. Benjamin Frias	Director	Non-Executive Regular Director	13 years	12,129	2.43%
7. Oscar C. Fulong	Director	Non-Executive Regular Director	9 months	23,128	4.63%
8. Gina H. Lim	Director	Non-Executive Regular Director	26 years	26,176	5.24%
9. Delia M. Ramirez	Independent Director	Non-Executive Independent Director	9 years	5,216	1.04%

### F. Board Qualification

#### 1. Qualifications of a Director

A director shall have the following minimum qualifications:



# RURAL BANK OF PARACALE (Camarines Norte), INC.

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(1) He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/ training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities.

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

(2) He must have attended a seminar on corporate governance for board of directors. A director shall submit to the Bangko Sentral a certification of compliance with the Bangko Sentral-prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance: Provided that the following persons are exempted from complying with the requirement:

- (a) Filipino citizens with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;
- (b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members;
- (c) Incumbent Cabinet Secretaries in the Philippine Government who serve as directors/chairman in government financial institutions in an ex-officio capacity; or
- (d) Former Chief Justices and Associate Justices of the Philippine Supreme Court:

Provided, further, that this exemption shall not apply to the annual training requirements for the members of the board of directors.

### 2. Qualification of Independent Directors

In selecting independent and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities. In this regard, the following shall apply:

(1) A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement; and



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(2) An independent director of the Bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same Bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

### 3. – Miscellaneous provisions on Board’s Qualification

Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.

### 4. – Profile of the Existing Board of Directors

Name	Educational Attainment	Relevant Trainings Attended (Required for Director)	Relevant Work Experience/ Officer ship / Directorship in Other Companies	Age	Nationality	Others
1. Errol R. Parcerero	BS-Mathematics	Basic Rural Banking Course and Corporate Governance	System-Analyst and Program – All Asia Capital (1997-2002)	61	Filipino	Confirmed by BSP
2. Jeron C. Lamadrid	BS-Electronics and Communication Engineering	Basic Rural Banking and Corporate Governance	Owner of Works and Concepts Enterprise (2010-Present) Sales Engineer – Poongsan Microtech Corp. (2006-2007) OSP – Globe Telecom (2002-2003)	46	Filipino	Confirmed by BSP
3. Norman A. Balitbit	AB-BS Commerce	Corporate Governance	Vice President – Metro Drug Distribution Inc. (1990-1999) Treasurer- First Pacific Metro Corp (1987-1990) Manager /Sector Head - Traders Royal Bank (1981-1987) Staff Auditor- SGV (1978-1980) Accounting Assistant – FGU Insurance (1976-1978)	72	Filipino	Confirmed by BSP



# RURAL BANK OF PARACALE (Camarines Norte), INC.

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4. Jocelyn Edna L. De Belen	Bachelor of Science in Business Administration	Corporate Governance	Accounting Clerk - Farm System Devt. Corp (1979- 1979) Owner- JEL Drug Store (2002-present) Teller-Metrobank (2000- 2002) Teller – Solid Bank (1980- 1982) Auditor – Solid Bank (1982- 1995) Acting Branch Marketing Officer/Cashier – Solid Bank (1995-1998) Teller – Solid Bank (1998- 2000)	68	Filipino	Confirmed by BSP
5. Roland M. De Jesus	BS-Accountancy	Basic Rural Banking Course and Corporate Governance	Manager – Rural Bank of Paracale (CN), Inc. (2019- Present) Corporate Secretary – Rural Bank of Paracale (CN), Inc. (2016-2025) Chief Compliance Officer– Rural Bank of Paracale (CN), Inc. (2011-2019) Chief Accountant – Rural Bank of Paracale (CN), Inc. (2010-2011) Bookkeeper – Rural Bank of Paracale (CN), Inc. (2003- 2010) Accounting Clerk – Rural Bank of Paracale (CN), Inc. (2002-2003) Technical Officer – Rural Bank of Paracale (CN), Inc. (2001-2002)	45	Filipino	Confirmed by BSP
6. Benjamin Frias	BSBA-Accounting	Corporate Governance	President of P&F Mineral Expert Corp. (2003-2017)	73	Filipino	Confirmed by BSP
7. Oscar C. Fulong	BS-Agriculture, Animal Husbandry	Basic Rural Banking and Corporate Governance	Loan Officer – Rural Bank of Paracale (CN), Inc. (1979-1988) Director – Rufino Fulong Pawnshop, Inc. (1988- 2025)	73	Filipino	Confirmed by BSP
8. Gina H. Lim	BS-Medical Technology; and Doctor of Medicine	Basic Rural Banking and Corporate Governance	Physician – Dr. Gina H. Lim Children’s Medical and Surgical Clinic (2007 to Present)	65	Filipino	Confirmed by BSP



# RURAL BANK OF PARACALE (Camarines Norte), INC.

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9. Delia M. Ramirez	BS-Pharmacy	Corporate Governance	Co-owner of Moreno Copra Dealer (1997 to present) Manager of DMR Commercial Building (1978 to present) Cashier at DMR Bakery and Restaurant (2001-2005) Cashier/Manager at EMR Bakery & Grocery (1978-2000)	75	Filipino	Confirmed by BSP
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### G. Board Level Committee

The bank has created the Audit Committee together with their duties as follows:

- a) Membership
  - i. Chairman - Independent Dir. Delia M. Ramirez
  - ii. Member - Independent Dir. Jocelyn Edna L. De Belen
  - iii. Member - Director Gina H. Lim
- b) Duties and Functions
  - a) Review and assess the adequacy and effectiveness of policies, procedures, and controls supporting financial reporting.
  - b) Monitor and evaluate the adequacy and effectiveness of the internal control system.
  - c) Oversee the internal audit function.
  - d) Oversee the external audit function.
  - e) Oversee implementation of corrective actions
  - f) Investigate significant issues/concerns raised.
  - g) Establish whistle blowing mechanism.

### H. Director's Attendance

a) The Board of Directors' attendance in the regular and special meeting for the year 2025 is as follows:

1. Errol R. Parcero	- Chairman	-23/23	-100%
2. Jeron C. Lamadrid	-Vice Chairman	-23/23	-100%
3. Norman A. Balitbit	-Director	-22/23	-95%
4. Jocelyn Edna L. De Belen	-Independent Dir.	-23/23	-100%
5. Roland M. De Jesus	- Director	-18/18	-100%
6. Benjamin Frias	-Director	-21/23	-91%
7. Oscar C. Fulong	-Director	-17/18	-94%
8. Gina H. Lim	-Director	-23/23	-100%
9. Delia M. Ramirez	-Independent Dir.	- 23/23	-100%

Board of Directors Tenure until March 2025

1. Lazarra F. Quijano	-Director	-5/5	-100%
2. Janet D. Ereño	-Director	-5/5	-100%



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b) Attendance in the Audit Committee Meeting for the Year 2025

- i. Chairman- Independent Director Delia M. Ramirez -6/6 -100%
- ii. Member - Independent Director Jocelyn Edna L. De Belen - 6/6 -100%
- iii. Member – Director Gina H. Lim - 6/6 -100%

I. Changes in the Board of Directors for the Year

The Bank's Annual Stockholders' Meeting is held on the second Saturday of March each year. During the 2025 election of the Board of Directors, Mr. Oscar C. Fulong was elected to replace Mrs. Lazara F. Quijano, while Mr. Roland M. De Jesus was elected to replace Mrs. Janet D. Ereño. The remaining members of the Board were re-elected to continue serving their respective terms.

J. List of Executive Officer/Senior Management

Name	Designation	Educational Attainment	Length of Service	Age	Nationality	Relevant Qualifications/ Experience of the Executive Officer	Other Qualification
Norman A. Balitbit	President	AB-BS Commerce	13 Years	71	Filipino	Vice President – Metro Drug Distribution Inc. (1990-1999) Treasurer- First Pacific Metro Corp (1987-1990) Manager /Sector Head - Traders Royal Bank (1981-1987) Staff Auditor- SGV (1978-1980) Accounting Assistant – FGU Insurance (1976-1978)	Confirmed by BSP
Maria Victoria A. Vega	Chief Compliance Officer/Internal Audit Manager	BS-Accountancy	9 years	37	Filipino	N/A	Confirmed by BSP
Adelina T. Esperas	Chief Accountant/ Treasurer	BS-Accountancy	22 years	46	Filipino	N/A	Confirmed by BSP



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Analiza L. Obmana	Daet Branch Manager	BS-Accountancy	31 years	54	Filipino	N/A	N/A
Roland M. De Jesus	Main Branch Manager/ Corporate Secretary	BS-Accountancy	24 years	45	Filipino	N/A	N/A
Gloria N. Salen	Labo Branch Manager	BS-Accountancy	18 years	58	Filipino	N/A	N/A
Janet D. Ereno	Credit Manager	BS-Commerce	24 years	51	Filipino	N/A	N/A
Dionisio Gil B. Badaguas III	IT/Security/ Data Protection Officer	BS-Information Technology	18 years	40	Filipino	N/A	N/A
Glenn C. Catle	Branch Lite Manager	BS-Accountancy	21 years	42	Filipino	N/A	N/A
Liesel L. Avila	Human Resource Manager	BSBA-Human Resource Management	11 years	34	Filipino	N/A	N/A
Edward Joseph B. Barnedo	Microfinance Manager	BSBA-Operation Management	6 years	29	Filipino	N/A	N/A
Danilo C. Amores	Branch Lite OIC	BS Commerce	18 years	47	Filipino	N/A	N/A
Conrado E. De Jesus	Branch Lite OIC	BS Commerce - Management	8 years	45	Filipino	N/A	N/A

i. Top Four (4) Positions Receiving the Highest Compensation as Management Officers:

Position	Name	Compensation
President	Norman A. Balitbit	99,857.00
Daet Branch Manager	Analiza L. Obmaña	54,360.00
Main Office Manager	Roland M. de Jesus	52,077.00
Labo Branch Manager	Gloria N. Salen	46,145.00

K. Performance Assessment Program

The Board has adopted a corporate governance assessment being done at the end of the year composed of four parts: 1. individual contribution as a director, 2. director assessment of the board as a group, 3. director assessment of bank performance and 4. the financial performance of the bank. Results are being deliberated and action plans for improvements are discussed and agreed and monitored for its completion.

The Senior Management sets goals at the start of the year defining key results area, its deliverables, person responsible and timelines. Quarterly updates of the



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goals are submitted to HR and discussed with the concerned officers and personnel for feedback and discussions for the goals to be achieved.

### L. Orientation and Educational Program

The Bank recognizes the need for maintaining, training and development programs to prepare employees for more responsible positions, to tap potentials in order to place employees where their talents can best be utilized. The Bank will continually seek to maximize and accelerate employee development and will provide a continuing program of training and development for all employees.

The Bank normally relies on the trainings and seminar/webinar conducted by the Bicol Federation of Rural Banks, Rural Bankers Association, Anti-Money Laundering Council, Credit Information Corporation, and Bangko Sentral ng Pilipinas specifically for the Officers and Directors of the Bank aside from the in-house training for new policy and policy changes aligned with the new regulation set by the Monetary Board of the Philippines.

For the newly hired employees, the bank conducted orientation training/seminars about the existing products and services as well as the policies and procedures of the Bank. Orientation also includes the company's background and profiles such as but not limited to the vision, mission, objective, core values, organizational frameworks, code of disciplines and employee's manual, Manual of Bank's products and services, AMLA and the like. Updates of manual, policies and procedures will be disseminated through memorandum and/or training to all bank officers and employees.

### M. Retirement and Succession Policy

Pursuant to the mandate of Bangko Sentral ng Pilipinas to all Banks to have a board approved Retirement Plan for its Officers and Employees in accordance with the laws, the Bank established retirement plan to ensure financial security of the Bank's officers and employees when retirement comes. Retirement plan serves as guide for the Bank to establish the amount of benefits and to administer the accrued retirement benefit of the Bank's Officers and Employees. Provision for retirement and pensions amounts to Ps19,112,911 and Ps17,368,463, for 2025 and 2024 respectively. Based on the existing Labor laws, the amount of liability for retirement as at December 31, 2025 and 2024 were reasonable. The Retirement Plan shall be fully funded by the Bank. There shall be no contribution to be collected from the officers/employees of the Bank. Funds set aside for this purpose shall be invested in the form of savings and time deposits of other high yielding deposits/investments in bonds or other debt instruments and income therefrom shall be part of the fund. The board is primarily responsible to ensure that the retirement fund is fully funded at all times.

As a matter of policy, the Bank established a policy that officers and employees of the Bank are entitled for an optional retirement age of sixty (60) years. Any officer/employee upon completing the age of 60 years or at any time thereafter may retire at employee's option, and when so retired shall be entitled to the full benefit provided in the Bank's Retirement Plan. Any Officers and Employees who have completed twenty (20) years of continuous service to the Bank may retire at his option and if he retires, he shall be entitled to the full benefits. The



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compulsory retirement age is sixty-five (65) years. Any officer and employees reaching the age of 65 will automatically be considered a retired officer/employee of the bank, and when so retired shall be entitled to the full benefits provided in the retirement plan of the bank.

The Bank shall assess its preparedness to replace departing staff in critical positions and identify people who are ready to step into someone's shoes at the appropriate time under appropriate circumstances with seamless transition. It should involve nurturing and developing employees from within the Bank. Employees who are perceived to have skills, knowledge, qualities, experience and the desire can be groomed to move up to fill specific key positions. Succession procedures include identifying key/critical position, conduct position analysis, developing succession plan and monitoring, revision and evaluation of the existing succession policies and procedures of the Bank.

The Bank so far has no formal policy on the term limit, retirement and succession of the Board. As long as they are fit and proper for the position of Director and possess all the qualifications of the Board, they can serve as Board of Director except for Independent Director which has a maximum term of nine (9) years as Independent Director.

#### N. Remuneration Policy

##### a) Executive and Non-Executive Director

The Board of Director considered the number of scheduled meetings, transportation and other expenses of the Board in attendance of meetings in setting up monthly per diems. The Board of Directors follows Section 30 of the Corporate Code of the Philippines that the Board compensation other than per diems shall not exceed 10% of the preceding year net income before tax. Directors Compensation requires approval from the majority of the stockholder of the Bank.

##### b) Senior Management

The Board considered the weight of the position and designation of the senior management together with their performance in setting up compensation packages.

#### O. Policies and Procedures for RPTs

The bank recognizes that transactions between and among related parties create financial, commercial and economic benefits in the bank. In this regard, related party transactions are generally allowed provided that these are done on an arm's length basis. The bank should exercise appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to the bank depositors, creditors, fiduciary clients, and other stakeholders.

To effectively manage the Related Party Transaction, the Board has set Php 2M materiality threshold aside from establishing Php 3M individual Ceiling and 25% of the equity account for aggregate Ceiling for RPT transactions. All transactions



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related to RPTs must be properly reviewed and approved by the Board of Director. All material RPTs shall be reported to the BSP within 20 days after the reference quarter. All those not meeting the materiality threshold are not required to be reported to the BSP but are nonetheless subject to the approval of the Board of Directors.

The Bank normally manages RPT transactions initially by the Bank Officers by identifying RPT transactions based on the updated database of RPTs wherein relationships in the Bank and its DOSRI were already identified. So far, the common RPT transactions of the bank were Loan Transactions wherein they were treated as regular borrowers except for handling wherein the banks evaluated the loans strictly without special treatment since the BSP are firm on evaluating RPT and DOSRI transactions. RPTs related to loans were evaluated in accordance with the board approved loan processes, policies and procedures. All Related Party Transactions are subject to the approval of the Board of Directors.

The existing Related Party Transactions of the Bank are more on Granting of Loans, details and information of individual balances and aggregate balances as of December 31, 2025 are broken down as follows:

Name	Related to DOSRI	Date Granted	Due Date	Original Amount	Outstanding Balance	Description of RPT	Status
Amelia T. Veran	2nd Degree of Chief Accountant	12/17/24	12/22/26	90,000.00	52,473.78	OSL	Current
Joel V. Dasco	2nd Degree of Credit Manager	1/10/25	1/11/27	20,000.00	12,141.64	OSL	Current
Ronnie M. De Jesus	2nd Degree of Branch Manager/Director	4/29/24	5/3/27	1,700,000.00	796,486.25	Back to Back	Current
Total					861,101.67		

### P. Self-Assessment Function

The Board of Directors annually conduct self-assessment on an individual basis. The result of individual self-assessment shall be reported to the board for further evaluation specially assessment on the functions of the Board, Senior Management, Compliance and Audit.

#### P.1 - Structure of Internal Audit Function

The Internal Audit Function of the Bank is an independent function and acted upon by the Internal Audit Department which is directly reporting to the Audit Committee then to the Board of Director. The Internal Audit Group is headed by the Audit Manager Maria Victoria A. Vega with the Assistant Internal Audit Manager Gerald Rey T. Morada and with five (5) Audit Staff Omar Nathaniel Alpapara, Jefrey B. Cabaltera, Harold Bryan Z. Aberia, Erica E. Estifano, and Ronil A. Hegina.

The Internal Audit Department is responsible to ensure that all bank transactions are properly audited and the same are complied with the Internal Control



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Processes and Policies of the Bank likewise ensure that fictitious transactions, irregularities, anomalies and fraud have no place in the Bank.

The Audit Committee ensures that the Internal Control System is strong at the same time Audit Manual and Program are approved by the Board and ensure that risk areas of the Bank are properly audited. The Audit Committee is also responsible for the selection of Internal and External Auditors and ensures that those are qualified in accordance with the standard and qualification set by the monetary Board. All Audit Reports are elevated to the Board for their information, further discussion and appropriate actions.

### P.2 - Structure of Compliance Function

The Compliance Function of the Bank is an independent function and acted upon by the Compliance Department which is directly reporting to the Board of Director. The Compliance Department is headed by the Chief Compliance Officer Maria Victoria A. Vega with the Assistant Chief Compliance Officer Sheila Faye Y. Jimenez and Maria Andrea A. Balitbit and with Compliance Staff Erika Joy V. Diaz. All Bank Officers and Employees are considered compliance officers to ensure that compliance culture is present in the Bank. The Compliance Department is primarily responsible for the effective compliance with laws, rules and regulations issued by regulatory agencies.

The responsibilities of the bank's compliance function should be to assist senior management in managing effectively the compliance risks faced by the bank. Responsibilities carried out by staff in different departments are clear. The scope and breadth of the activities of the compliance function should be subject to periodic review by the internal audit function. Compliance should be regarded as a core risk management activity within the bank. Specific tasks of the compliance function may be outsourced, but they must remain subject to appropriate oversight by the head of compliance and must be with prior approval by BSP.

The Chief Compliance Officer is the lead senior officer for purposes of administering the compliance program and interacting with the BSP on compliance-related issues. The principal function of the Chief Compliance Officer is to oversee the design of an appropriate compliance risk management system, promote its effective implementation and address breaches that may arise. The CCO shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to the BSP.

### Q. Dividend Policy

The Bank declares dividends based on the available retained earning but also considered the required capital accounts to maintain capital adequacy ratio within the industry level. The Bank also considered in declaring dividends the level of retained earnings by ensuring that its value shall not be higher than the total paid up capital. The total amount of dividends declared during the year is Php 5,000,000.00.

### R. Corporate Social Responsibilities



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- i. Initiates community-oriented projects including charitable causes and social involvement in organizations and clubs.
    - a) Member of Rural Bankers Association of the Philippines
    - b) Member of Bicol Federation of Rural Banks
    - c) Member of Camarines Norte Bankers Association
  - ii. Promotes environmental awareness and commitment to the green programs of the community.
    - a) Not lending to clients who are involved in illegal mining activities.
  - iii. Participates in fundraising campaigns and community development programs.
    - a) Participates in Alay Lakad Activities
    - b) Sponsorship for fund raising activities of LGUs.
- S. Consumers Protection Practices

The RURAL BANK OF PARACALE (Camarines Norte), INC. and its Board of Directors, Officers and Employees fully support the policy of the State to protect the interest of the consumers, promote their welfare and to establish standards of conduct for the Rural Banking industry.

The Financial Customer Protection (FCP) framework shall be the guiding document of the Bank to deliver the required level of fair treatment, honesty, transparency and commitment with the Bank's customers.

The Bank assumes full responsibility to give to our clients the best services that are aligned with the existing rules and regulations as prescribed by the BSP and other government regulatory agencies such as Deposit-Related Laws and Regulations, Credit-Related Laws and Regulations, Electronic Banking-Related Regulations and other applicable laws and regulations. Any changes, subsequently issued by the BSP, in the existing consumers protections guidelines would also be supported by the Bank.

### S.1. Role of the Board and Senior Management in Developing Consumer Protecting Strategy and Establishing Effective Oversight over Consumer Protection Programs.

It is the responsibility of the Board of Directors and Senior Management to develop strategies and establish effective oversight over its Consumer Protection Programs. To this end, the Bank embraced a culture of transparency and fair dealing with all its clients. It likewise maintains the confidentiality of client information, and actively informs its clients of their rights and recourse should they have any complaints or concerns. The Head CAO reports to the Board of Directors on a monthly basis on any complaints received by any of the Bank. The Head CAO reports become the basis for policy formulations and re-alignments, if



necessary. The Head CAO is also responsible in the preparation of Quarterly Report to BSP.

### S.2. Consumer Protection Risk Management System.

The Board is likewise committed to ensure that those directly responsible for implementing the Consumer Protection Risk Management System (CPRMS) have authority and independence in the course of its function. The Board ensures that there is a periodic review of the CPRMS, and that prompt corrective action is done should there be any weakness in the CPRMS of the bank. The Bank's commitment to enforcing its Consumer Protection Framework can be gleaned from its continuous training and education of its officers, employees, and staff which aims to reduce risks of non-compliance with policies and procedures that would violate financial consumers' rights. The training of RBP staff, as well as the dissemination of information pertinent to consumer protection, encompass consumer protection standards, which includes, among others, disclosure and transparency, fair treatment, protection of client information, effective recourse, as well as financial education and awareness. All RBP Personnel are enjoined to embody the ideals of truth, integrity, and fair dealing in all of their interaction with clients. All bank transactions follow Standard Operating Procedures as far as Financial Consumer Protection is concerned.

### S.3. Consumer Assistance Management System, Policy and Procedures.

The Board of Directors, with the input of Senior Management, sets the goals and oversees the implementation of the Consumer Assistance Management System (CAMS) of the Bank. The head CAO implements the consumer assistance policies and procedures of the bank. The respective Branch Bookkeepers are the designated Consumer Assistance Officers (CAO) in each of the RBP Branches and the Branch Lite Units and the HRO is designated as Head CAO and they submit consumer complaints/inquiries when it arises, depending on the complexity of the concern, and in accordance to the Board-approved Consumer Assistance Process and Timeline of the bank. Should the client have an inquiry, concern or complaint, he may directly proceed to the CAO in the branch, and it will be elevated to the Head CAO accordingly. Depending on the nature of the concern or complaint, due process and investigations will be conducted. The findings and recommendations of the Head CAO will be elevated to the Board for appropriate action, if necessary. All concerns and complaints shall be acted upon judiciously and without unnecessary delay, ensuring due process.

For simple cases, the bank must be able to communicate its resolution to the concerned parties/client within 7 working days from receipt of the complaint and reply shall be issued within 2 days after resolution is completed. For complex cases, the bank has up to 47 days from receipt of the complaint to communicate its resolution. The Bank has trained its CAO and all personnel on the necessary documentation and reportorial requirements. The Head CAO summarizes the monthly reports from the CAO and submits the necessary reports to the BSP. The Head CAO likewise reports to the Board of Directors any Consumer inquiry or complaint during the monthly Board Meetings, if there is any.



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### T. Sustainable Finance Framework

Your bank together with the BSP recognizes that climate change and other environmental and social risks pose financial stability concerns considering their significant and protracted implications on the bank's operations and financial interest. We will pursue sustainable and resilient growth by enabling environmentally and socially responsible business decisions consistent with the aspirations set out for the Filipinos under the Philippine Development Plan.

The following sustainability principles are at the core of our business and emphasize the bank's commitment to environmental and social responsibility.

1. We commit the balancing of economic success with environmental and social responsibility
2. We identify and address the environmental and social impacts of our business activities.
3. We foster business that enables sustainable growth.
4. We are guided by internationally recognized principles and standards.
5. We ensure that our sustainability strategy is firmly grounded in robust governance policies and processes.
6. We encourage transparent communication and open dialogue with stakeholders.

### Breakdown of Environmental & Social Risks exposures of the bank per industry or sector as of December 31, 2025:

Environmental & Social Risk Exposures	Industry Classification
116,934,000.12	Construction
18,875,348.07	Mining and Quarrying
14,295,444.98	Hotel and Restaurant
55,860,326.73	Retail Trade
205,965,119.90	Total E&S Risk Exposure

The Bank have implemented compliance measures to adhere to Sustainable Finance Frameworks (SFF). These measures include a screening process for loan applications to ensure the use of proceeds aligns with the bank's eligibility criteria for sustainable projects. The Credit Department verifies the alignment of proposed loan uses with the bank's sustainability parameters, thereby reinforcing the bank's commitment to responsible financing. The bank's risk assessment indicates a low level of environmental and social (E&S) risks.

RBP is setting a modest target of Ps20M to its SME loan portfolio of sustainable investments/financing by year 2024 that will sustain granting of loans directed to this framework.

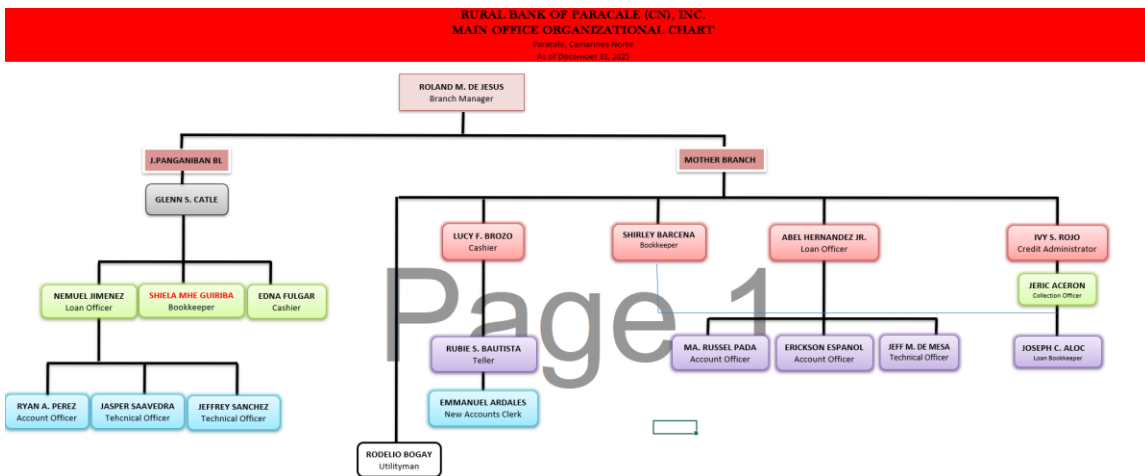
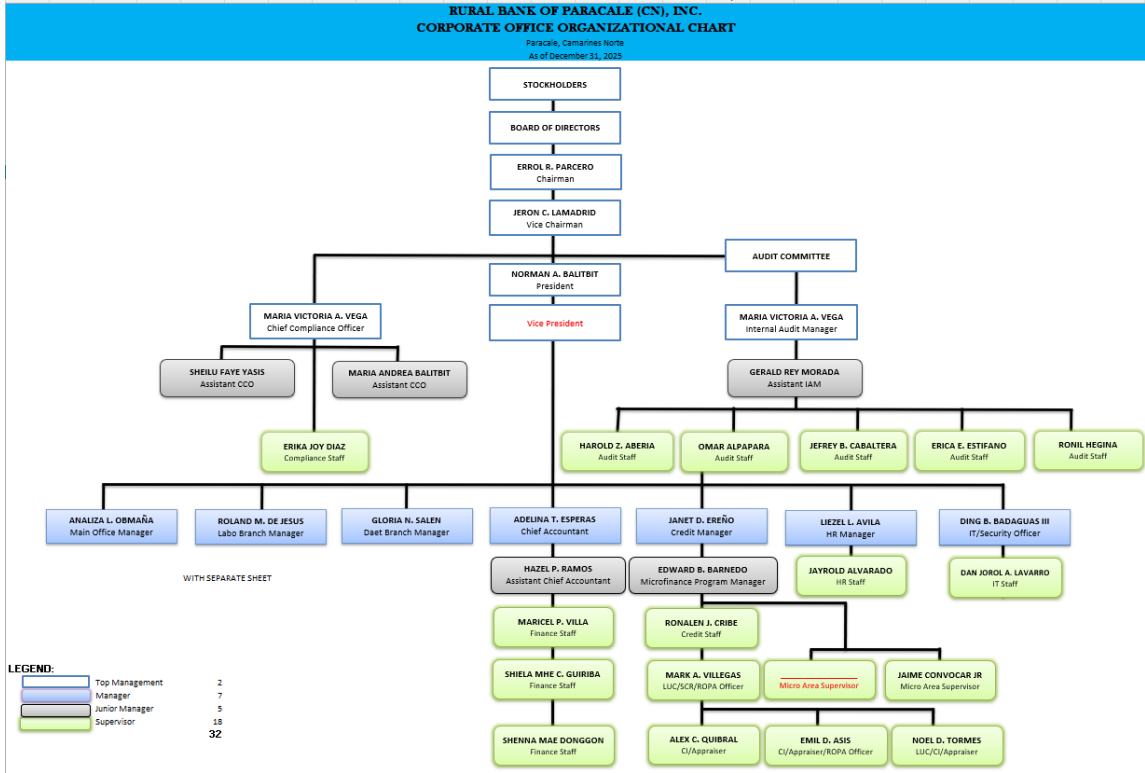


# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

### VI. Corporate Information

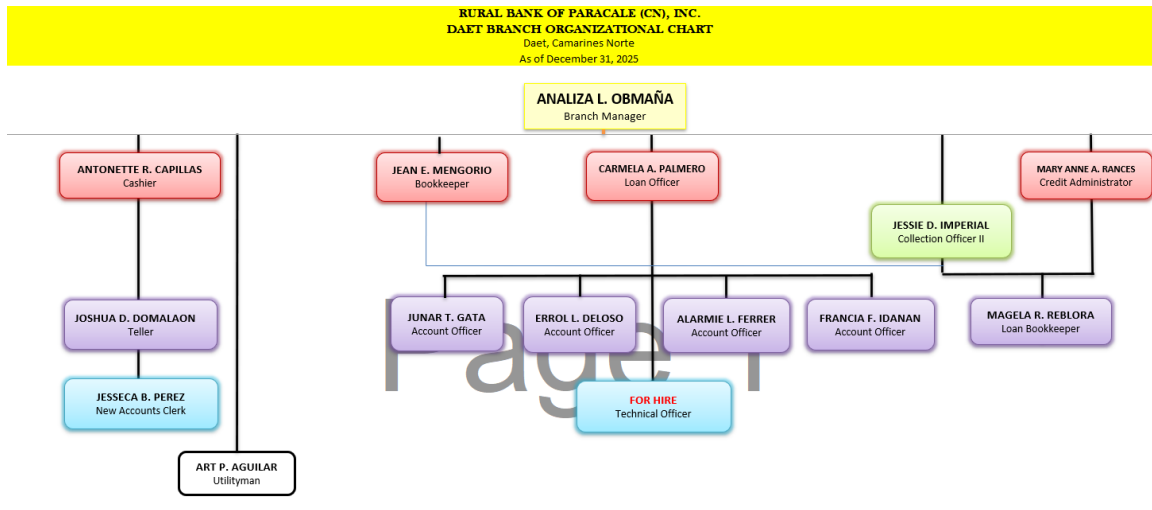
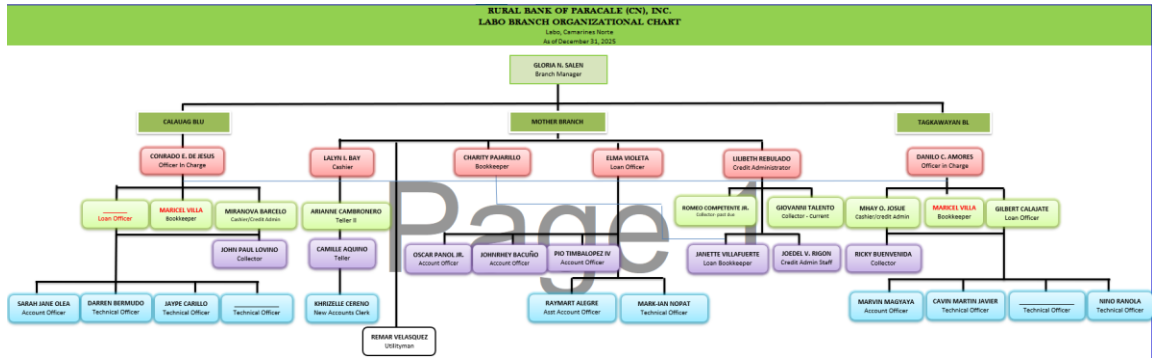
#### a. Organization Structures





# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte



b. List of top 10 Stockholders of the Bank as December 31, 2025

	Name	Nationality	% of Share	Voting Status
1	LAMADRID, JERON C.	Filipino	9.98%	449,226
2	BALITBIT, NORMAN A.	Filipino	8.74%	393,345
3	LIM, DR. GINA L.	Filipino	5.24%	235,584
4	FRIAS, FRANCIA S.	Filipino	4.69%	211,032
5	FULONG, OSCAR C.	Filipino	4.63%	208,152
6	QUIJANO, LAZARA F.	Filipino	4.19%	188,595
7	FRIAS, BENJAMIN	Filipino	2.43%	109,161
8	ROY, GRACE H.	Filipino	2.40%	107,856
9	PARCERO, ERROL R.	Filipino	1.75%	78,660
10	MORENO, FREDDIE Y.	Filipino	1.65%	74,097

c. List and Description of the Products and Services Offered

a) Loans

- i. Agrarian Reform Credit – Loans granted to beneficiaries of agrarian reform, namely: tillers, tenant farmers, settlers, agricultural lessees, amortizing owners, owner-cultivators, farmers, cooperatives and compact farms as stated in P.D 717.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

- ii. Other Agricultural Credit – Loans granted to borrowers who are not beneficiaries of agrarian reform to finance activities relating to agriculture and processing, marketing, storage and distribution of products resulting from these activities. Product under this loan classification is:
  - a) Hog Fattening - Loans granted to farmers who are hog raisers, with at least two (2) years' experience in hog fattening and with available pig pen.
  - b) Rice Production
  
- iii. Loans to Individual Primarily for Personal Used Purposes (LIP-PUP) – Loans granted to individuals for consumption purposes. Product under this loan classification is:
  - a) LIPPUP-MVL (Loans to Individual Primarily for Personal Used Purposes – Motor Vehicle Loan) – Loans granted to individuals for the acquisition of motorized land transportation vehicles primarily for personal use.
    - i. LIPPUP-Motorcycle Loans – Loan granted to individuals for the acquisition of motorcycles primarily for personal use.
    - ii. Motorcycle Repair Policy – Loan granted to all RBP permanent employee with motorcycle, with at least one year tenure with the bank assigned in field works with a net take home pay not less than P2,000.00 monthly, net of motorcycle repair amortization.
    - iii. Auto Loans - Loans granted to individuals for the acquisition of automobiles primarily for personal use.
  
  - b) LIPPUP- Salary Loans – unsecured loans granted to individuals on the basis of regular salary, pension, or fixed compensation where repayment would come from such future remunerations, either through salary deduction, debit from borrower's account, over the counter payment or other type of payment arrangement agreed upon by the borrower and lender.
    - i. LIPPUP-Salary (Honorarium Loan) – Loan designed for Sangguniang Barangay Officials both elective and appointive positions such as Brgy. Captain, Councilors, Secretary and Treasurer. This is also offered to Brgy. Day Care Worker, Health Worker and Brgy. Tanod.
    - ii. LIPPUP-Salary (LGU Loans) – offered to all LGU Officers and Employees either permanent or Job Order of certain municipalities. It should be covered with Memorandum of Agreement



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

- between the Bank and Municipal Officers such as Mayor, Treasurer and Accountant.
- iii. LIPPUP- Salary (Teachers Loan) – Loans granted to all qualified Public and Private School Teachers under the Department of Education to address their credit needs.
  - iv. LIPPUP – Salary (Other Loan) - loan offered to all permanent employees of the GOCC and other Private Company within the province. It should be covered with Memorandum of Agreement or in its absence a written deduction agreement with the designated officer of the company.
  - v. LIPPUP – OFW Loan – offered to all OFW or beneficiary who received remittances through bank issued ATM or Passbook and other remittance channels.
  - vi. LIPPUP – Bonus Loan – Offered to LGU and Teachers who received mid-year and year-end bonus as mandatory incentives of the Government to their employee through bank issued ATM or through the disposition of their respective Head or Disbursement Officer.
  - vii. LIPPUP – Pension Loan – Loan offered to all clients who received Pension from SSS, GSIS and PVAO through bank issued ATM or Savings Account Passbook.
- iv. LIPPUP – Other Loan – Loans granted to individuals to finance household needs such as purchase of household appliances, furniture and fixtures and/or to pay taxes, hospital and educational bills and other personal consumption purposes.
- a) Emergency Loans- to finance the emergency needs of the borrowers like payment of tuition fees, medical expenses, burial expenses, calamities and the like.
  - b) Happy Loan – intended for borrowers looking to purchase appliances, including housewives, newlywed couples, and those with business-related needs.
  - c) SSS Membership Loan – offered to borrowers who do not have an SSS membership but are interested in obtaining one.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

- d) Housing Loan – loan proceeds will be used for repair and maintenance of the house of a client and/or purchase of productive assets.
  - e) LIPPUP-OPL with Real Estate Mortgage (REM) - Loans granted to individuals to finance household needs such as purchase of household appliances, furniture and fixtures and/or to pay taxes, hospital and educational bills and other personal consumption purposes these loans shall be covered by REM.
  - f) Gadget Loan - loan to finance the purchase of electronic gadgets with low interest rate.
  - g) PhilGuarantee-Secured Retail Housing Loan – A housing loan facility designed to help qualified clients finance the purchase, construction, improvement, expansion, or refinancing of residential properties. Backed by a guarantee program, the product aims to provide borrowers with greater access to affordable housing finance while supporting the development of sustainable, resilient, and inclusive communities. The facility is available for various housing purposes, including the acquisition of house and lot packages, residential lots, condominium units, home construction, major home improvements, and refinancing of existing housing loans.
- v. Loans to Individual for Other Purposes (LIOP) – Other loans granted to individuals that cannot be classified under any of the foregoing classification. Loan Product under this classification:
- a) LIOP – Industrial
  - b) LIOP – Commercial – borrowers who fall under this kind of loan are also engaged in business related activities but not qualified under the SME loan product of the bank. It is also secured by REM, CM or it may be unsecured, supported with postdated check (if any) and payable weekly, bi-monthly, monthly or lumpsum.
  - c) LIOP – Commercial (Vendors) – loan offered to merchants in the form of short-term loan to augment their existing capital.
    - i. Regular Vendors Loan – loan amount from ₱ 5,000.00 to ₱ 300,000.00 and will be paid on a daily or weekly basis.
    - ii. Vendors Seasonal Loan – offers to regular vendor’s loan borrowers in addition to their existing loan. Loan amount not to exceed 80% of the Regular loan.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

- d) LIOP – Service Loan (Van loan) – Purchase of new Van or Van repair
  - i. Van Purchase Financing – Maximum of ₱ 1.3 M net of 10 to 20% down payment of the purchase price only or based on debt service capacity whichever is lower.
  - ii. Van Repair Financing – Maximum of ₱ 200,000.00 or based on debt service capacity whichever is lower.
- e) LIOP – Service Loan (Truck Loan) – loan to businessmen who want to purchase trucks for trucking business.
- vi. Bridge Financing and Short-Term Contractors Loan - Involving borrowers of Land Bank approved loan accommodations to fund take out loans from another Bank and Land Bank endorsed short term loans for contractors where loan proceeds shall be deposited to land bank account to support bank certification for bidding purposes.
- vii. Construction Loan – Loans offered to contractors within the bank territory who entered into contract agreement with LGU, Provincial Capitol and DPWH to provide work and services in relation with the government project initiated by these units. The bank also offered to subcontractor within also in the bank territory who is hired by a main contractor, to perform a specific task as part of the overall project and is normally paid for services provided to the project by the main contractor and the contractors with projects entered with private proponents that needs financing.
- viii. Credit Lines - Loan extend exclusively to merchants with total assets of above 3M in the form of revolving credit facility for one year available in 30, 60 and 90, 180 day PNS to augment their existing working capital to finance its receivables and purchase of inventory, to support the short term working capital requirements of merchants and utilize excess funds of the bank that would have been idle and to be lent at soft interest rate from the regular loans of the bank.
- ix. Micro Finance Loans
  - a) MFLP Groupings – It is a group Lending from minimum loan of 3,000.00 to a maximum of Php 135,000.00 based on loan cycle. This loan is intended for Micro Finance Clients under Section 314 and Appendix 45 of the New MORB.
  - b) MFLP Groupings v.2.0 “Kabuhayan at Kaunlaran” – It is a group Lending from minimum loan of 5,000.00 to a



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

maximum of Php 150,000.00 based on loan cycle. This loan is intended for Micro Finance Clients under Section 314 and Appendix 45 of the New MORB.

- c) E- Micro – This is an enhanced micro finance loan intended for individual borrowers who has an existing business under Micro Finance Characteristics mentioned under Section 314 and Appendix 41 of the New MORB. It is also applicable to Micro Finance Clients graduated from the highest cycle of MFLP Regular. This loan ranges from 5,000.00 to Php 150,000.00.
  - d) Micro Finance Plus - Loans granted to the basic sectors, on the basis of the borrower's cashflow, for their growing micro enterprises and small businesses. These loans are from **P150,001.00 to Php300,000.00**. The borrowers that will qualify as Microfinance Plus shall have a track record of at least two microfinance loan cycles in the Php50,000.00 to Php150,000.00 range demonstrating the success of the business, its increasing credit demand and subsequent increased capacity to pay.
  - e) Housing Microfinance Loan - The Bank offers a Housing Microfinance Loan Program designed to help qualified microfinance clients improve, repair, expand, or upgrade their homes. The program applies microfinance principles to provide accessible and affordable housing finance to low-income households that may not qualify for traditional housing loans.
  - x. Gold Pawning – loan to serve the working capital of gold trading business in Paracale during lockdown which did not allow them to sell their gold and liquefy their gold inventory and secure funds to continue their buying activity.
- b) Deposit
- i. Regular Savings Deposit – deposit with an average daily balance of ₱ 1,000.00 and above shall earn interest of .5% per annum. The interest shall be credited to the account quarterly. A tax equivalent to 20% of the interest earned shall be withheld at time of interest payment. In case of Micro Deposit, no minimum maintaining balance and is not subject to dormancy charges. (BSP circular 796 and Section 314 of the MORB)
  - ii. Kaibigan Savings Deposit – deposit with an average daily balance of ₱ 500.00 and above shall earn interest of .25% per annum. Maximum balance should not be more than 100,000.00; if the balance exceeds it shall be converted into the Regular Savings Account. The interest shall be credited to the account quarterly.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

A tax equivalent to 20% of the interest earned shall be withheld at time of interest payment.

- iii. Special Savings Deposit – Interest rate and term is based on the approved matrix that will vary according to amount and term of deposit. Interest on special savings deposits may be paid upon withdrawal on maturity, however those clients with long term deposits may be paid interest on monthly, quarterly, semi-annually provided approved by BOD. A tax equivalent to 20 % of the interest earned shall be withheld at time of interest payments.
- iv. ATM Savings Account – A convenient, non-interest-bearing deposit account that provides clients with secure access to their funds through an ATM card. Account holders may request a Statement of Account in lieu of a passbook for transaction monitoring and record-keeping. The account is non-transferable and is designed to support the everyday banking needs of clients.
- v. Loan Savers Account (LSD) - A savings account exclusively available to clients with active loan accounts. The account requires an initial deposit of ₱100.00 and a minimum maintaining balance of ₱100.00. It earns 0.50% interest per annum for accounts maintaining an Average Daily Balance (ADB) of at least ₱1,000.00. Interest earnings are subject to a 20% withholding tax in accordance with applicable laws and regulations and are credited to the account on a quarterly basis. The product is designed to encourage savings and promote financial discipline among the Bank's borrowers.
- vi. Pilit Impok – Compulsory savings deposit of Microfinance Clients.
  - a) For Groupings: The savings deposit of Microfinance Clients is set at 5% of every loan availed, which is deducted from the loan proceeds. The Pledge Savings, or Pilit Impok, serves as a reserve fund that members can utilize as additional capital for an existing or new business upon retirement or withdrawal from the program. Microfinance Borrowers must save PHP 40.00 weekly as their additional deposits. In contrast, under version 2.0 "Kabuhayan at Kaunlaran," 5% of the first loan availed is deducted from the loan proceeds or provided by the borrower. This savings acts as a reserve fund that members can use as additional capital for an existing or new business after retirement or withdrawal from the program. Members are obligated to save PHP 50.00 weekly as an additional deposit.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

Paracale, Camarines Norte

b) For Individual – savings deposit is 5-10% of loan amount deducted from loan proceeds & ₱ 40.00 as additional deposits every week within the term of loan.

c) Micro Insurance

CB Kalinga is a group microinsurance product that is renewable yearly offered by Country Bankers Life Insurance Corporation. The Rural Bank of Paracale (RBP) acts as the microinsurance agent, duly authorized by the Bangko Sentral ng Pilipinas (BSP).

d. Bank Website

[www.rbparacale.ph](http://www.rbparacale.ph)

e. List of Banking units

Office	Location	Contact Nos.
1 Corporate Office	2nd Floor, RBP Building, San Antonio Street, Brgy. Poblacion Norte, Paracale, Camarines Norte	054-603-2994
2 Main Branch Office	Ground Floor, RBP Building, San Antonio Street, Brgy. Poblacion Norte, Paracale, Camarines Norte	054-605-0519
3 Labo Branch Office	Maharlika Highway, Brgy. Kalamunding, Labo, Camarines Norte	054-212-0082
4 Daet Branch Office	Vinzons Avenue, Brgy. V, Daet, Camarines Norte	054-212-0084
5 Jose Panganiban Branch Lite Unit	P-5 Brgy. South Poblacion, Jose Panganiban Camarines Norte	054-603-3036
6 Calauag Branch Lite Unit	Arguelles Street, Brgy. Poblacion, Calauag, Quezon	042-731-6305
7 Tagkawayan Branch Lite Unit	Elezar Street, Brgy. Poblacion, Tagkawayan Quezon	042-731-6390

VII. Compliance with Appendix 62 of the New MORB –Disclosure in the Annual Report and Published Statement of Condition

Risk Based Capital Adequacy Framework	SOLO	
	2025	2024
<b>A. Tier 1 Capital and Breakdown</b>		
Paid up Common Stock	50,000,000.00	50,000,000.00
Retained Earnings	49,187,436.00	46,794,509.00
Undivided Profits	4,721,717.00	10,929,646.00
<b>TOTAL TIER 1</b>	<b>103,909,153.00</b>	<b>107,724,155.00</b>
<b>B. Tier 2 Capital and Breakdown</b>		
General Loan Loss Provision	3,484,804.00	3,063,798.00
<b>TOTAL TIER 2</b>	<b>3,484,804.00</b>	<b>3,063,798.00</b>



# RURAL BANK OF PARACALE (Camarines Norte), INC.

Paracale, Camarines Norte

<b>C. Deduction from Tier 1 and Tier 2 (50%)</b>		
NONE		
<b>D. Total Qualifying Capital</b>		
TIER 1 Capital	103,909,153.00	107,724,155.00
TIER 2 Capital	3,484,804.00	3,063,798.00
<b>TOTAL Qualifying Capital</b>	<b>107,393,957.00</b>	<b>110,787,953.00</b>
<b>E. Capital requirements for Credit Risk</b>		
Risk Weighted On-Balance Sheet Assets	580,360,602.83	585,876,036.36
<b>F. Capital requirements for Market Risk</b>		
NONE		
<b>G. Capital requirements for Operational Risk</b>		
Total Operational Risk Weighted Assets	104,920,081.42	88,362,342.50
<b>H. Total and Tier 1 Capital Adequacy Ratio (SOLO &amp; CONSO)</b>		
Capital Adequacy Ratio	16.62%	14.63%



# RURAL BANK OF PARACALE (Camarines Norte), INC.

Paracale, Camarines Norte

VIII. Audited Financial Statement (AFS) with Auditors Opinion



## Alas Oplas & Co., CPAs

**RURAL BANK OF PARACALE (CAMARINES NORTE), INC.**  
PARACALE, CAMARINES NORTE – PHILIPPINES

**FINANCIAL STATEMENTS**  
DECEMBER 31, 2025 AND 2024

Alas Oplas & Co., CPAs  
7/F Philippine AXA Life Centre, 1286 Sen. Gil Puyat Avenue, Makati City Philippines 1200  
Phone No.: (632) 7116-4366 | Email: [aocheadoffice@alasoelas.com](mailto:aocheadoffice@alasoelas.com) | [www.alasoelascpas.com](http://www.alasoelascpas.com)

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**Offices:**  
Makati Alabang Cavite Ortigas Paranaque Bulacan Isabela Nueva Ecija Bacolod Iloilo Legazpi La Union Laguna Quezon Province



# RURAL BANK OF PARACALE (Camarines Norte), INC.

Paracale, Camarines Norte

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# RURAL BANK OF PARACALE (Camarines Norte), INC.

Paracale, Camarines Norte



## RURAL BANK OF PARACALE (Camarines Norte), Inc.

*Ang Bangkong Subok at Tapat sa Paglilingkod*

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

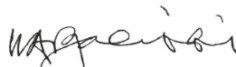
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease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

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

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

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

  
**ERROL R. PARCERO**  
Chairman of the Board

  
**NORMAN A. BALITBIT**  
President

  
**ADELINA T. ESPERAS**  
Treasurer

Signed this 13th day of March 2026.

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Corporate Office, 2<sup>nd</sup> Floor, RBP Building, San Antonio Street, Poblacion Norte, Paracale, Camarines Norte  
☎ (054) 603 2994 | 🌐 [www.rbparacale.ph](http://www.rbparacale.ph) | ✉ [corporatecentre@rbparacale.ph](mailto:corporatecentre@rbparacale.ph)



## Alas Oplas & Co., CPAs

### INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors  
**RURAL BANK OF PARACALE (CAMARINES NORTE), INC.**  
San Antonio Street, Brgy. Poblacion Norte  
Paracale, Camarines Norte

7/F Philippine AXA Life Centre  
1286 Sen. Gil Puyat Avenue  
Makati City, Philippines 1200  
Phone: (632) 7116-4366  
Email: [aocheadoffice@alasoelas.com](mailto:aocheadoffice@alasoelas.com)  
Website: [www.alasoelascpas.com](http://www.alasoelascpas.com)

#### Offices:

Makati	Alabang	Ortigas	Paranaque	Cavite
Bulacan	Isabela	Nueva Ecija	Bacolod	Iloilo
Legazpi	La Union	Laguna	Quezon Province	FCIE

#### Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard (PFRS) Accounting Standards.

#### Basis for Opinion

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

#### Emphasis of Matter

We draw attention to Note 5 to the financial statements which describes the basis used by the Bank in setting up allowance for credit losses. As stated in Bangko Sentral ng Pilipinas (BSP) Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with Philippine Financial Reporting Standard 9 – Financial Instruments, shall, at a minimum, be subject to the regulatory guidelines in setting up allowance for credit losses prescribed under the Appendix 15 of the Manual of Regulations for Banks. Our opinion is not qualified in respect of this matter.

#### Other Matter

In 2024, the Bank has unbooked allowance for credit losses on loan receivables amounting to ₱8,544,735, based on the provisions of Appendix 15 of the BSP Manual of Regulations for Banks. Should the Bank recognize the said amount, the Bank's profit and equity for the year ended December 31, 2024 will be reduced by ₱6,408,551 and capital adequacy ratio (CAR) as of December 31, 2024 will be reduced to 13.39%.

In our audit of 2025 financial statements, the Bank already recognized the deficiency in allowance for credit losses and restated the 2024 financial statements to recognize the prior year deficiency. Accordingly, our 2025 opinion is not qualified with respect to this matter.





## Alas Oplas & Co., CPAs

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

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

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

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

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



## Alas Oplas & Co., CPAs

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 32 and Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 31 are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management **RURAL BANK OF PARACALE (CAMARINES NORTE), INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**ALAS, OPLAS & CO., CPAs**

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

By:

**RYAN A. SABUG**

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

March 13, 2026  
Makati City, Philippines



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

**RURAL BANK OF PARACALE (CAMARINES NORTE), INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2025 AND 2024**  
**In Philippine Peso**

	Notes	2025	2024 As restated
<b>ASSETS</b>			
Cash and other cash items	8	18,808,704	19,865,975
Due from Bangko Sentral ng Pilipinas	8	9,752,194	9,977,605
Due from other banks	8	94,092,114	85,955,056
Investment securities at amortized cost	9	33,935,366	34,636,650
Loans and other receivables – net	10	446,395,344	414,830,760
Bank premises, furniture, fixtures and equipment – net	11	19,498,518	20,411,877
Assets held for sale – net	12	38,235,737	19,417,487
Investment properties – net	13	5,212,187	2,528,749
Deferred tax assets	24	11,399,187	13,314,289
Other assets	14	4,857,518	3,637,341
<b>TOTAL ASSETS</b>		<b>682,186,869</b>	<b>624,575,789</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposit liabilities	15	487,896,106	431,492,596
Bills payable	16	–	3,573,580
Accrued taxes, interest and other expenses	17	5,554,742	4,761,799
Income tax payable		–	332,081
Retirement benefit obligation	18	19,112,911	17,368,463
Other liabilities	19	65,713,957	62,859,834
Total Liabilities		578,277,716	520,388,353
<b>Equity</b>			
Capital stock – common	20	50,000,000	50,000,000
Surplus free	21	53,909,153	54,187,436
Total Equity		103,909,153	104,187,436
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>682,186,869</b>	<b>624,575,789</b>

See Notes to Financial Statements.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

**RURAL BANK OF PARACALE (CAMARINES NORTE), INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**  
**In Philippine Peso**

	Notes	2025	2024 As restated
<b>INTEREST INCOME</b>			
Due from other banks	8	67,761	53,359
Investment securities at amortized cost	9	930,843	1,148,699
Loans and other receivables:			
Loans receivable	10	78,352,513	85,982,077
Sales contract receivable	10	359,250	391,712
		<b>79,710,367</b>	<b>87,575,847</b>
<b>INTEREST EXPENSE</b>			
Deposit liabilities	15	(7,165,180)	(6,949,608)
Bills payable	16	(22,517)	(505,412)
		<b>(7,187,697)</b>	<b>(7,455,020)</b>
<b>NET INTEREST INCOME</b>		<b>72,522,670</b>	<b>80,120,827</b>
<b>OTHER OPERATING INCOME</b>	22	<b>10,835,645</b>	<b>10,333,820</b>
<b>TOTAL OPERATING INCOME</b>		<b>83,358,315</b>	<b>90,454,647</b>
<b>OPERATING EXPENSES</b>	23	<b>(75,799,012)</b>	<b>(73,807,999)</b>
<b>NET OPERATING INCOME BEFORE PROVISIONS</b>		<b>7,559,303</b>	<b>16,646,648</b>
<b>PROVISION FOR CREDIT LOSSES</b>	10,14	<b>(97,710)</b>	<b>(6,070,761)</b>
<b>PROFIT BEFORE TAX</b>		<b>7,461,593</b>	<b>10,575,887</b>
<b>INCOME TAX EXPENSE</b>	24	<b>(2,739,876)</b>	<b>(3,182,960)</b>
<b>PROFIT</b>		<b>4,721,717</b>	<b>7,392,927</b>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>4,721,717</b>	<b>7,392,927</b>

*See Notes to Financial Statements.*



# RURAL BANK OF PARACALE (Camarines Norte), INC.

Paracale, Camarines Norte

**RURAL BANK OF PARACALE (CAMARINES NORTE), INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**  
**In Philippine Peso**

	Common Stock (Note 20)	Surplus Free (Note 21)	Total
<b>Balance at December 31, 2023</b>	<b>50,000,000</b>	<b>46,794,509</b>	<b>96,794,509</b>
Profit as previously reported	–	10,929,646	10,929,646
Prior period adjustment (Note 27)	–	(3,536,719)	(3,536,719)
Profit as restated	–	7,392,927	7,392,927
<b>Balance at December 31, 2024, as restated</b>	<b>50,000,000</b>	<b>54,187,436</b>	<b>104,187,436</b>
Dividend	–	(5,000,000)	(5,000,000)
Profit	–	4,721,717	4,721,717
<b>Balance at December 31, 2025</b>	<b>50,000,000</b>	<b>53,909,153</b>	<b>103,909,153</b>

*See Notes to Financial Statements.*



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

**RURAL BANK OF PARACALE (CAMARINES NORTE), INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**  
**In Philippine Peso**

	Notes	2025	2024 As restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		7,461,593	10,575,888
Adjustments for:			
Interest income	8,9	(998,604)	(1,202,058)
Provision for credit losses	10,14	97,710	6,070,761
Interest expense	16	22,517	505,412
Retirement benefit expense	18	1,880,703	3,602,273
Gain on sale of non-financial assets	22	(4,294,696)	(3,609,843)
Depreciation	23	3,489,140	3,271,632
Operating income before working capital changes		7,658,363	19,214,065
Decrease (increase) in operating assets:			
Loans and other receivables		(54,469,840)	(20,398,148)
Other assets		(456,518)	40,548,127
Increase (decrease) in operating liabilities:			
Deposit liabilities		56,403,510	27,373,128
Accrued taxes, interest and other expenses		792,943	189,835
Other liabilities		2,854,122	(20,990,378)
Cash generated from operations		12,782,580	45,936,629
Income tax paid		(1,920,514)	(6,522,794)
Interest received	8,9	998,604	1,202,058
Retirement benefits paid	18	(136,255)	(386,494)
Interest paid		(22,517)	(505,412)
Net cash generated from operating activities		11,701,898	39,723,987
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investment securities at amortized cost	9	(13,362,271)	(12,858,699)
Proceeds from maturity of investment securities at amortized cost	9	14,063,555	12,821,392
Acquisition of bank premises, furniture, fixtures and equipment	11	(1,690,956)	(3,593,926)
Proceeds from sale of bank premises, furniture, fixtures and equipment	11	152,730	833,335
Proceeds from disposal of assets held for sale	12	4,563,000	3,906,000
Net cash generated from investing activities		3,726,058	1,108,102
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of bills payable	16	(3,573,580)	(5,864,130)
Dividends paid	21	(5,000,000)	—
Net cash used in financing activities		(8,573,580)	(5,864,130)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6,854,376</b>	<b>34,967,959</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
Cash and other cash items		19,865,975	15,650,782
Due from Bangko Sentral ng Pilipinas		9,977,605	10,167,031
Due from other banks		85,955,056	55,012,864
		115,798,636	80,830,677
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
Cash and other cash items		18,808,704	19,865,975
Due from Bangko Sentral ng Pilipinas		9,752,194	9,977,605
Due from other banks		94,092,114	85,955,056
	8	122,653,012	115,798,636

See Notes to Financial Statements.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

RURAL BANK OF PARACALE (CAMARINES NORTE), INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2025 AND 2024  
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### 1. CORPORATE INFORMATION

**RURAL BANK OF PARACALE (CAMARINES NORTE), INC.** (the "Bank") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 16, 1978 with Registration No. 78752.

The Bank was formed to carry and engage in the business of extending rural credits to small farmers and tenants and to deserving rural industries or enterprises; to have and exercise all authorities and powers; to do and perform all acts; to transact all business which may legally be had or done by rural banks organized under and in accordance with the Rural Banks' Act, as it exists or may be amended; and to do all other things incident thereto and necessary and proper in connection with said purposes within such territory, as may be determined by the Monetary Board of the BSP.

The Bank products and services are traditional deposits such as regular and special savings deposits. The Bank also offers various types of loans such as commercial, agricultural, and various consumer loans and microfinance loans.

The Bank's registered office address and principal place of business is located at San Antonio Street, Poblacion Norte, Paracale, Camarines Norte. The Bank is domiciled in the Philippines.

In addition to its Head Office, the Bank currently has two (2) branches and three (3) branch-lite units (BLUs) located as follows:

Offices	Address
Daet Branch	RBP Bldg., Vinzons Avenue, Brgy. Vinzon, Daet, Camarines Norte
Labo Branch	RBP Bldg., Maharlika Highway, Brgy. Kalamunding, Labo, Camarines Norte
Jose Panganiban BLU	Purok 5, Brgy. South Poblacion, Jose Panganiban, Camarines Norte
Calauag BLU	Arguelles Street, Brgy. Poblacion, Calauag, Quezon
Tagkawayan BLU	Eleazar Street Corner, Brgy. Poblacion, Tagkawayan, Quezon

### 2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

#### 2.01 Statement of Compliance

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

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

- PAS 19R Employee Benefits – The Bank has not adopted the provisions of PAS 19R for the current reporting period and continues to measure and accrue the retirement benefit obligation based on Republic Act No. 7641, otherwise known as *The Philippine Retirement Pay Law*.
- PFRS 9 Financial Instruments - For impairment, the Bank adopted Appendix 15 of Manual of Regulations for Banks (MORB) that provides guidelines for provisioning based on number of days past due, collaterals, and type of loan.

#### 2.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where a Financial Reporting Standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

RURAL BANK OF PARACALE (CAMARINES NORTE), INC.  
NOTES TO FINANCIAL STATEMENTS  
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### 2.03 Presentation and Functional Currency

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

### 2.04 Use of Judgments and Estimates

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

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

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

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

### 2.05 Going Concern Assumption

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

## 3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

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

#### 3.01.01 Lack of Exchangeability (Amendments to PAS 21)

The amendments specify how to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

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

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

### 3.02 Standards Issued but Not Yet Effective

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

#### 3.02.01 Standard Adopted by FRSC and Approved by the BOA

##### Insurance Contracts (PFRS 17 and its Amendments)

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



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

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

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

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. On February 14, 2025, the FSRSC approved the amendment to PFRS 17 that further defers the date of Initial application by an additional two (2) years, to annual periods beginning on or after January 1, 2027. This will provide more time for the insurance industry to fully prepare and assess the impact of adopting the said standard. All Mutual Benefits Associations (MBAs) doing business in the Philippines shall adopt PFRS 17 starting 1 January 2030. Early adoption is permitted, subject to the adoption of PFRS 9 and PFRS 15.

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

#### Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7)

Targeted amendments were issued by the IASB to address recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

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

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

#### Annual Improvements to PFRS Accounting Standards – Volume 11

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

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

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



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

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### Contracts Referencing Nature-dependent Electricity (Amendments to PFRS 9 and PFRS 7)

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

#### Amendments to PFRS 9 Financial Instruments

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

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

PFRS 7 and PFRS 19 were amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics.

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

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

### Presentation and Disclosure in Financial Statements (PFRS 18)

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

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

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

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

### Subsidiaries without Public Accountability: Disclosures (PFRS 19)

PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRSs to apply reduced disclosure requirements.

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



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

RURAL BANK OF PARACALE (CAMARINES NORTE), INC.  
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### 3.02.02 Deferred

#### Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)

The amendments clarify the accounting for the sale or contribution of assets between an investor and its associate or joint venture. Gains or losses are recognized in full when the transferred assets constitute a business, and only to the extent of the share of unrelated investors when the assets do not constitute a business.

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

## 4. MATERIAL ACCOUNTING POLICIES

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

### 4.01 Financial Assets

The Bank recognizes financial assets when the Bank becomes a party to the contractual provision of the financial instruments.

#### 4.01.01 Initial Recognition and Measurement

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

#### 4.01.02 Classification

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

#### Financial Assets at Amortized Cost

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

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

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

As of December 31, 2025 and 2024, the Bank's cash and cash equivalents, due from BSP, due from other banks, investment securities and loans and receivables are classified under this category as disclosed in Notes 8, 9 and 10.

Cash and cash equivalents include cash on hand, cash in bank, and short-term placements. These are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



# RURAL BANK OF PARACALE (Camarines Norte), INC.

## Paracale, Camarines Norte

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### Financial assets at FVOCI

Financial assets at FVOCI include debt and equity securities.

#### *Debt Instruments at FVOCI*

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met: (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (2) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

#### *Equity Instruments at FVOCI*

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

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

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

### Financial Assets at FVPL

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

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

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

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss. As of December 31, 2025 and 2024, the Bank does not have equity securities at FVPL.

#### 4.01.03 Reclassification

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



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

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

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

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

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

#### 4.01.04 Derecognition

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

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

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

#### 4.01.05 Impairment of Financial Assets

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

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



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Moreover, the Bank has established a threshold for segmentation of loans subject to individual and collective assessment. For individual assessment, the amount of threshold is above ₱300,000, and credit grading system or post-evaluation process is used in the evaluation of borrowers' financial condition, risk rating, collateral and business status.

#### 4.02 Bank Premises, Furniture, Fixtures and Equipment

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

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

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building	–	up to 30 years
Furniture, fixtures and equipment	–	up to 5 years
Transportation equipment	–	up to 5 years

Land is not depreciated. Leasehold improvements are depreciated over the shorter between the improvements' estimated useful life or the lease term.

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

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

#### 4.03 Assets Held For Sale

Assets held for sale include real and other properties (chattels) acquired, through repossession or foreclosure, that the Bank intends to sell within one year from the date of classification as held for sale.

The Bank classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and there is sufficient evidence that the Bank remains committed to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as assets held for sale and their fair value less costs to sell. The Bank shall recognize an impairment loss for any initial and subsequent write-down of the asset to fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized.



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If the Bank has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Bank shall cease to classify the asset as held for sale and will reclassify it as investment properties for land and building, or other properties for chattel and other assets. For building under investment properties or other properties, this would be subject to depreciation.

The profit or loss arising from the sale of assets held for sale is included as part of Income from assets sold or exchanged under Other Operating Income account in the statement of comprehensive income.

#### 4.04 Investment Properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed using straight-line method based on the estimated useful lives of the assets of 10 years. Land is not depreciated. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher between the property's fair value less cost to sell and value in use.

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

Transfers are made to investment properties when there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers to and from investment property do not result in gain or loss.

#### 4.05 Other Assets

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

#### 4.06 Impairment of Non-financial Assets

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



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Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

#### 4.07 Financial Liabilities and Equity Instruments

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 unfavourable to the entity; or
- b. a 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 variable 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.

##### 4.07.01 Classification as Financial Liability or Equity Instrument

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

##### 4.07.02 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

- Capital stock

Capital stock represents the nominal value of shares that have been issued and are classified as equity instruments. Capital stock is classified as equity instruments.

- Surplus reserves

Surplus reserve is a portion of earnings that are appropriated for specific purposes as approved by the Board of Directors.

- Surplus free

Surplus free represents all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividend declared if any.

Dividends on equity are recognized when they are declared and approved by BSP.

##### 4.07.03 Financial Liabilities

Financial liabilities of the Bank include deposit liabilities, bills payable, accrued interest and other expenses, and other liabilities (excluding government-related payables and non-financial liabilities).

Financial liabilities are recognized when the Bank becomes a party to the contractual agreements of the instrument where the substance of the arrangement result in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.



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Financial liabilities are initially recognized at fair value, except for financial liabilities at FVTPL, plus transaction costs, and subsequently measured at amortized cost less payments. Amortized cost is calculated by taking into account any discount or premium, if any, on the issue and fees that are an integral part of the effective interest rate.

#### 4.07.04 Derecognition of Financial Liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### **4.08 Related Party Relationships and Transactions**

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

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

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

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

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

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

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

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



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(10) Establishment of joint venture entities.

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

#### 4.09 Revenue Recognition

##### 4.09.01 Revenue Recognition for Revenues within the scope of PFRS 15

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

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

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

##### Income from Assets Sold or Exchanged

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

##### Fees, Commissions, and Other Income

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

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

Other income, which comprise mostly of penalties, are recognized only upon collection or where there is a reasonable degree of certainty as to their collectability.

##### 4.09.02 Revenue Recognition for Revenues outside the scope of PFRS 15

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

##### Interest income on loans receivables

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 Bank shall only charge interest based on the outstanding balance of a loan. For a loan where the principal is payable in installments, interest per instalment shall be calculated based on the outstanding balance of the loan.

##### Loan fees and service charge

The Bank earns fees from a diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. Service fees are collected from borrowers to cover direct and indirect expenses in processing credit applications.

##### Interest income on due from other banks and investment securities at amortized cost

Interest on due from other banks and investment securities at amortized cost are recognized in the statement of comprehensive income using the effective interest method.

##### Recovery on charged-off assets

Income arising from collection on accounts or recoveries from impairment of previously written off are recognized in the year of recovery.



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#### 4.10 Cost and Expense Recognition

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

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

#### 4.11 Leases

##### The Bank as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

#### 4.12 Employee Benefits

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

##### 4.12.01 Short-term Employee Benefits

The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, non-monetary benefits, and other short-term benefits.

##### 4.12.02 Retirement Benefits

The Bank has an unfunded, noncontributory, defined benefit retirement plan covering all qualified employees. Employees' normal retirement benefits will be computed equal to 100% of plan salary for every year of credited service. Retirement from service of the Bank shall be compulsory upon employees' attainment of the age of sixty (60) years with completion of at least five (5) years of service.

The Bank recognizes its retirement benefit obligation using the accrual approach. Under the accrual approach, the accrued monthly benefit that will be recognized is equivalent to a one half (1/2) of monthly salary for every year of service of each employee with at least five (5) years of service.

#### 4.13 Borrowing Costs

Borrowing costs are generally expensed when incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred, and ceases when the assets are ready for their intended use.

#### 4.14 Income Tax

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



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#### 4.14.01 Current Income Tax

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

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

#### 4.14.02 Deferred Income Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry-forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

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

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

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

### **4.15 Provisions, Contingent Liabilities and Contingent Assets**

#### 4.15.01 Provisions

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

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

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

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



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#### 4.15.02 Contingent Assets and Contingent Liabilities

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

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

#### **4.16 Fair Value Measurement**

The Bank measures financial instruments at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal and the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market price in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges. (For example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.);
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market prices in its valuations where possible.

Basis of fair value measurements are further discussed in Note 7.

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.



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#### 4.17 Events after the Reporting Date

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

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS USED

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

##### 5.01 Critical Judgments in Applying Accounting Policies

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

###### 5.01.01 Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Bank, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the normal operations of the Bank.

###### 5.01.02 Classification of Financial Assets

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

Management assessed that there is no change in the objective of holding the investments. The carrying amounts of investment securities at amortized cost are ₱ 33,935,366 and ₱34,636,650 as of December 31, 2025 and 2024, respectively, as disclosed in Note 9.

###### 5.01.03 Determining Whether or Not a Contract Contains a Lease

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

###### Identified Asset

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

###### Substantive Substitution Rights

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



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

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

#### Right to Obtain Substantially all of the Economic Benefits from the Use of the Identified Asset

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

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

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

#### Right to Direct the Use of the Identified Asset

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

The Bank has assessed that that all of its lease contracts are under operating leases due to its terms of a year or less.

#### 5.01.04 Determining Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. The Bank takes into consideration its present, legal or constructive obligations, if any in accordance with its policies and management's assessment.

#### 5.01.05 Determining Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models was taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.



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### 5.01.06 Determining Fair Value Acquired Assets Classified as Assets Held for Sale

The Bank determines the fair value of the acquired properties through internally-generated or externally-generated appraisal. The appraised value is determined based on the current economic and market conditions as well as physical condition of the properties.

### 5.01.07 Classifying Real and Other Properties Acquired (ROPA)

The Bank acquires properties in settlement of loans through foreclosure or dation in payment. These properties are recognized in accordance with Section 382 of the MORB, as follows:

- 1) Land and buildings held for rentals or capital appreciation shall be accounted for using the cost model under PAS 40 "Investment Property";
- 2) Other non-financial assets shall be accounted for using the cost model under PAS 16 "Property Plant and Equipment", provided that these are held for use in the production or supply of goods or services, or for administrative purposes; and
- 3) PFRS 5 "Non-Current Assets Held for Sale" when the properties comply with the provisions of the standard.

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

### 5.01.08 Determining Asset Impairment

The Bank performs an impairment review when certain impairment indicators are present. Determining the fair value of BPFPE and assets held for sale, which require 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 BPFPE and assets held for sale associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under generally accepted accounting principles in the Philippines.

Management has determined that the Bank's BPFPE and assets held for sale are not impaired, hence, no additional impairment loss were recognized in both 2025 and 2024.

### 5.01.09 Determining Method of Computing ECL

As stated in BSP Circular No. 1011, BSP-supervised financial institutions with credit operations that may not economically justify the adoption of simple loan loss estimation methodology that is compliant with PFRS 9, shall, at a minimum, be subject to regulatory guidelines in setting up allowance for credit losses prescribed under Appendix 15 of the BSP MORB.

Following the guidance of BSP Circular No. 1011 and Appendix 100 of the BSP MORB, in adopting PFRS 9 impairment requirements, the Bank assessed the ECL in accordance with the said standard and based on management judgement it was determined that the amount recognized as allowance based on Appendix 15 of BSP MORB is reasonable.

## **5.02 Key Sources of Estimation Uncertainty**

### 5.02.01 Estimating Allowances for Credit Losses

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



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

As of December 31, 2025 and 2024, loans and other receivables amounted to ₱446,395,344 and ₱414,830,760, respectively, net of allowance for credit losses amounting to ₱28,547,623 and ₱38,171,319, respectively, as disclosed in Note 10.

### 5.02.02 Estimating Useful Lives of Assets

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment (BPFPE) based on the period over which the assets are expected to be available for use. The estimate useful lives of BPFPE are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of BPFPE is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results operations could be materially affected by changes in estimates brought about by changes in factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

The Bank has BPFPE stated at carrying value of ₱19,498,518 and ₱20,411,877 as of December 31, 2025 and 2024, respectively, as disclosed in Note 11.

### 5.02.03 Determining Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Management believes that it is highly probable they will generate taxable profit to allow part of the deferred tax assets to be utilized. Thus, they decided to recognize deferred tax asset for temporary differences starting the year ended December 31, 2019. The Bank's deferred tax assets amounted to ₱11,353,367 and ₱13,314,289 as of December 31, 2025 and 2024, respectively, as disclosed in Note 24.

## 6. RISK MANAGEMENT OBJECTIVES AND POLICIES

### 6.01 General Risk Management Principles

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

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

	Notes	2025	2024
			As restated
<b>Financial assets</b>			
Cash and other cash items	8	₱ 18,808,704	₱ 19,865,975
Due from Bangko Sentral ng Pilipinas	8	9,752,194	9,977,605
Due from other banks	8	94,092,114	85,955,056
Investment securities at amortized cost	9	33,935,366	34,636,650
Loans and other receivables – net	10	446,395,344	414,830,760
Other assets*	14	2,181,584	2,132,803
		₱ 605,165,306	₱ 567,398,849



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<b>Financial liabilities</b>			
Deposit liabilities	15	<b>487,896,106</b>	431,492,596
Bills payable	16	–	3,573,580
Accrued taxes, interest and other expenses**	17	<b>4,268,275</b>	3,458,803
Other liabilities***	19	<b>63,603,574</b>	61,340,805
		<b>P 555,767,955</b>	P 499,865,784

\*excluding non-financial assets amounting to P2,675,934 and P1,504,538 in 2025 and 2024, respectively, and net of allowance for credit losses amounting to P323,320 and P355,010 in 2025 and 2024, respectively, as disclosed in Note 14.

\*\*excluding accrued taxes amounting to P1,286,467 and P1,302,996 in 2025 and 2024, respectively, as disclosed in Note 17.

\*\*\*excluding non-financial liabilities amounting to P2,110,383 and P1,519,029 in 2025 and 2024, respectively, as disclosed in Note 19.

### 6.01.01 Credit Risk and Concentration of Assets and Liabilities and Off-balance Sheet Items

Credit risk is the risk to earnings or capital arising from a counterparty failure to perform and meet the terms of its contract with the Bank subjecting the latter to a financial loss. Credit risk may last for the entire tenor and may approximate to the full amount of a transaction and in some cases may exceed the original principal exposure.

Credit risk inherent in the lending activities and the Bank manages it in accordance with a credit risk management framework that spans for identification, measurement, control, monitoring and reporting.

To manage credit risk, the Bank conducts credit investigation and background checking and follows written manuals and procedures for loan disbursements, monitoring and collection. Policies of loan diversification like maximum loan size, types of loans, loan structures are instituted to avoid concentration in a particular sector or area to lessen portfolio risk.

The Management closely monitors the overall credit operations and acts on the identified existing and potential risks appropriately for reporting during regular meetings of the BOD.

### 6.01.02 Maximum Exposure to Credit Risk before Collateral Held or Other Credit Enhancements

An analysis of the maximum exposure to credit risk relating to on-balance sheet assets without taking into account of any collateral held or other credit enhancements is shown below:

	Notes	2025	2024 As restated
Checks and other cash items	8	<b>P 18,808,704</b>	P 19,865,975
Due from BSP	8	<b>9,752,194</b>	9,977,605
Due from other banks	8	<b>94,092,114</b>	85,955,056
Investment securities at amortized cost	9	<b>33,935,366</b>	34,636,650
Loans and other receivables*	10	<b>486,750,844</b>	458,023,925
Other assets**	14	<b>2,181,584</b>	2,132,803
		<b>P 645,520,806</b>	P 610,592,014

\*gross of allowance for credit losses and unamortized discount amounting to P40,355,500 and P43,193,165 in 2025 and 2024, respectively, as disclosed in Note 10.

\*\*excluding non-financial assets amounting to P2,675,934 and P1,504,538 in 2025 and 2024, respectively, and net of allowance for credit losses amounting to P323,320 and P355,010 in 2025 and 2024, respectively, as disclosed in Note 14.

Where financial instruments are recorded at fair value, the amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.



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### 6.01.03 Credit Quality of Financial Assets

The following tables show the credit quality of financial assets as of December 31, 2025 and 2024.

2025	Neither past due nor impaired	Past due but not impaired	Nonperforming individually impaired	Total
Cash and other cash items	18,808,704	–	–	18,808,704
Due from BSP	9,752,194	–	–	9,752,194
Due from other banks	94,092,114	–	–	94,092,114
Loans receivable	443,997,791	14,801,412	21,499,781	480,298,984
Sales contract receivable	–	1,598,100	1,779,095	3,377,195
Accrued interest receivable	3,074,665	–	–	3,074,665
Investment securities at amortized cost	33,935,366	–	–	33,935,366
Other assets*	2,181,584	–	–	2,181,584
	<b>605,842,418</b>	<b>16,399,512</b>	<b>23,278,876</b>	<b>645,520,806</b>

\*excluding non-financial assets amounting to ₱2,675,934 in 2025, as disclosed in Note 14



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2024	Neither past due nor impaired	Past due but not impaired	Nonperforming individually impaired	Total
Cash and other cash items	19,865,975	–	–	19,865,975
Due from BSP	9,977,605	–	–	9,977,605
Due from other banks	85,955,056	–	–	85,955,056
Loans receivable	379,483,181	41,911,855	32,764,591	454,074,854
Sales contract receivable	–	1,692,358	2,265,164	3,957,522
Accrued interest receivable	3,808,048	899,126	–	4,707,174
Investment securities at amortized cost	34,636,650	–	–	34,636,650
Other assets*	2,132,803	–	–	2,132,803
	535,859,318	44,503,339	35,029,755	615,307,639

\*excluding non-financial assets amounting to ₱1,504,538 in 2024, as disclosed in Note 14.

Neither past due nor impaired cash on hand and in banks are working capital cash fund placed, invested, or deposited in local commercial and universal banks which are considered top tier banks in terms of capitalization as categorized by the BSP. Other neither past due nor impaired accounts are financial assets that have a very remote likelihood of default and have consistently exhibited good paying habits. Overall credit risk, if any, is not assessed to be significant.

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

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

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

#### 6.01.04 Aging Analysis

An aging analysis of the Bank's loans receivables, gross of allowance for credit losses and unamortized discount, as of December 31, 2025 and 2024 are as follows:

	2025	2024
Outstanding receivables:		
Current accounts	₱ 443,997,791	₱ 379,483,181
Past due accounts:		
1 – 30 days past due	5,121,818	15,883,018
31 – 60 days past due	1,894,723	13,617,635
61 – 90 days past due	915,152	13,279,361
over 90 days past due	28,369,500	31,811,659
	₱ 480,298,984	₱ 454,074,854

#### 6.02 Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.



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The Bank seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Bank's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

As of December 31, 2025 and 2024, the Bank's minimum liquidity ratio are 32.54% and 24.28%, respectively.

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

2025	On demand	Due within one year	Due beyond one year	Total
<b>Financial assets</b>				
Cash and other cash items	18,808,704	–	–	18,808,704
Due from BSP	9,752,194	–	–	9,752,194
Due from other banks	94,092,114	–	–	94,092,114
Investment securities at amortized cost	–	33,639,186	296,181	33,935,367
Loans and other receivables*	35,106,357	166,926,282	284,718,205	486,750,844
Other assets**	2,181,584	–	–	2,181,584
	<b>159,940,953</b>	<b>200,565,468</b>	<b>285,014,386</b>	<b>645,520,807</b>
<b>Financial liabilities</b>				
Deposit liabilities	322,724,196	160,805,430	4,366,480	487,896,106
Accrued taxes, interest and other expenses***	–	4,385,230	–	4,385,230
Other liabilities****	63,603,574	–	–	63,603,574
	<b>386,327,770</b>	<b>165,190,660</b>	<b>4,366,480</b>	<b>555,884,910</b>

\*gross of allowance for credit losses and unamortized discount amounting to ₱40,355,500 in 2025, as disclosed in Note 10.

\*\*excluding non-financial assets amounting to ₱2,675,934 in 2025, as disclosed in Note 14.

\*\*\*excluding accrued taxes amounting to ₱1,286,467 in 2025, as disclosed in Note 17.

\*\*\*\*excluding non-financial liabilities amounting to ₱2,110,383 in 2025, as disclosed in Note 19.

2024	On demand	Due within one year	Due beyond one year	Total
<b>Financial assets</b>				
Cash and other cash items	19,865,975	–	–	19,865,975
Due from BSP	9,977,605	–	–	9,977,605
Due from other banks	85,955,056	–	–	85,955,056
Investment securities at amortized cost	5,390,976	8,016,991	21,228,683	34,636,650
Loans and other receivables*	32,810,648	198,947,886	230,981,016	462,739,550
Other assets**	2,132,803	–	–	2,132,803
	<b>156,133,063</b>	<b>206,964,877</b>	<b>252,209,699</b>	<b>615,307,639</b>
<b>Financial liabilities</b>				
Deposit liabilities	304,836,277	109,883,471	16,772,848	431,492,596
Bills payable	17,708	1,332,148	2,223,724	3,573,580
Accrued taxes, interest and other expenses***	–	3,458,803	–	3,458,803
Other liabilities****	61,340,805	–	–	61,340,805
	<b>366,194,790</b>	<b>114,674,422</b>	<b>18,996,572</b>	<b>499,865,784</b>

\*gross of allowance for credit losses and unamortized discount amounting to ₱43,193,165 in 2024, as disclosed in Note 10.

\*\*excluding non-financial assets amounting to ₱1,504,538 in 2024, as disclosed in Note 14.

\*\*\*excluding accrued taxes amounting to ₱1,302,996 in 2024, as disclosed in Note 17.

\*\*\*\*excluding non-financial liabilities amounting to ₱1,519,029 in 2024, as disclosed in Note 19.



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### 6.03 Interest Rate Risk

Interest rate risk is the risk to the earning or capital resulting from adverse movements in the interest rates. The Bank closely monitors the movements of interest rates in the market and reviews its asset and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits. The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Bank is not exposed to interest rate risk since its financial assets and financial liabilities have fixed rates.

### 6.04 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Bank's objective is to manage operational risk 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.

The primary responsibility of the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- a) Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- b) Requirements for the reconciliation and monitoring of transactions;
- c) Compliance with regulatory and other legal requirements;
- d) Documentation of controls and procedures;
- e) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- f) Requirements for the reporting of operational losses and proposed remedial action;
- g) Development of contingency plans;
- h) Training and professional development;
- i) Ethical and business standards; and
- j) Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

## 7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

### 7.01 Fair Value Hierarchy

The Bank uses the following hierarchy as guide for determining fair value of financial instruments:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchange;



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Level 2: 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 for the asset or liability that are not based on observable market data (observable inputs). This level includes equity investment (if any,) and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The Bank has no financial instruments that fall under this category.

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

### 7.02 Fair Value Determination

Basis or assumptions in determining the fair value of financial instruments are disclosed below:

#### 7.02.01 Due from BSP and Other Banks

The estimated fair value of fixed interest-bearing deposits is made based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

#### 7.02.02 Investment Securities at Amortized Cost

The fair value for investment securities at amortized cost is based on market prices. Where this information is not available, the fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics or through valuation techniques using discounted cash flow analysis.

#### 7.02.03 Loans and Other Receivables

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

#### 7.02.04 Deposit Liabilities

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

#### 7.02.05 Bills Payable, Accrued Interest and Other Expenses, and Other Liabilities

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

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



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### 8. CASH AND CASH EQUIVALENTS

The account consists of the following:

	2025	2024
Cash and other cash items:		
Cash on hand	P 18,737,797	P 17,459,216
Checks and other cash items	70,907	2,406,759
	<b>18,808,704</b>	19,865,975
Due from Bangko Sentral ng Pilipinas	9,752,194	9,977,605
Due from other banks	94,092,114	85,955,056
	<b>103,844,308</b>	95,932,661
	<b>P 122,653,012</b>	<b>P 115,798,636</b>

Cash and other cash items represent actual cash in vault and those in possession of the cashier and the tellers.

Due from Bangko Sentral ng Pilipinas is the balance of demand deposit maintained in compliance with the BSP requirement for rural bank to maintain reserves on savings and time deposits and on certain deposit and deposit substitute liabilities.

On June 23, 2023, BSP issued Circular No. 1175 amending Section 251 of the MORB, decreasing the reserve requirement from 2% to 1% effective reserve week of June 30, 2023. On September 20, 2024, BSP issued Circular No. 1201, decreasing the reserve requirement from 1% to 0% effective reserve week of October 25, 2024. For December 31, 2025 and 2024, the Bank is compliant with the reserve requirement as set by the BSP.

Due from other banks comprise demand deposits and savings deposits. Savings deposits earn interest at prevailing bank deposit rates.

Interest earned on deposits on local banks amounted to P67,761 and P53,359 in 2025 and 2024, respectively.

### 9. INVESTMENT SECURITIES AT AMORTIZED COST

This account consists of the following:

	2025	2024
Retail treasury bonds	P 20,000,000	P 20,000,000
Agri-agra Alternative Compliance:		
Producers Savings Bank	13,362,271	12,858,699
Agrarian reform bonds – LBP (10-year bonds)	573,095	1,777,951
	<b>P 33,935,366</b>	<b>P 34,636,650</b>

Movements of the account are as follows:

	2025	2024
At January 1	P 34,636,650	P 34,599,343
Acquisition	13,362,271	12,858,699
Proceeds from maturity/redemption	(14,063,555)	(12,821,392)
At December 31	<b>P 33,935,366</b>	<b>P 34,636,650</b>



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Special time deposit in place serves as an alternative compliance with the mandatory agrarian/agricultural reform credit.

Total interest earned on these financial assets amounted to ₱930,843 and ₱1,148,699 for the years ended December 31, 2025 and 2024, respectively.

### 10. LOANS AND OTHER RECEIVABLES – net

The account consists of the following:

	2025	2024 As restated
Current loans	₱ 443,997,791	₱ 379,483,181
Past due loans	36,301,193	74,591,673
Loans receivable	480,298,984	454,074,854
Unearned interests and discounts	(11,522,702)	(9,290,531)
Loans receivable – net of discount*	468,776,282	444,784,323
Sales contract receivables	3,377,195	3,957,522
Unearned interests and discounts	(285,174)	(446,940)
Sales contract receivables – net of discount	3,092,021	3,510,582
Accrued interest receivable	3,074,665	4,707,174
	474,942,968	453,002,079
Allowance for credit losses:		
Loans receivable	(28,341,547)	(37,726,435)
Sales contract receivables	(206,077)	(206,077)
Accrued interest receivable	–	(238,807)
	(28,547,624)	(38,171,319)
	₱ 446,395,344	₱ 414,830,760

\*The amounts presented include loans funded by the Agricultural Credit Policy Council (ACPC) amounting to ₱59,662,955 and ₱57,070,220 as of December 31, 2025 and 2024, respectively.

The Bank's loan accounts are stated at the outstanding balance, reduced by estimated allowance for credit losses and unearned interest and discounts. Total earned interest on loans amounted to ₱78,352,513 and ₱85,982,077 for the years ended December 31, 2025 and 2024, respectively.

The promissory notes of loans receivables are pledged as security for the related bills payable, amounting to nil and ₱3,573,580 as of December 31, 2025 and 2024, respectively, as disclosed in Note 16.

Sales contract receivable 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 the agreed selling price.

The Bank earned interest on sales contract receivable amounting to ₱359,250 and ₱391,712 for years ended December 31, 2025 and 2024, respectively.



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Status of sales contract receivables are the following:

	2025		2024	
Performing	P	1,598,100	P	1,692,359
Non-performing		1,779,095		2,265,163
	P	3,377,195	P	3,957,522



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The changes in the allowance for credit losses on loans receivables for the years ended December 31, 2025 and 2024:

	Agri-agra loans	MSME loans	Microfinance loans	Other loans	Total
Balance, December 31, 2023	P 5,303,855	P 8,013,552	P 5,131,413	P 20,605,961	P 39,072,781
Provision for (reversal of) credit losses	(387,410)	3,492,578	565,112	2,047,007	5,717,288
Write-off	(984,753)	–	(860,753)	(5,522,157)	(7,367,663)
ACL transferred from SCR	–	322,030	–	–	322,030
Balance, December 31, 2024, as restated	3,931,692	11,828,160	4,835,772	17,130,811	37,726,433
Provision for (reversal of) credit losses	77,563	(4,062,297)	182,309	3,804,135	1,710
Write-off	(2,517,959)	–	(2,783,821)	(4,084,816)	(9,386,596)
<b>Balance, December 31, 2025</b>	<b>P 1,491,296</b>	<b>P 7,765,863</b>	<b>P 2,234,260</b>	<b>P 16,850,128</b>	<b>P 28,341,547</b>

Breakdown of the allowance for credit losses on loans and other receivables as to specific and general are disclosed below:

	Agri-agra loans	MSME loans	Microfinance loans	Other loans	Total
<b>2025</b>					
Specific loan loss provision	P 1,338,541	P 6,028,514	P 2,127,334	P 15,362,353	P 24,856,743
General loan loss provision	152,755	1,737,349	106,926	1,487,775	3,484,804
<b>Balance, December 31, 2025</b>	<b>P 1,491,296</b>	<b>P 7,765,863</b>	<b>P 2,234,260</b>	<b>P 16,850,128</b>	<b>P 28,341,547</b>
<b>2024</b>					
As restated	Agri-agra loans	MSME loans	Microfinance loans	Other loans	Total
Specific loan loss provision	P 3,820,463	P 10,296,294	P 4,725,026	P 15,820,854	P 34,662,637
General loan loss provision	111,229	1,531,866	110,746	1,309,957	3,063,798
<b>Balance, December 31, 2024</b>	<b>P 3,931,692</b>	<b>P 11,828,160</b>	<b>P 4,835,772</b>	<b>P 17,130,811</b>	<b>P 37,726,435</b>



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The changes in the allowance for credit losses on sales contract receivables for the years ended December 31, 2025 and 2024:

	2025	2024
Balance, January 1	P 206,077	P 361,482
Provision for credit losses	-	198,563
Transfer to loans receivable	-	(322,030)
Adjustment	-	(31,938)
<b>Balance, December 31</b>	<b>P 206,077</b>	<b>P 206,077</b>

The changes in the allowance for credit losses on accrued interest receivable for the years ended December 31, 2025 and 2024:

	2025	2024
Balance, January 1	P 238,807	P 183,897
Provision for credit losses	-	54,910
Reversal	(238,807)	-
<b>Balance, December 31</b>	<b>P -</b>	<b>P 238,807</b>

The allowance for credit losses which includes both specific and general loan loss reserves, represents management estimates of credit losses inherent in the portfolio, after consideration of the prevailing and anticipated economic conditions, prior to loss experience, estimated recoverable value based on fair market values of underlying collateral and prospects of support from guarantors, subsequent collections.

The BSP observes certain criteria and guidelines based largely on the classification of loans in establishing specific loss reserves.

### 10.01 Past Due Loans

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

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

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

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

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

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



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### 10.02 Non-Performing Loans

As of December 31, 2025 and 2024, NPLs not fully covered by allowance for credit losses are as follows:

	2025	2024
Total non-performing loans*	P 28,228,005	P 44,296,348
Less: Non-performing loans covered by allowance for credit losses	(21,025,740)	(26,351,143)
	P 7,202,265	P 17,945,205

\*excluding non-performing ACPC-sponsored loans amounting to P3,803,867 and P8,828,719 for 2025 and 2024 respectively.

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

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

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

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

Information regarding the Bank's non-performing loans are as follows:

	2025	2024
Ratio of gross NPLs to gross TLP (%)	6.71%	11.16%
Ratio of net NPLs to gross TLP (%)	1.71%	4.52%
Ratio of total allowance for credit losses to gross NPLs (%)	100.40%	85.17%
Ratio of specific allowance for credit losses on gross TLP to gross NPLs (%)	88.06%	78.25%

Computed ratios excluded non-performing ACPC-sponsored loans since no risk is involved as it is funded by the council and the Bank only serves as a partner lending conduit.



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11. **BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net**

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

2025	Land	Building	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Building under Construction	Total
<b>Cost:</b>							
Balance, January 1	P 8,093,813	P 18,164,346	P 24,487,076	P 5,268,480	P 298,087	P 424,944	P 56,736,746
Additions	–	662,576	601,820	426,560	–	–	1,690,956
Disposals	–	–	(12,016,470)	(1,358,880)	–	–	(13,375,350)
Reclassification	–	–	15,944	–	–	(15,944)	–
<b>Balance, December 31</b>	<b>8,093,813</b>	<b>18,826,922</b>	<b>13,088,370</b>	<b>4,336,160</b>	<b>298,087</b>	<b>409,000</b>	<b>45,052,352</b>
<b>Accumulated depreciation</b>							
Balance, January 1	–	11,209,203	21,435,967	3,431,108	248,591	–	36,324,869
Depreciation	–	733,250	1,324,900	512,162	13,498	–	2,583,810
Disposals	–	–	(11,995,966)	(1,358,879)	–	–	(13,354,845)
<b>Balance, December 31</b>	<b>–</b>	<b>11,942,453</b>	<b>10,764,901</b>	<b>2,584,391</b>	<b>262,089</b>	<b>–</b>	<b>25,553,834</b>
<b>Carrying amount</b>	<b>P 8,093,813</b>	<b>P 6,884,469</b>	<b>P 2,323,469</b>	<b>P 1,751,769</b>	<b>P 35,998</b>	<b>P 409,000</b>	<b>P 19,498,518</b>



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2024	Land	Building	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Building under Construction	Total
<b>Cost:</b>							
Balance, January 1	P 8,349,987	P 19,063,086	P 23,166,730	P 3,401,085	P 298,087	P 282,000	P 54,560,975
Additions	–	173,281	1,352,901	1,924,800	–	142,944	3,593,926
Disposals	(256,174)	(1,072,021)	–	–	–	–	(1,328,195)
Derecognition	–	–	(32,555)	(57,405)	–	–	(89,960)
Balance, December 31	8,093,813	18,164,346	24,487,076	5,268,480	298,087	424,944	56,736,746
<b>Accumulated depreciation</b>							
Balance, January 1	–	10,770,347	19,990,079	3,401,073	233,968	–	34,395,467
Depreciation	–	657,163	1,478,682	87,439	14,623	–	2,237,907
Disposals	–	(215,302)	–	–	–	–	(215,302)
Derecognition	–	–	(32,555)	(57,404)	–	–	(89,959)
Adjustments	–	(3,005)	(239)	–	–	–	(3,244)
Balance, December 31	–	11,209,203	21,435,967	3,431,108	248,591	–	36,324,869
Carrying amount	P 8,093,813	P 6,955,143	P 3,051,109	P 1,837,372	P 49,496	P 424,944	P 20,411,877



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Management believes that there are no indications of impairment in the value of its bank premises, furniture, fixtures and equipment as of December 31, 2025 and 2024.

No bank premises, furniture, fixtures and equipment were used as collateral for liabilities as at December 31, 2025 and 2024. Moreover, the Bank has no commitment to purchase bank premises, furniture, fixtures and equipment as of December 31, 2025 and 2024.

All additions in 2025 and 2024 were paid in cash.

During 2025, the Bank disposed several fixed assets with net book value amounted to ₱20,505 for a cash selling price of ₱152,730, resulting to gain on sale of ₱132,225 as disclosed in Note 22.

During 2024, the Bank disposed land and building with net book value amounted to ₱256,174 and ₱856,719, respectively, for selling price of ₱1,629,026, net of discount amounting to ₱70,974, resulting to gain on sale of ₱516,133 as disclosed in Note 22. Collection of principal during the year amounted to ₱833,335.

Under existing BSP regulations, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the Bank's unimpaired capital. As of December 31, 2025 and 2024, the Bank has satisfactorily complied with this provision.

### 12. ASSETS HELD FOR SALE – net

This account pertains to real and other properties acquired (ROPA) in settlement of loans.

	Note	2025	2024
Balance, January 1		₱ 23,428,444	₱ 22,117,729
Additions		22,144,700	4,456,655
Disposals		(3,189,416)	(2,825,940)
Reclassification	13	–	(320,000)
		<b>42,383,728</b>	<b>23,428,444</b>
<b>Accumulated depreciation:</b>			
Balance, January 1		3,993,045	3,980,917
Depreciation		258,450	830,654
Disposals		(121,416)	(547,019)
Reclassification	13	–	(271,507)
		<b>4,130,079</b>	<b>3,993,045</b>
<b>Allowance for impairment:</b>			
Balance, January 1		17,912	17,912
Adjustments		–	–
		<b>17,912</b>	<b>17,912</b>
Carrying amount		<b>₱ 38,235,737</b>	<b>₱ 19,417,487</b>

In 2025, the Bank sold assets held for sale with carrying amount of ₱3,068,000 for a selling price of ₱7,230,470, recognizing a gain amounting to ₱4,162,470, as disclosed in Note 22. Collection during the year amounted to ₱4,563,000.

In 2024, the Bank sold assets held for sale with carrying amount of ₱2,278,921 for a selling price of ₱5,372,631, recognizing a gain amounting to ₱3,093,710, as disclosed in Note 22. Collection during the year amounted to ₱3,906,000.



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The fair value of the assets held for sale as of December 31, 2025 and 2024 amounted to ₱54,197,863 and ₱51,106,744. Such fair values have been determined by in-house appraisers on the basis of recent sales of similar property in the same area as the assets held for sale, which were adjusted for differences in key attributes such as property size, zoning, and accessibility, and taking into account the economic conditions prevailing at the time the valuations were made.

The Bank carried out a review of the recoverable amounts of its assets held for sale. The Bank has determined that there is no indication that an additional impairment loss has occurred on its assets held for sale.

### 13. INVESTMENT PROPERTIES – net

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

2025	Land	Building	Total
<b>Cost:</b>			
Balance, January 1	₱ 1,357,484	₱ 2,547,499	₱ 3,904,983
Additions	1,147,902	2,182,415	3,330,317
<b>Balance, December 31</b>	<b>2,505,386</b>	<b>4,729,914</b>	<b>7,235,300</b>
<b>Accumulated depreciation</b>			
Balance, January 1	₱ –	₱ 1,376,234	₱ 1,376,234
Depreciation Expense	–	646,879	646,879
<b>Balance, December 31</b>	<b>–</b>	<b>2,023,113</b>	<b>2,023,113</b>
<b>Carrying amount</b>	<b>₱ 2,505,386</b>	<b>₱ 2,707,301</b>	<b>₱ 5,212,187</b>
<hr/>			
2024	Land	Building	Total
<b>Cost:</b>			
Balance, January 1	₱ 1,308,991	₱ 2,275,992	₱ 3,584,983
Reclassification (Note 12)	48,493	271,507	320,000
<b>Balance, December 31</b>	<b>1,357,484</b>	<b>2,547,499</b>	<b>3,904,983</b>
<b>Accumulated depreciation</b>			
Balance, January 1	₱ –	₱ 901,656	₱ 901,656
Depreciation Expense	–	203,071	203,071
Reclassification (Note 12)	–	271,507	271,507
<b>Balance, December 31</b>	<b>–</b>	<b>1,376,234</b>	<b>1,376,234</b>
<b>Carrying amount</b>	<b>₱ 1,357,484</b>	<b>₱ 1,171,265</b>	<b>₱ 2,528,749</b>

The reclassified property pertains to previously recognized as assets held for sale which are being leased with the following terms:

- A residential building and lot situated at Brgy. Camambugan, Daet, Camarines Norte leased to Leny Dongon entered on August 31, 2022; and
- A residential building and lot situated at Urban Poor, Brgy. Alawihao, Daet, Camarines Norte leased to Emy Manuel entered on August 31, 2022.
- A residential building and lot situated at Brgy Parang, Jose Panganiban, Camarines Norte leased to Jessica Ni entered on November 29, 2022.



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Rental income earned from these lease agreements amounted to ₱407,552 and ₱59,100 as of December 31, 2025 and 2024, respectively as disclosed in Note 22.

#### 14. OTHER ASSETS

The account consists of the following:

	2025	2024
Accounts receivable	₱ 2,425,935	₱ 2,167,775
Prepaid tax	852,887	–
Stationery and supplies on hand	603,377	514,447
Prepayments	521,994	292,463
ACPC fund	23,969	265,038
Petty cash fund	55,000	55,000
Miscellaneous assets	697,676	697,628
<b>Total</b>	<b>5,180,838</b>	<b>3,992,351</b>
Allowance for credit losses	(323,320)	(355,010)
	<b>₱ 4,857,518</b>	<b>₱ 3,637,341</b>

Miscellaneous assets pertain to other deposits and investments.

Accounts receivable consists of insurance for death claims, advance payment for maternity benefits, unreplenished POS and other transactions which are to be collected for a period of less than one year.

The movements in the allowance for credit losses for other assets summarized below:

	2025	2024
Balance at beginning of year	₱ 355,010	₱ 255,010
Provision for credit losses	96,000	100,000
Reversal	(127,690)	–
	<b>₱ 323,320</b>	<b>₱ 355,010</b>

#### 15. DEPOSIT LIABILITIES

This account consists of the following:

	2025	2024
Savings deposits	₱ 322,224,196	₱ 274,202,623
Special savings deposits	165,671,910	157,289,973
	<b>₱ 487,896,106</b>	<b>₱ 431,492,596</b>

Savings earn an annual interest rate of 0.5% in 2025 and 2024. Special savings deposits earn annual interest rates of 1.25% to 5.50% in 2025 and 1.25% to 5.50% in 2024, depending on the amount and term of the placement.

Total interest expense on deposit liabilities amounted to ₱7,165,180 and ₱6,949,608 for the years ended December 31, 2025 and 2024, respectively.

Under existing BSP regulations, savings deposits and special savings deposit of the Bank are subject to statutory reserve equivalent to 0% and 1% for 2025 and 2024, respectively, except basic deposit accounts which are subject to 0% reserve requirement. As of December 31, 2025 and 2024, the Bank is compliant with such regulations.



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### 16. BILLS PAYABLE

This account represents borrowings from Land Bank of the Philippines. Movement of the account is disclosed below:

	2025	2024
Balance, January 1	P 3,573,580	P 9,437,710
Payments	(3,573,580)	(5,864,130)
<b>Balance, December 31</b>	<b>P -</b>	<b>P 3,573,580</b>

The payment terms of these bills payable is 30 days to 5 years.

The promissory notes of loans receivables are pledged as security for the related bills payable, amounting to nil and P3,573,580 as of December 31, 2025 and 2024, respectively, as disclosed in Note 10.

Interest rate per annum is 7.50%

Interest expense on bills payable charged to statement of comprehensive income for the years ended December 31, 2025 and 2024 amounted to P22,517 and P505,412, respectively.

### 17. ACCRUED TAXES, INTEREST AND OTHER EXPENSES

Details of this account are disclosed below:

	2025	2024
Accrued interest expense	P 1,664,785	P 1,370,841
Accrued taxes	1,286,467	1,302,996
Accrued other expenses	2,603,490	2,087,962
<b>Total</b>	<b>P 5,554,742</b>	<b>P 4,761,799</b>

Accrued other expenses pertain to expenses already incurred but not yet paid as of yearend, such as management fees, professional fees, provision for fuel and other year-end expenses.

Accrued taxes pertain to gross receipts tax not yet paid as of year-end.

### 18. RETIREMENT BENEFIT OBLIGATION

The Bank has no formal retirement plan but provides retirement benefits equal to one-half (1/2) of monthly salary for every year of service of each employee, with at least five (5) years of service. Benefits will be paid in lump sum upon retirement or separation in accordance with the terms of the Plan. An employee shall have at least five (5) years of continuous service with the bank.

As of December 31, 2025 and 2024, the Bank has retirement benefit obligation as shown below:

	2025	2024
<b>Balance, December 31</b>	<b>P 19,112,911</b>	<b>P 17,368,463</b>



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Movement of accrued retirement benefit is shown below:

	Note	2025	2024
Balance, January 1		<b>P 17,368,463</b>	P 14,152,684
Retirement benefit expense	23	<b>1,880,703</b>	3,602,273
Benefits paid from book reserves		<b>(136,255)</b>	(386,494)
Balance, December 31		<b>P 19,112,911</b>	P 17,368,463

Management believes that the difference between the retirement benefit obligation computed under the Bank's method versus an actuarial technique is not material.

### 19. OTHER LIABILITIES

This account consists of the following:

	2025	2024
Accounts payable	<b>P 60,478,574</b>	P 58,215,805
Deposit for stock subscription	<b>3,125,000</b>	3,125,000
Government liabilities	<b>2,102,643</b>	1,511,289
Due to the Treasurer of the Philippines	<b>7,740</b>	7,740
	<b>P 65,713,957</b>	P 62,859,834

Accounts payable refers to claims by third parties arising from the purchase of goods and services and advance remittances of borrowers for their loan obligation.

Accounts payable also includes the funds granted by the Agricultural Credit Policy Council (ACPC) to the Bank for the implementation of the following programs:

1. Production Loan Easy Access (PLEA) - special lending facility designed to address the needs of farmers and fisherfolk-borrowers that are classified as poor. The facility seeks to extend credit that is fast, convenient and at a cost affordable to the intended borrowers.
2. AgriNegosyo (ANYO) – designed to finance MSEs and farmer and fisherfolk organizations/associations, capital requirements for acquisition of machinery/equipment, construction of facilities and/or working capital requirements for agri-fishery-based income generating activities.
3. Kapital Access for Young Agripreneurs (KAYA) – designed to finance the capital requirements of start-up or existing farm/fishery business.
4. Survival and Recovery (SURE) – a quick response post-disaster support facility of the Department of Agriculture that provides immediate financial assistance package to small farmers and fisherfolk and their households in calamity-affected areas so that they may immediately regain their capacity to earn a living.

Any amount approved and released to the Bank is subject to the terms and conditions as specified in the Notice of Credit Fund Approval.

Interest income on loans which consists of finance charges prescribed by the Implementing Guidelines and specified in the Notice of Credit Fund Approval shall accrue in favor of the Bank. Such income may be used by the Bank to cover costs of social preparation, training and operating expenses incurred in administering the Program.

Total accounts payable under these programs amounted to **P59,016,293** and **P56,662,656** as of December 31, 2025 and 2024.

Accounts payable is also composed of deposit for redemption of acquired assets which is non-interest bearing and are to be settled for a period of less than one (1) year.



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Deposit for stock subscription refers to deposit for common stock subscription of the Bank's plan to increase its capitalization from ₱50,000,000 to ₱100,000,000 per Stockholders' Resolution No. 2021-04 dated March 13, 2021.

### 20. CAPITAL STOCK

#### 20.01 Common Stock

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

	2025		2024	
	Shares	Amount	Shares	Amount
Authorized capital at ₱100 par value	500,000	₱ 50,000,000	500,000	₱ 50,000,000
Issued and fully paid at ₱100 par value				
Balance, January 1	500,000	₱ 50,000,000	500,000	₱ 50,000,000
Stock dividends	-	-	-	-
<b>Balance, December 31</b>	<b>500,000</b>	<b>₱ 50,000,000</b>	<b>500,000</b>	<b>₱ 50,000,000</b>

Common stocks carry one vote per share and a right to dividends.

#### 20.02 Capital Management

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

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

Based on MORB Section 121, the Bank qualifies as a rural bank with head office in all other areas outside National Capital Region (up to 3rd class municipalities with 1 to 10 branches). This type is required to meet ₱30,000,000 minimum capitalization. On August 24, 2022, the BSP issued BSP Circular No. 1151 containing the amendments to the minimum capitalization of rural banks. Based on the new requirements, the Bank now qualifies as a rural bank with up to 5 branches. This type is required to meet ₱50,000,000 minimum capitalization.

As of December 31, 2025 and 2024, the Bank is compliant with the minimum capitalization requirements.

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

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

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

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



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

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

- a) Tier 1 Capital, which is composed of:
  - i. CET1 Capital; and
  - ii. Additional Tier 1 (AT1) Capital
- b) Tier 2 Capital

CET1 Capital consists of:

- a) Paid-up common stock
- b) Surplus
- c) Undivided profits

Subject to deductions/regulatory adjustments for:

- i. Deferred tax asset
- ii. Retirement benefit obligation

Tier 2 Capital consists of:

- a) General loan loss provision

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

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

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

	2025	2024
	In (000,000's)	As restated In (000,000's)
CET1 Capital	<b>P 111.62</b>	P 108.24
AT1 Capital	-	-
Tier 1 Capital	<b>111.62</b>	108.24
Tier 2 Capital	<b>3.48</b>	3.06
Qualifying capital	<b>115.10</b>	111.30
Total risk-weighted assets	<b>P 692.77</b>	P 686.89
CET1 Ratio	<b>16.11%</b>	15.76%
CCB	<b>10.11%</b>	9.76%
Tier 1 Capital Ratio	<b>16.11%</b>	15.76%
Total CAR	<b>16.62%</b>	16.20%



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The Bank's leverage ratio, computed as total capital over total assets, is 13.56% and 14.55% as of December 31, 2025 and 2024, respectively.

### 21. SURPLUS

#### 21.01 Surplus Free

Details of the Bank's surplus free are disclosed below:

	2025	2024 As restated
Balance, January 1	P 54,187,436	P 46,794,509
Dividends	(5,000,000)	-
Profit	4,721,717	7,392,927
<b>Balance, December 31</b>	<b>P 53,909,153</b>	<b>P 54,187,436</b>

In 2025, through Board Resolution No. 2025-090 dated April 29, 2025, the Bank declared and paid cash dividends amounting to P5,000,000.

### 22. OTHER OPERATING INCOME

This account consists of the following:

	2025	2024
Gain on sale of non-financial assets	P 4,294,695	P 3,609,843
Recovery on charged-off assets	945,724	67,729
Rental income	407,552	59,100
Bank fees and commissions	166,306	255,471
Miscellaneous income	5,021,368	6,341,677
	<b>P 10,835,645</b>	<b>P 10,333,820</b>

Details of gain on sale of non-financial assets are shown below:

	Notes	2025	2024
Gain on sale of:			
Assets held for sale	12	P 4,162,470	P 3,093,710
Bank premises, furniture, fixtures and equipment	11	132,225	516,133
		<b>P 4,294,695</b>	<b>P 3,609,843</b>

Miscellaneous income pertains to penalties, bank charges, overages, passbook replacement fees, bank certification fees and others.



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### 23. OPERATING EXPENSES

Details of other expenses are shown below:

		2025	2024
Compensation and other employee benefits	P	42,207,158	P 43,557,186
Taxes and licenses		5,502,856	5,738,207
Fines, penalties and other charges		3,964,590	2,723,188
Depreciation		3,489,141	3,271,632
Litigation		3,245,116	550,739
Management and other professional fees		1,842,782	840,657
Insurance		1,578,171	1,664,582
Security, messengerial and janitorial services		1,418,033	1,415,299
Postage, telephone and telegraph		1,327,726	1,030,971
Information technology expenses		1,296,420	1,423,369
Transportation and travel		1,141,839	1,202,545
Power, light and water		1,076,686	1,033,964
Representation and entertainment		831,654	780,062
Repairs and maintenance		799,145	684,658
Fees and commission		791,523	735,569
Stationery and office supplies		536,583	707,486
Rent expense		410,526	410,437
Fuel and lubricants		253,616	282,038
Donation and charitable contributions		170,036	170,857
Supervision fees		119,902	106,117
Membership fees and dues		93,660	53,660
Documentary stamps used		15,330	988,110
Advertising and publicity		13,620	32,535
Miscellaneous		3,672,899	4,404,131
	P	75,799,012	P 73,807,999

Compensation expense consist of:

	Note	2025	2024
Salaries and wages		P 14,773,127	P 14,154,372
Other benefits – officers and employees		19,053,218	19,544,654
Directors' fees		3,240,000	3,240,000
Government contributions		3,061,647	2,814,579
Retirement expense	18	1,880,703	3,602,273
Medical, dental, and hospitalization		198,463	201,308
		P 42,207,158	P 43,557,186

Depreciation expense consist of:

	Notes	2025	2024
Bank premises, furniture, fixtures and equipment	11	P 2,583,810	P 2,237,907
Asset held for sale	12	258,450	830,654
Investment properties	13	646,879	203,071
		P 3,489,139	P 3,271,632

Miscellaneous expenses pertain to meetings and conferences, freight costs, souvenirs and giveaways, and other expenses.

The Bank has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.



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### 24. INCOME TAX

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

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

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

The Bank's liability for income tax is based on existing tax laws and BIR regulations. However, income tax expense as shown on the statement of position comprehensive income is determined under the provision of PAS 12 *Income Taxes*. Under PAS 12, income tax expense is the sum of current tax expense computed under tax laws and deferred tax expense determined through the use of balance sheet liability method.

Deferred tax expense is the sum of changes in deferred tax asset and deferred tax liability. The balance sheet liability method focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In 2020, to address the impact of COVID-19, the Senate and the House of Representatives enacted Republic Act (RA) No. 11494 or the Bayanihan to Recover as One Act (Bayanihan II) effective September 15, 2020 with an original expiry date of December 31, 2021, which has since been extended to mid-2021. Bayanihan II provides for COVID-19 response and recovery interventions and mechanisms to accelerate the recovery and to bolster the resiliency of the economy.

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

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



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### 24.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

	2025		2024 As restated
Income tax expense – current	P 824,774	P	3,654,695
Income tax expense (benefit) – deferred	1,915,102		(471,735)
	<b>P 2,739,876</b>	<b>P</b>	<b>3,182,960</b>

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

	2025		2024 As restated
Accounting profit	P 7,461,593	P	10,575,888
Tax expense at 25%	1,865,398		2,643,972
Tax effect of income that is subject to lower rate:			
Interest income subject to final tax	(249,651)		(300,515)
Tax effect of expenses that are non-deductible:			
Other non-deductible expenses	1,055,000		756,390
Disallowed interest expense	62,414		75,129
Reversal of deferred tax	6,715		7,984
	<b>P 2,739,876</b>	<b>P</b>	<b>3,182,960</b>



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### 24.02 Deferred Tax Assets

Details of the Bank's deferred tax assets are shown below:

		Allowance for credit losses – loans and other receivables		Allowance for credit losses – Accounts receivable		Retirement benefit obligation		Excess of MCIT over RCIT		Total
Balance, December 31, 2023	P	9,906,754	P	63,753	P	2,872,047	P	–	P	12,842,554
Profit or loss										
Origination		313,784		25,000		900,568		–		1,239,352
Reversal		(1,849,900)		–		(96,623)		–		(1,946,523)
Balance, December 31, 2024, as previously stated		8,370,638		88,753		3,675,992		–		12,135,383
Prior period adjustment (Note 27)		1,178,906		–		–		–		1,178,906
Balance, December 31, 2024, as restated		9,549,544		88,753		3,675,992		–		13,314,289
Profit or loss										
Origination		427		24,000		470,176		69,347		563,950
Reversal		(2,406,351)		(31,922)		(34,064)		–		(2,472,337)
Write-off		(6,715)		–		–		–		(6,715)
<b>Balance, December 31, 2025</b>	<b>P</b>	<b>7,136,905</b>	<b>P</b>	<b>80,831</b>	<b>P</b>	<b>4,112,104</b>	<b>P</b>	<b>69,347</b>	<b>P</b>	<b>11,399,187</b>

Prior to 2020, the Bank did not recognize deferred tax assets since management believes that future taxable income will not be available to allow such deferred tax assets to be utilized.



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The Bank has unrecognized deferred taxes as follows:

	2025	2024
Retirement benefit obligation	P 666,124	P 666,124
Allowance for impairment loss – assets held-for-sale	4,478	4,478
	P 670,602	P 670,602

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

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

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

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

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

- a. Annual gross sales/revenue for the subject taxable period exceeds P150 million and the total amount of related party transactions with foreign and domestic related parties exceeds P90 million; OR
- b. Related party transactions meeting the following materiality threshold:
  - i. If it involves sale of tangible goods in the aggregate amount exceeding P60 million within the taxable year;
  - ii. If it involves service transaction, payment of interest, utilization of intangible goods or other related party transaction in the aggregate amount exceeding P15 million within the taxable year
  - iii. If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

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

### 24.04 Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act

On February 03, 2021, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.



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Under the proposed law, effective July 1, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding P100 million, excluding land, and total net taxable income of not more than P5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The bill would also lower the minimum corporate income tax (MCIT) from 2% to 1% effective July 2020 until June 30, 2023.

Other key provisions of the CREATE bill include:

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

## 25. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loans and other transactions with certain DOSRI. Under the Bank's policy, these loans and other transactions are made substantially on the terms as with other individuals and businesses of comparable risks.

### 25.01 Loans to DOSRI

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

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

The Bank has no DOSRI loans and related party loans as of December 31, 2025 and 2024.



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### 25.02 Remuneration of Key Management Personnel

The key management compensation of the Bank is shown below:

		2025		2024
Short-term employee benefits	P	6,437,407	P	6,848,936
Post-employment benefits		1,104,246		1,091,657
	P	7,541,653	P	7,940,593

Short-term employee benefits are comprised of basic salary, COLA, medical and other benefits.

While post-employment benefits refer to provision for retirement.

### 26. NOTES TO STATEMENT OF CASH FLOWS – RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

2025	December 31, 2024	Cash flows	Non-cash changes	December 31, 2025
Dividends	–	(5,000,000)	–	–
Bills payable	3,573,580	(3,573,580)	–	–
	<b>3,573,580</b>	<b>(8,573,580)</b>	–	–
2024	December 31, 2023	Cash flows	Non-cash changes	December 31, 2024
Bills payable	9,437,710	(5,864,130)	–	3,573,580

### 27. RESTATEMENT OF PRIOR PERIOD ERROR

In 2025, the Bank restated its financial statements as of and for the year ended December 31, 2024 to reflect prior period adjustments on allowance for credit losses on loan receivables.

The analysis of the affected line items in the statement of financial position of the Bank as of December 31, 2024 is shown below:

	As previously reported	Adjustments	As restated
<i>Changes in assets:</i>			
Loans and other receivables <sup>a</sup>	P 419,546,384	P (4,715,624)	P 414,830,760
Deferred tax assets <sup>b</sup>	12,135,383	1,178,906	13,314,289
<b>Decrease in total assets</b>		<b>(3,536,718)</b>	
<i>Change in equity:</i>			
Surplus free <sup>c</sup>	P 57,724,155	P (3,536,718)	P 54,187,437
<b>Decrease in total equity</b>		<b>(3,536,718)</b>	



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The analysis of the affected line items in the statement of comprehensive income of the Bank as of December 31, 2024 is shown below:

	As previously reported	Adjustments	As restated
<i>Changes in comprehensive income:</i>			
Provision for credit losses <sup>d</sup>	P 1,355,137	P 4,715,624	P 6,070,761
Income tax expense <sup>e</sup>	4,361,866	(1,178,906)	3,182,960
<b>Decrease in comprehensive income</b>		<b>3,536,718</b>	

- a. Restatement pertains to additional allowance for credit losses.
- b. Restatement pertains to recognition of deferred tax assets arising from the allowance for credit losses.
- c. Restatement pertains to effect in the additional provision for credit losses and recognition of deferred income tax.
- d. Restatement pertains to additional provision for credit losses.
- e. Restatement pertains to recognition of deferred income tax.

### 28. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

### 29. EVENTS AFTER THE REPORTING DATE

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

### 30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 13, 2026.

### 31. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 15-2010

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

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





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### 32.01 Basic Quantitative Indicators of Financial Performance

	2025	2024 As restated
Return on average equity	4.54%	7.36%
Return on average assets	0.72%	1.19%
Net interest margin	12.26%	14.47%

### 32.02 Description of Capital Instruments Issued

Description of capital instruments issued is disclosed in Note 20.

### 32.03 Significant Credit Exposures

Disclosures as to industry/economic sector are as follows:

	2025			2024		
	Peso Amount	% to TLP	% to Tier 1	Peso Amount	% to TLP	% to Tier 1
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	160,895,010	34.32	144.14	137,090,559	30.82	123.17
Construction	116,806,282	24.92	104.64	93,312,700	20.98	83.83
Agriculture, forestry and fishing	78,145,214	16.67	70.01	75,773,252	17.04	68.08
Wholesale and retail trade, repair of motor vehicles and motorcycles	55,860,327	11.92	50.04	62,852,156	14.13	56.47
Mining and quarrying	18,875,348	4.03	16.91	17,549,943	3.95	15.77
Accommodation and food service activities	14,295,445	3.05	12.81	10,653,676	2.40	9.57
Other service activities	10,158,025	2.17	9.10	11,998,191	2.70	10.78
Real estate activities	8,842,598	1.89	7.92	8,612,441	1.94	7.74
Education	1,905,398	0.41	1.71	12,861,355	2.89	11.56
Transportation and storage	1,820,509	0.39	1.63	2,723,908	0.61	2.45
Human health and social work activities	743,947	0.16	0.67	1,623,284	0.36	1.46
Water supply, sewerage, waste management and remediation activities	362,326	0.08	0.32	904,167	0.20	0.81
Manufacturing	65,854	0.01	0.06	2,907,912	0.65	2.61
Administrative and support service activities	–	–	–	5,914,085	1.33	5.31
Arts, entertainment and recreation	–	–	–	6,694	0.00	0.01
<b>Total</b>	<b>468,776,283</b>	<b>100.00</b>		<b>444,784,323</b>	<b>100.00</b>	

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital, which is equivalent to ₱111.62 million and ₱108.24 million as of December 31, 2025 and 2024, respectively.

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



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In 2024, the Bank is exposed to credit risk concentration on Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use amounting to more than 30% of the total loan portfolio. The Bank is also exposed to credit risk concentration on: Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use, construction, wholesale and retail trade, agriculture, forestry, and fishing, other service activities, mining and quarrying, education, and accommodation and food service activities amounting to 10% of Tier 1 Capital.

### 32.04 Breakdown of Total Loans

#### 32.04.01 As to Security

Loan portfolio, net of unamortized discounts, classified as to security follows:

	2025	2024
Secured by real estate mortgage	P 144,535,950	P 180,878,143
Secured by chattel mortgage	7,536,646	8,703,887
Secured by others	839,861	39,722
Secured	152,912,457	189,621,752
Unsecured	315,863,825	255,162,571
	P 468,776,282	P 444,784,323

Others include deposit hold-out/back-to-back.



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### 32.04.02 As to Status per Product Line

Breakdown of loan receivables, net of unamortized discounts, categorized as to status, are disclosed below:

Loan Product	2025				Total
	Performing		Non-performing		
	Current	Past Due	Past Due	Under Litigation	
AGRARIAN REFORM	575,362	–	–	–	575,362
AGRI -AGFP	4,722,728	75,669	913,526	–	5,711,923
AGRI NEGOSYO	51,337,153	–	301,468	–	51,638,621
AGRICULTURAL LOAN	14,502,959	–	417,525	–	14,920,484
BF & SHORT TERM LOAN	25,814,603	–	–	–	25,814,603
CREDIT LINE	12,717,893	–	–	–	12,717,893
ENHANCE MICRO EXPANDED SURE AID	8,684,490	–	1,531,524	–	10,216,014
FBL-SALARY	4,383,258	108,696	387,878	–	4,879,832
HAPPY LOAN	5,424,076	–	–	–	5,424,076
HOLD OUT ON DEPOSIT	–	–	5,462	–	5,462
HOUSING FBL LOAN	839,862	–	–	–	839,862
KABUHAYAN MCRO GROUP	217,500	–	–	–	217,500
KAYA-ACPC	372,707	–	273,786	–	646,493
LIOP-CL	29,982	–	–	–	29,982
LIOP-VENDOR SEASONAL	15,825,494	15,666	3,760,142	–	19,601,302
LIOP-VENDORS	258,706	–	–	–	258,706
LIPPUP OTHER SALARY	1,030,716	–	265,344	–	1,296,060
LIPPUP – MOTOR REPAIR	7,924,824	–	1,899,795	–	9,824,619
LIPPUP- PENSION	833	–	–	–	833
LIPPUP- SALARY BONUS	313,769	–	120,000	–	433,769
LIPPUP-GADGET LOAN	1,335,849	76,000	29,000	–	1,440,849
LIPPUP-HL	54,761	–	67,195	–	121,956
LIPPUP-LGU/PROV	69,737,646	1,514,567	4,410,122	–	75,662,335
LIPPUP-Motorcycle	8,678,596	33,097	830,003	–	9,541,696
LIPPUP-OFW	182,632	–	–	–	182,632
LIPPUP-OPL	1,056,957	58,025	321,398	–	1,436,380
LIPPUP-OSA	36,206,226	1,509,125	2,557,877	–	40,273,228
LIPPUP-Teachers Loan	11,577,233	–	–	–	11,577,233
MEDIUM SCALE ENT.	2,904,212	119,564	888,805	–	3,912,581
MCRO GROUPING MICROFINANCE	105,986,724	–	5,893,867	–	111,880,591
PLUS	119,937	–	53,312	–	173,249
PRODUCTION LOAN EASY	–	–	–	–	1,798,711
SMALL SCALE ENT. SURE- CALAMITIES	1,401,781	–	396,930	–	1,798,711
VAN LOAN	–	–	50,000	–	50,000
	38,482,206	532,326	3,262,942	–	42,277,474
	–	–	3,064,521	–	3,064,521
	–	–	329,450	–	329,450
<b>Total</b>	<b>432,701,675</b>	<b>4,042,735</b>	<b>32,031,872</b>	<b>–</b>	<b>468,776,282</b>



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Loan Product	2024				Total
	Performing		Non-performing		
	Current	Past Due	Past Due	Under Litigation	
AGRARIAN REFORM	718,945	–	–	–	718,945
AGRI -AGFP	4,772,821	252,011	2,683,032	–	7,707,864
AGRI NEGOSYO	36,866,469	4,870,448	2,026,997	–	43,763,914
AGRICULTURAL LOAN	8,740,130	266,171	2,210,604	–	11,216,905
BF & SHORT TERM LOAN	25,879,395	–	–	–	25,879,395
CREDIT LINE	4,482,910	–	–	–	4,482,910
ENHANCE MICRO EXPANDED SURE AID	8,881,909	–	3,734,581	–	12,616,490
FBL-SALARY	6,253,912	224,123	3,445,490	–	9,923,525
HAPPY LOAN	5,114,253	–	–	–	5,114,253
HOLD OUT ON DEPOSIT	–	–	5,462	–	5,462
HOUSING FBL LOAN	1,466,843	–	–	–	1,466,843
KABUHAYAN MCRO GROUP	247,500	–	–	–	247,500
KAYA-ACPC	768,451	–	304,701	–	1,073,152
LIOP-CL	89,390	–	100,000	–	189,390
LIOP-VENDOR SEASONAL	21,017,308	339,333	5,437,726	–	26,794,367
LIOP-VENDORS	49,794	–	–	–	49,794
LIPPUP OTHER SALARY	1,325,323	14,712	546,036	–	1,886,071
LIPPUP- PENSION	8,094,495	41,237	1,414,223	–	9,549,955
LIPPUP- SALARY BONUS	496,340	–	182,963	–	679,303
LIPPUP-GADGET LOAN	1,000,811	–	40,544	–	1,041,355
LIPPUP-HL	115,443	–	67,195	–	182,638
LIPPUP- HONORARIUM	–	–	28,224	–	28,224
LIPPUP-LGU/PROV	52,801,273	1,822,582	4,301,494	–	58,925,349
LIPPUP-Motorcycle	9,083,308	32,166	2,328,191	–	11,443,665
LIPPUP-OFW	402,176	–	–	–	402,176
LIPPUP-OPL	1,157,127	4,930	576,779	–	1,738,836
LIPPUP-OSA	34,814,533	1,731,822	1,841,140	–	38,387,495
LIPPUP-Teachers Loan	3,998,977	–	22,941	–	4,021,918
MEDIUM SCALE ENT.	3,074,634	71,451	709,502	–	3,855,587
MICRO GROUPING MICROFINANCE PLUS	142,222	–	564,332	–	706,554
PRODUCTION LOAN EASY	1,482,076	–	559,310	–	2,041,386
SMALL SCALE ENT.	–	–	50,000	–	50,000
SURE- CALAMITIES	36,871,233	6,178,540	5,979,134	–	49,028,907
VAN LOAN	–	–	3,160,663	–	3,160,663
	–	–	344,623	–	344,623
<b>Total</b>	<b>370,813,351</b>	<b>20,845,905</b>	<b>53,125,067</b>	<b>–</b>	<b>444,784,323</b>

### 32.05 Information on Related Party Loans

The Bank has no DOSRI loans and related party loans as of December 31, 2025 and 2024, as disclosed in Note 25.



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### 32.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2025 and 2024, bills payable amounting to nil and ₱3,573,580, respectively, are secured by a pledge of certain assets as follows:

	2025	2024
Loans receivables	P -	P 3,573,580

### 32.07 Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2025 and 2024, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular No. 1074.