Isla Lipana & Co.

Rural Bank of Santa Maria (Ilocos Sur), Inc.

Financial Statements

As at and for the year ended December 31, 2025 (with comparative figures as at and for the year ended December 31, 2024)

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Rural Bank of Santa Maria (Ilocos Sur), Inc.
Col. S. F. Reyes St., Poblacion Sur
Santa Maria, Ilocos Sur

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rural Bank of Santa Maria (Ilocos Sur), Inc. (the "Bank") as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Bank comprise:

- the statement of financial position as at December 31, 2025;
- the statement of comprehensive income for the year ended December 31, 2025;
- the statement of changes in equity for the year ended December 31, 2025;
- the statement of cash flows for the year ended December 31, 2025; and
- the notes to the financial statements, comprising material accounting policy and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities in the Philippines. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Other matter

The financial statements of the Bank for the year ended December 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2025.

As part of our audit of the December 31, 2025 financial statements, we also audited the adjustments described in Note 17 that were applied to amend the opening balances of the December 31, 2024 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2024 financial statements of the Bank other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2024 financial statements taken as a whole.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the Manual of Regulations for Banks in Note 22 and Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010 in Note 23 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and BIR, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 0121827
P.T.R. No. 0032961; issued on January 8, 2026 at Makati City
SEC A.N (individual) as general auditors 121827-SEC, Category A;
valid to audit 2022 to 2026 financial statements
SEC A.N (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2026, issued on January 16, 2026; effective until January 16, 2029
BOA/PRC Reg. No. 0142/P-031, effective until November 14, 2028

Makati City
March 24, 2026

Rural Bank of Santa Maria (Ilocos Sur), Inc.

Statement of Financial Position
December 31, 2025
(With comparative figures as at December 31, 2024 and January 1, 2024)
(All amounts in Philippine Peso)

	Notes	December 31, 2025	December 31, 2024 (As restated)*	January 1, 2024 (As restated)*
Assets				
Cash and other cash items	2	742,969	1,759,807	1,446,322
Due from Bangko Sentral ng Pilipinas	2, 3	1,050,321	1,110,436	1,168,318
Due from other banks	2, 3	84,505,545	74,736,996	24,266,905
Loans and receivables, net	4	7,864,016	10,423,915	14,542,510
Bank premises, furniture, fixtures and equipment, net	5	2,150,027	17,065	335,211
Investment properties, net	6, 17	2,099,934	2,222,918	2,607,856
Deferred tax assets, net	15	10,195,363	80,170	26,953
Other assets, net	7	2,312,141	2,813,885	2,658,745
Total assets		110,920,316	93,165,192	47,052,820
Liabilities and Equity				
Deposit liabilities	8			
Savings		33,815,517	33,395,771	35,179,211
Time		2,758,541	3,299,989	3,371,113
		36,574,058	36,695,760	38,550,324
Accrued expenses	10	1,904,702	328,014	212,825
Due to the Treasurer of the Philippines	9	192,025	6,175	6,175
Deposit for future stock subscription	13, 16	-	46,078,225	-
Retirement liability	11, 17	1,193,417	655,341	655,341
Lease liability	12	1,537,805	-	-
Other liabilities	10	2,058,227	141,640	338,132
Total liabilities		43,460,234	83,905,155	39,762,797
Share capital	1, 13	30,000,000	13,945,600	13,945,200
Subscribed share capital (net of subscription receivable)	1, 13	61,250,000	-	-
Deficit		(23,789,918)	(4,685,563)	(6,655,177)
Total equity		67,460,082	9,260,037	7,290,023
Total liabilities and equity		110,920,316	93,165,192	47,052,820

**See Note 17 for details regarding the restatement.*

The notes are an integral part of these financial statements.

Rural Bank of Santa Maria (Ilocos Sur), Inc.

Statement of Comprehensive Income
For the year ended December 31, 2025
(With comparative figures for the year ended December 31, 2024)
(All amounts in Philippine Peso)

	Notes	2025	2024
INTEREST INCOME			
Loans and receivables	4	1,785,447	2,432,349
Due from Bangko Sentral ng Pilipinas and other banks	3	151,261	143,576
		1,936,708	2,575,925
INTEREST EXPENSE			
Deposit liabilities	8	114,333	125,754
Lease liability	12	7,454	-
		121,787	125,754
NET INTEREST INCOME		1,814,921	2,450,171
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	6, 7	2,009,029	-
NET (LOSS) INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		(194,108)	2,450,171
OTHER INCOME	14	751,385	4,322,595
TOTAL OPERATING INCOME		557,277	6,772,766
OPERATING EXPENSES			
Compensation and fringe benefits	11, 16	24,384,509	2,702,159
Taxes, licenses, permits and fees		139,700	358,994
Depreciation and amortization	5, 12	198,981	171,230
Other administrative expenses	14	4,325,982	1,552,654
		29,049,172	4,785,037
(LOSS) INCOME BEFORE INCOME TAX		(28,491,895)	1,987,729
INCOME TAX (BENEFIT) EXPENSE	15		
Current		49,206	71,332
Deferred		(10,115,193)	(53,217)
		(10,065,987)	18,115
NET (LOSS) INCOME		(18,425,908)	1,969,614
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (LOSS) INCOME		(18,425,908)	1,969,614

The notes are an integral part of these financial statements.

Rural Bank of Santa Maria (Ilocos Sur), Inc.

Statement of Changes in Equity
For the year ended December 31, 2025
(With comparative figures for the year ended December 31, 2024)
(All amounts in Philippine Peso)

	Share capital (Notes 1 and 13)	Subscribed share capital - net of subscription receivable (Note 13)	Deficit	Total
BALANCES AT JANUARY 1, 2024	13,945,200	-	(6,302,136)	7,643,064
Effect of prior period adjustments (Note 17)	-	-	(353,041)	(353,041)
BALANCES AT JANUARY 1, 2024, AS RESTATED	13,945,200	-	(6,655,177)	7,290,023
TOTAL COMPREHENSIVE INCOME				
Net income for the year	-	-	1,969,614	1,969,614
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	1,969,614	1,969,614
TRANSACTION WITH OWNERS				
Issuance of shares	400	-	-	400
BALANCES AT DECEMBER 31, 2024	13,945,600	-	(4,685,563)	9,260,037
TOTAL COMPREHENSIVE LOSS				
Net loss for the year	-	-	(18,425,908)	(18,425,908)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(18,425,908)	(18,425,908)
TRANSACTIONS WITH OWNERS				
Additional subscription of shares	-	245,000,000	-	245,000,000
Subscription receivable	-	(183,750,000)	-	(183,750,000)
Conversion of deposits to share capital	6,054,400	-	-	6,054,400
Issuance of shares (net of share issuance costs)	10,000,000	-	(678,447)	9,321,553
Total transactions with owners	16,054,400	61,250,000	(678,447)	76,625,953
BALANCES AT DECEMBER 31, 2025	30,000,000	61,250,000	(23,789,918)	67,460,082

The notes are an integral part of these financial statements

.**Rural Bank of Santa Maria (Ilocos Sur), Inc.**

Statement of Cash Flows
For the year ended December 31, 2025
(With comparative figures for the year ended December 31, 2024)
(All amounts in Philippine Peso)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) income before income tax		(28,491,895)	1,987,729
Adjustments for:			
Provision for impairment	6, 7	2,009,029	-
Retirement expense	11	538,076	-
Depreciation and amortization	5	198,981	171,230
Interest expense	8, 12	121,787	125,754
Gain on disposal of bank premises, furniture, fixtures and equipment		-	(3,210,702)
Interest income	3, 4	(1,936,708)	(2,575,925)
Interest received		1,809,397	2,796,771
Interest paid		(124,770)	(128,660)
Operating loss before changes in operating assets and liabilities		(25,876,103)	(833,803)
Changes in operating assets and liabilities			
(Increase) decrease in:			
Loans and receivables		2,687,210	3,898,750
Other assets, net		(1,529,235)	(155,140)
Increase (decrease) in:			
Deposit liabilities		67,131	(1,851,658)
Accrued expenses and other liabilities		3,493,275	149,665
Net cash (used in) from operating activities		(21,157,722)	1,207,814
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of bank premises, furniture, fixtures and equipment		-	3,384,000
Proceeds from disposal of investment property		-	82,638
Additions to bank premises, furniture, fixtures and equipment	5	(658,001)	(27,383)
Net cash (used in) from investing activities		(658,001)	3,439,255
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional deposit for future stock subscription	13	21,226,175	46,078,225
Proceeds from additional issuance of share capital, net of share issuance costs	13	9,321,553	400
Payment of principal portion of lease liability	12	(40,409)	-
Net cash from financing activities		30,507,319	46,078,625
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,691,596	50,725,694
CASH AND CASH EQUIVALENTS			
January 1		77,607,239	26,881,545
December 31	2	86,298,835	77,607,239

**See Note 17 for details regarding the restatement.*
Non-cash financing and investing activities Notes 5, 12, 13

The notes are an integral part of these financial statements.

Rural Bank of Santa Maria (Ilocos Sur), Inc.

Notes to the Financial Statements
As at and for the year ended December 31, 2025
(with comparative figures as at and for the year ended December 31, 2024)
(All amounts are shown in Philippine Peso unless otherwise stated)

1 General information

The Rural Bank of Sta. Maria (Ilocos Sur) Inc. (the "Bank"), was incorporated in the Philippines and registered with the Securities and Exchange Commission on the September 19, 1969 under Registration Number 39377 and started its operations as a banking institution on December 19, 1969.

The Bank's main purpose is to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries, fishermen and other meager-income earners, and to have and exercise all authority and powers and perform all acts and transacts all business which may legally be had and done by rural bank organized under and in accordance with the Rural Bank's Act, and transacts all business which may legally exist or be amended, and to have all other things thereto and necessary and proper in connection with said purposes within such authority as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP).

In August 2024, 38.24% of the outstanding capital stock of the Bank was acquired by Jin Chan Invest Pte. Ltd., an entity incorporated in Singapore, and 38.38% was acquired by Ritche Weekun, Filipino, for a total of P10.70 million. The remaining capital stock of the Bank are held by various individuals.

On May 2, 2025, the Board of Directors (BOD) of the Bank approved the amendments of its Articles of Incorporation and By-Laws to increase the Bank's authorized capital stock of P20,000,000 divided into 200,000 common shares with a par value of P100 per share, to P1,000,000,000 or 10,000,000 common shares. The application for the increase in capital stock has been filed with the Securities and Exchange Commission (SEC) on September 23, 2025, and has been approved on November 26, 2025.

Out of the 9,800,000 increase in common shares in the year, 2,450,000 shares have been subscribed, and 612,500 shares have been paid-up, as follows:

Stockholder	No. of common shares subscribed	Amount subscribed	No. of common shares paid-up	Amount paid-up
Jin Chan Invest Pte., Ltd.	1,470,000	P147,000,000	367,500	P36,750,000
Ritche Weekun	980,000	98,000,000	245,000	24,500,000
Total	2,450,000	P245,000,000	612,500	P61,250,000

As at December 31, 2025, Jin Chan Invest Pte., Ltd. (the "Ultimate Parent Company") and Ritche Weekun own 56.38% and 39.29%, respectively, of the outstanding capital stock of the Bank.

On February 21, 2025, the BOD of the Bank approved the change in its corporate name to "Billease Bank, Inc. (A Rural Bank)". As at December 31, 2025, the change is still for approval by the BSP and SEC.

The Bank's principal place of business is at Col. S.F. Reyes Ave., Poblacion Sur, Santa Maria, Ilocos Sur.

Approval of the financial statements

These financial statements have been authorized for issue by the President and Chief Executive Officer (CEO) on March 23, 2026 on the basis of authority given by the BOD of the Bank. There are no material events from March 23, 2026 to March 24, 2026.

2 Cash and cash equivalents

The account at December 31 consists of:

	Notes	2025	2024
Cash and other cash items		742,969	1,759,807
Due from BSP	3	1,050,321	1,110,436
Due from other banks	3	84,505,545	74,736,996
		86,298,835	77,607,239

3 Due from BSP and other banks

Due from BSP represent the Bank's balance of the deposit maintained with the BSP to meet the legal reserve requirements equivalent to one percent (1%) of total deposit liabilities. In 2024, pursuant to BSP Circular 1201, reserve requirements for rural banks has been set to nil.

Due from other banks represent savings, demand deposits and investments in treasury bills with local banks. Interest from savings and demand deposits ranges from 0.05% to 0.13% in 2025 and 2024. Investments in treasury bills are placements with original maturities of three months or less from the date of acquisition. These investments earn interest at 4.83% per annum.

Interest earned from due from BSP and other banks for the year ended December 31, 2025 amounted to P151,261 (2024 - P143,576).

4 Loans and receivables, net

The account at December 31 consists of:

	Notes	2025	2024
Loans			
Micro, small and medium enterprises		5,552,634	6,350,205
Personal		3,604,151	4,869,964
Agricultural		1,451,117	3,435,789
Others		31,363	238,038
		10,639,265	14,893,996
Accrued interest receivable		128,348	1,037
Unearned discount		(287,385)	(249,360)
		10,480,228	14,645,673
Allowance for impairment	19	(2,616,212)	(4,221,758)
		7,864,016	10,423,915

There are no loans as at December 31, 2025 and 2024 used as security for liabilities.

The effective interest rate on loans ranges from 10.78% to 39.93% for the year ended December 31, 2025 (2024 - 10.49% to 37.37%). Interest income from loans amounted to P1,785,447 for the year ended December 31, 2025 (2024 - P2,432,349).

Movements in allowance for impairment for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
At January 1	4,221,758	4,530,981
Write-offs	(1,605,546)	(309,223)
At December 31	2,616,212	4,221,758

5 Bank premises, furniture, fixtures and equipment, net

The movements in the account at December 31 consist of:

	Land	Building	Furniture, fixtures and equipment	Transportation equipment	Office premises (Note 12)	Total
COST						
At January 1, 2024	4,000	1,226,964	2,250,921	655,100	-	4,136,985
Additions	-	-	27,383	-	-	27,383
Disposals	(4,000)	(1,226,964)	-	-	-	(1,230,964)
At December 31, 2024	-	-	2,278,304	655,100	-	2,933,404
Additions	-	-	658,001	-	1,673,942	2,331,943
Retirement	-	-	(1,727,227)	-	-	(1,727,227)
Reclassifications	-	-	(126,000)	-	-	(126,000)
At December 31, 2025	-	-	1,083,078	655,100	1,673,942	3,412,120
ACCUMULATED DEPRECIATION AND AMORTIZATION						
At January 1, 2024	-	1,042,728	2,202,010	558,037	-	3,802,775
Depreciation and amortization	-	14,938	59,231	97,061	-	171,230
Disposals	-	(1,057,666)	-	-	-	(1,057,666)
At December 31, 2024	-	-	2,261,241	655,098	-	2,916,339
Depreciation and amortization	-	-	59,484	2	139,495	198,981
Retirement	-	-	(1,727,227)	-	-	(1,727,227)
Reclassifications			(126,000)	-	-	(126,000)
At December 31, 2025	-	-	467,498	655,100	139,495	1,262,093
NET BOOK VALUE						
At December 31, 2024	-	-	17,063	2	-	17,065
At December 31, 2025	-	-	615,580	-	1,534,447	2,150,027

The Bank recognized right-of-use assets from the long-term lease of office space presented as part of Office premises above (Note 12).

The total cost of fully depreciated assets which are still in use amounted to P975,404 as at December 31, 2025 (2024 - P2,702,631).

In 2025, certain items of bank premises, furniture, fixtures and equipment were retired. No gain or loss was recognized as a result of the retirement. The Bank has also reclassified certain items of bank premises, furniture, fixtures and equipment to intangible assets in 2025. These are included within other assets, net, in the statement of financial position (Note 7).

No amount of bank premises, furniture, fixtures and equipment was used as collateral to obtain loans from financial institutions as at December 31, 2025 and 2024.

Bank premises, furniture, fixtures and equipment are all non-current.

6 Investment properties, net

The movements in the account at December 31 consist of:

	Notes	2025	2024
COST			
At January 1		2,282,873	2,365,511
Disposal		-	(384,938)
Adjustment	17	-	302,300
At December 31		2,282,873	2,282,873
ACCUMULATED IMPAIRMENT LOSSES			
At January 1		59,955	59,955
Provision for impairment		122,984	-
At December 31		182,939	59,955
NET BOOK VALUE		2,099,934	2,222,918

Investment properties consist of residential, commercial and agricultural land that were foreclosed in settlement of loans and receivables, and are stated at the total outstanding loan exposure at the time of foreclosure or bid price, whichever is lower, less allowance for probable losses and any impairment in value. Non-refundable taxes such as capital gains tax and documentary stamp tax paid to effect the foreclosure are capitalized, provided, that the adjusted value of the foreclosed asset does not exceed its net realizable value. Maintenance and other related foreclosure expenses are charged against current operations as incurred.

Rental income on investment properties amounted to P1,000 in 2025 (2024 - nil) and was included under 'Others' in other income in the statement of comprehensive income (Note 14).

Direct operating expenses on investment properties amounted to P4,876 in 2025 (2024 – P7,619) and were recognized in taxes, licenses, permits and fees and other administrative expenses in the statement of comprehensive income (Note 14).

As at December 31, 2025 and 2024, the Bank is exposed to possible impairment of its land classified as investment properties. The Bank assesses impairment on investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This requires management to make significant judgments and estimates, particularly in determining fair value of the properties. The Bank has recognized a provision for impairment on investment properties amounting to P122,984 in 2025 (2024 - nil).

On a regular basis, management determines the fair value of investment properties. The fair values are determined by its internal appraiser, on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations are made. These are classified as level 2 fair values in the fair value hierarchy due to the use of observable market data. As at December 31, 2025 and 2024, the fair value of the investment properties amounted to P2,595,687.

Investment properties are all non-current.

7 Other assets, net

The account consists of:

	Notes	2025	2024
Prepaid expenses		2,032,427	208,762
Tax credits		169,873	219,079
Security deposit	12	95,728	-
Other receivables		1,900,158	7,671,695
		4,198,186	8,099,536
Allowance for impairment		(1,886,045)	(5,285,651)
		2,312,141	2,813,885

Prepaid expenses mainly pertain to filing fees and other costs incurred by the Bank directly attributable to its increase in authorized capital stock and stationery and office supplies which are expected to be used within one year.

Other receivables include loans under litigation and advances to employees which will be liquidated through salary deduction.

Other assets also include fully amortized intangible assets pertaining to the Bank's loans and deposits systems that are still in use with a cost and accumulated amortization amounting to P236,000 as at December 31, 2025 (2024 - P110,000).

The movements in the allowance for impairment of other receivables are as follows:

	2025	2024
At January 1	5,285,651	5,285,651
Provision for impairment	1,886,045	-
Write-offs	(5,285,651)	-
At December 31	1,886,045	5,285,651

Other assets are considered current, except for the security deposit and intangible assets.

8 Deposit liabilities

The account consists of:

	2025	2024
Savings	33,815,517	33,395,771
Time	2,758,541	3,299,989
	36,574,058	36,695,760

All deposit liabilities are due and demandable, and expected to be settled within one year.

Related interest expense on deposit liabilities for the years ended is broken down as follows:

	2025	2024
Savings	81,595	82,563
Time	32,738	43,191
	114,333	125,754

In 2025 and 2024, the interest rate on savings deposit ranges from 0% to 0.25% and interest rate on time deposit ranges from 1.00% to 1.50%.

BSP reserve requirement

Under BSP regulations, the Bank should comply with a minimum reserve requirement. Further, it is required that all reserves must be set aside in deposits with the BSP.

In 2024, pursuant to BSP Circular 1201, reserve requirements for rural banks has been set to nil. The Bank's reserves as reported to BSP as at December 31, 2025 amounts to P1,050,321, which is included in Due from BSP (2024 - P1,110,436) (Note 3).

9 Due to the Treasurer of the Philippines

This account refers to deposits of persons known to be dead or persons who have not made further deposits or withdrawals during the preceding ten (10) years or more which have been reported to the Treasurer of the Philippines pursuant to the provisions of the Unclaimed Balances Act (Act No.3936, as amended).

As at December 31, 2025, Due to the Treasurer of the Philippines amounted to P192,025 (2024 - P6,175).

10 Accrued expenses and other liabilities

Accrued expenses consist of:

	2025	2024
Accrued expenses	1,895,538	315,867
Accrued interest payable	9,164	12,147
	1,904,702	328,014

Accrued expenses pertain to accruals for taxes and licenses, professional fees, salaries and utilities.

Accrued interest payable pertains to accruals of interest expense on deposit liabilities (Note 8).

Other liabilities comprise of the following:

	Notes	2025	2024
Withholding taxes payable		1,220,100	28,361
Due to a related party	16	710,005	-
Others		128,122	113,279
		2,058,227	141,640

Others consist mainly of payables to agencies servicing employee welfare such as Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund.

11 Retirement liability

The Bank calculates its retirement liability based on the minimum requirement of RA 7641 equivalent to at least one-half month salary for every year of service. The Bank has assessed that the estimated defined benefit obligation under the projected unit credit method would not be materially different from the minimum benefit under RA 7641 due to the Bank's employee profile.

Retirement expense recognized by the Bank in 2025 amounted to P538,076 (2024 - nil) and is recorded under 'Compensation and fringe benefits' in the statement of comprehensive income. The retirement liability as at December 31, 2025 amounted to P1,193,417 (2024 - P655,341) (Note 17).

12 Leases

Bank as a Lessee

In 2025, the Bank has leased an office space for a period of three (3) years, renewable upon mutual agreement of both parties. The lease provides for an escalation clause of 5% commencing on the second year of the lease term. The agreement requires for the Bank to pay security deposit which is presented as part of other assets, net, in the statement of financial position (Note 7).

Details of right-of-use asset and lease liability at year end are as follows:

	Note	2025
Right-of-use asset (included in Bank premises, furniture, fixtures and equipment, net under Office premises)	5	1,534,447
Lease liability		
Current		560,920
Non-current		976,885
		1,537,805

Movements in lease liability for the year are as follows:

	2025
Additions	1,578,214
Interest expense	7,454
Payments during the year	
Principal portion of lease liability	(40,409)
Interest on lease liability	(7,454)
At December 31	1,537,805

13 Equity

Capital stock

Details of the Bank’s capital stock are as follows:

	2025		2024	
	Shares	Amount	Shares	Amount
Common stock - P100.00 par value				
Authorized	10,000,000	1,000,000,000	200,000	20,000,000
Issued and outstanding	300,000	30,000,000	139,456	13,945,600
Subscribed share capital	2,450,000	245,000,000	-	-
Subscription receivable	-	(183,750,000)	-	-

In August 2024, the Bank received P46.08 million representing additional deposits for the future subscription of its shares.

On May 2, 2025, the BOD of the Bank approved the amendments of its Articles of Incorporation and By-Laws to increase the Bank’s authorized capital stock of P20,000,000 divided into 200,000 common shares with a par value of P100 per share, to P1,000,000,000 or 10,000,000 common shares. The application for the increase in capital stock has been filed with the SEC on September 23, 2025, and has been approved on November 26, 2025.

Out of the 9,800,000 increase in common shares in the year, 2,450,000 shares have been subscribed.
On May 9, 2025, the Bank received P21.23 million representing additional deposit for stock subscription. Following the approval of the SEC on the increase in capital stock, the Bank has converted its total deposits of P67.30 million to equity which represents payments for the remaining 60,544 unissued common shares as at December 31, 2024 and full payment of the subscription of 612,500 shares.

In December 2025, the Bank issued additional 100,000 common shares amounting to P10 million. The Bank incurred transaction costs amounting to P678,447 on the issuance of these shares, which were recognized as a deduction from equity.

General loan loss provision surplus reserve requirement

Under BSP Circular No. 1011, the Bank shall treat Stage 1 provisions for loan accounts as General Provisions (GP) while Stage 2 and 3 provisions shall be treated as Specific Provisions (SP). The Bank shall set up GLLP equivalent to 1.00% of all outstanding on-balance sheet loan accounts, except for accounts considered as credit risk-free under existing regulations. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1.00% required GP, the deficiency shall be recognized by appropriating the 'Surplus Reserve' account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in surplus shall be considered as Tier 2 capital subject to the limit provided under the CAR framework.

The Bank's allowance for credit losses is greater than the required GP of 1.00% for Stage 1 accounts as at December 31, 2025 and 2024.

Capital management

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

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

Amendments to the minimum capitalization for rural banks

The Monetary Board, in its Resolution No. 308 dated March 3, 2022, approved the Rural Bank Strengthening Program (RBSP) to enhance the operations, capacity and competitiveness of rural banks in view of their vital role in promoting countryside development and economic growth.

On August 24, 2022, with effectivity of September 21, 2022, BSP Circular No. 1151 was issued aimed at increasing the minimum capitalization requirements under the RBSP. Section 121 of the MORB, as further amended by the said Circular, provides for the new capitalization of rural banks, as follows:

Bank Category Rural Banks	Required minimum capitalization
Head office only or up to 5 branches	50 million
6 to 10 branches	120 million
More than 10 branches	200 million

The above shall also be the required minimum capitalization upon: (a) establishment of a new bank; (b) conversion of an existing bank from a lower to a higher category bank and vice versa; and (c) relocation of the head office of a rural bank in an area of higher classification.

The Bank, which only has 1 head office and branch, is compliant with the minimum capitalization requirements.

Regulatory qualifying capital

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

On January 23, 2020, the Monetary Board, through Resolution No. 128, approved BSP Circular No. 1079, which amended Section 127 and Appendix 62 of the Manual of Regulations for Banks (MORB). The Circular introduced enhanced capital adequacy standards for stand-alone thrift banks, rural banks, and cooperative banks with the objective of improving the quality and loss-absorbing capacity of regulatory capital.

Under Circular No. 1079, covered banks, including rural banks not owned by universal or commercial banks, are required to comply with the following minimum capital ratios, which must be maintained at all times on both solo (head office and branches) and, where applicable, consolidated basis:
Common Equity Tier 1 (CET1) Ratio: At least 6.00% of risk-weighted assets

- Tier 1 Capital Ratio: At least 7.50% of risk-weighted assets
- Capital Adequacy Ratio (CAR): At least 10.00% of qualifying capital to risk-weighted assets
- Capital Conservation Buffer (CCB): 2.50%, composed solely of CET1 capital, required in addition to the 6% minimum CET1 ratio

The table below shows the Bank's CAR for the years ended December 31, 2025 and 2024 under Circular No. 1079:

	2025	2024
CET1	78,186,848	9,314,829
Less: Regulatory adjustments to CET1 capital	-	-
Tier 1 capital	78,186,848	9,314,829
Tier 2 capital	70,761	70,761
Total qualifying capital	78,257,609	9,385,590
Risk weighted assets	103,973,924	98,045,661
Tier 1 (%)	75.20%	9.50%
Tier 2 (%)	0.07%	0.07%
CAR (%)	55.03%	9.57%

14 Income and expenses

Other income consists of the following:

	2025	2024
Service charges and other fees	204,593	484,028
Gain on disposal of bank premises, furniture, fixtures and equipment	-	3,210,702
Others	546,792	627,865
	751,385	4,322,595

Others include recoveries of loan accounts previously written-off and rental income from investment properties.

Other administrative expenses consist of:

	Notes	2025	2024
IT expenses	16	1,538,952	-
Management and other professional fees		996,970	244,798
Repairs and maintenance		185,997	60,354
Representation, entertainment and travel		323,409	136,949
Security and janitorial services		227,034	209,121
Utilities and communication expenses		222,386	221,157
Fines, penalties and other charges		93,559	56,823
Others		737,675	623,452
		4,325,982	1,552,654

Others include expenses for insurance, advertising and publicity, membership fees and dues.

15 Income and other taxes

The Bank's income tax (benefit) expense for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Current tax expense (MCIT)	49,206	71,332
Deferred tax benefit	(10,115,193)	(53,217)
	(10,065,987)	18,115

The reconciliation of income tax expense computed at the statutory rate to actual income tax expense as shown in the statement of comprehensive income for the years ended December 31 are as follows:

	2025	2024
Income tax expense at statutory income tax rate of 25% (2024 - 20%)	(7,122,974)	496,932
Add (deduct) tax effects of the following:		
Nondeductible expenses	208,324	-
Interest income subject to final tax	(151,261)	(28,715)
Utilization of NOLCO from 2022	-	(362,314)
Utilization of NOLCO from 2023	-	(255,970)
Recognition of previously unrecognized deferred tax assets	(2,525,384)	-
Others	(474,692)	168,182
Income tax expense at effective tax rate	(10,065,987)	18,115

Under Section 6 of RA 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law, corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100,000,000 excluding land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20%. Otherwise, an income tax rate of 25% shall be imposed.

The statutory income tax rate applied by the Bank in 2024 was 20% as the Bank met the threshold for net taxable income and total assets. In 2025, the applicable tax rate increased to 25% following the Bank breaching the total assets threshold.

The Bank's net deferred tax assets are as follows:

	2025	2024
NOLCO	8,596,523	-
Allowance for impairment	1,171,299	-
Retirement liability	298,354	-
Excess MCIT over RCIT	128,347	80,170
Leases	840	-
	10,195,363	80,170

Movements in the net deferred tax assets for the years ended December 31 are as follows:

	2025	2024
At January 1	80,170	26,953
Charged to profit or loss	10,115,193	53,217
At December 31	10,195,363	80,170

In compliance with the Tax Reform Act of 1997, Net Operating Loss Carry Over (NOLCO) for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

For the year ended December 31, 2025, the Bank has incurred NOLCO amounting to P34,386,092 that can be claimed as deduction until taxable year 2028.

Details of the Bank's NOLCO are as follows:

Year or incurrence	Year of expiration	2025	2024
2022	2025	-	1,811,572
2023	2026	-	1,279,852
2024	2027	-	-
2025	2028	34,386,092	-
		34,386,092	3,091,424
Tax rate		25%	20%
		8,596,523	618,284
Utilized in the year		-	618,284
Deferred tax asset on NOLCO		8,596,523	-

In compliance with the National Internal Revenue Code (NIRC) of 1997, the Bank pays the MCIT or the normal income tax, whichever is higher. The MCIT is equivalent to 2% of gross taxable income during the taxable year. Any excess of the MCIT over the normal income tax is carried forward annually and credited against the normal income tax for the three (3) succeeding taxable years.

Details of the Bank's MCIT are as follows:

Year of incurrence	Year of expiry	2025	2024
2022	2025	-	1,029
2023	2026	7,809	7,809
2024	2027	71,332	71,332
2025	2028	49,206	-
		128,347	80,170

16 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control of common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time of comparable transactions with other parties. These transactions are usually settled in cash and also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Details of significant related party transactions of the Bank are as follows:

Related party	Note	Transactions	Outstanding balance	Terms and conditions
2025				
Accrued expenses and other liabilities				
Entity under common control				
Advances for payment of operating expenses (a)	10	710,005	710,005	Non-interest bearing; unsecured; payable in cash upon demand
Key management compensation				
Salaries and short-term benefits		17,522,818	151,484	Payable to employees in cash within 30 days from date of each transaction; non-interest bearing and not covered by any guarantee
Retirement benefits		388,455	388,455	See terms and conditions in Note 11
		17,911,273	539,939	

Related party	Note	Transactions	Outstanding balance	Terms and conditions
2024				
Shareholders				
Deposit for future stock subscription (b)		46,078,225	46,078,225	Non-interest bearing; unsecured; payable in cash upon demand
Key management compensation				
Salaries and short-term benefits		207,569	-	Payable to employees in cash within 30 days from date of each transaction; non-interest bearing and not covered by any guarantee
		207,569	-	

The significant arrangements with related parties are as follows:

(a) Advances for payment of operating expenses

The Bank entered into an outsourcing agreement with First Digital Finance Corporation, a related party, for the provision of cloud-based services, including subscription to Amazon Web Services (AWS). The agreement covers system hosting, data storage, and other IT infrastructure support necessary for the Bank's operations.

The transaction is conducted on an arm's length basis and in accordance with the Bank's outsourcing and related party transaction policies.

(b) Deposit for future stock subscription

These represent advances made by shareholders intended for future issuance of shares, subject to approval by the appropriate regulatory authorities. These deposits are non-interest bearing and are presented under equity upon completion of the required approvals (Note 13).

17 Restatements

Certain comparative figures as at and for the year ended December 31, 2024 have been restated due to the identification of prior period adjustments relating to the following matters:

- Non-recognition of retirement expense and liability.
- Transaction costs related to the acquisition of investment property in 2022 which was expensed instead of capitalized as part of its initial carrying amount.
- Correction of the classification of Due from BSP and other banks as cash and cash equivalents for purposes of reporting cash flows.

Certain reclassifications have also been made in the statement of cash flows for proper presentation.

The cumulative effect was recognized as an adjustment to the opening balance of the deficit account as at January 1, 2024. Accordingly, a three-year statement of financial position is presented.

The impact of the restatements is summarized below:

(a) Statement of financial position

As at December 31, 2024	As previously presented	Adjustments	As restated
Assets			
Investment property	1,920,618	302,300	2,222,918
Total assets	92,862,892	302,300	93,165,192
Liabilities			
Retirement liability	-	655,341	655,341
Total liabilities	83,249,814	655,341	83,905,155
Equity			
Deficit	(4,332,522)	(353,041)	(4,685,563)
Total equity	9,613,078	(353,041)	9,260,037
Total liabilities and equity	92,862,892	302,300	93,165,192

As at January 1, 2024	As previously presented	Adjustments	As restated
Assets			
Investment property	2,305,556	302,300	2,607,856
Total assets	46,750,520	302,300	47,052,820
Liabilities			
Retirement liability	-	655,341	655,341
Total liabilities	39,107,456	655,341	39,762,797
Equity			
Deficit	(6,302,136)	(353,041)	(6,655,177)
Total equity	7,643,064	(353,041)	7,290,023
Total liabilities and equity	46,750,520	302,300	47,052,820

(b) Statement of cash flows

For the year ended December 31, 2024	As previously presented	Adjustments	As restated
Net cash (used in) from operating activities	(46,018,129)	47,225,943	1,207,814
Net cash from investing activities	531,253	2,908,002	3,439,255
Net cash from financing activities	46,078,225	400	46,078,625

The adjustments did not impact the Bank’s statement of comprehensive income.

18 Critical accounting estimates and judgments

The preparation of the Bank's financial statements requires management to make estimates and assumptions that affect the amounts reported in the Bank’s financial statements and accompanying notes. The estimates and assumptions used in the Bank’s financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Bank’s financial statements. Actual results could differ from such estimates, judgments and estimates 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in period of revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments, and related impact and associated risk in the Bank’s financial statements.

(a) Estimating allowances for impairment of loans and other receivables

The allowance for impairment related to the Bank’s loans and other receivables is based on assumptions about risk of default and expected loss rates (ECLs) in accordance with PFRS 9. The Bank uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Bank’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Bank estimates the allowance for ECL related to its loans and other receivables based on assessment of specific accounts where the Bank has information that certain borrowers are unable to meet their financial obligation. In these cases, judgment used is based on 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 report and known market factors.

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.

At initial recognition, an allowance is recognized for ECL resulting from possible default events within the next 12 months or less, where the remaining life is less than 12 months (’12-month ECL’). In the event of a significant increase in credit risk, an allowance is recognized for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Financial assets where 12-month ECL is recognized are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment, and so are considered to be in default or otherwise credit-impaired are in ‘stage 3’.
The allowance for impairment on loans and other receivables amounted to P4,502,257 as at December 31, 2025 (2024 - P9,507,409) (Notes 4 and 7).

(b) Estimating the useful lives of bank premises, furniture, fixtures and equipment

The useful lives of bank premises, furniture, fixtures and equipment are estimated based on period over which the assets are expected to be available for use. The estimated useful lives of these assets 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 Bank's assets. In addition, the estimation of the useful lives of bank premises, furniture, fixtures and equipment is based on the Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank premises, furniture, fixtures and equipment would increase the recognized operating expenses and decrease non-current assets. In 2025 and 2024, management assessed that there is no indication of significant change from previous estimates since the most recent annual reporting period.

For the year ended December 31, 2025, depreciation and amortization of bank premises, furniture, fixtures and equipment amounted to P198,981 (2024 - 171,230). The carrying amounts of bank premises, furniture, fixtures and equipment as at December 31, 2025 amounted to P2,150,027 (2024 - P17,065) (Note 5).

(c) Impairment of non-financial assets

The Bank assesses impairment on bank premises, furniture, fixtures and equipment, investment properties and intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant decline in market value of comparable assets;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets or the strategy for overall business; and
- evidence of obsolescence or physical damage.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach for property and equipment. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Management assessed that there is no indication of impairment existing for the Bank's bank premises, furniture, fixtures and equipment.

The allowance for impairment on investment properties amounted to P182,939 as at December 31, 2025 (2024 - P59,955). The carrying amount of investment properties as at December 31, 2025 amounted to P2,099,934 (2024 - P2,222,918) (Note 6).

(d) Realization of deferred tax assets

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied.

Management of the Bank has assessed that sufficient taxable profits will be available within the carryforward period to allow full utilization of its deferred tax asset arising from MCIT. As at December 31, 2025 and 2024, the Bank recognized the future tax benefit arising from the excess of MCIT over the normal income tax.
As at December 31, 2024, deferred tax asset related to NOLCO has not been recognized. Management of the Bank assessed that, as of this date, the Bank will not have sufficient future taxable profits against which the NOLCO could be utilized within the allowable carry-forward period.

However, as at December 31, 2025, based on updated forecasts and most recent financial projections, management of the Bank concluded that it is probable that future taxable profits will be available to utilize the NOLCO before its expiry.

As at December 31, 2025, unrecognized deferred tax asset on NOLCO amounted to nil (2024 - P618,284) (Note 15).

(e) Determination of incremental borrowing rate

To determine the incremental borrowing rate, the Bank uses financing from third party banks expected to be received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since financing was received. Where financing from third parties or related parties cannot be obtained, the Bank uses the government bond yield, adjusted for the credit spread specific to the Bank.

The Bank applied a discount rate of 5.67% in 2025.

(f) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee (Note 12).

19 Financial risk and capital management

19.1 Financial risk management

The Bank's activities expose it to a variety of financial risks, and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the financial business and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and maximize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risk and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and financial risk. In addition, internal audit function is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk, and other operational risks. Market risks includes currency risk, interest rate and price risk.

19.2 Credit risk

The Bank takes on exposure to credit risk, which is the risk that the counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that led to loans and receivables. There is also credit risk in off-balance sheet financial instruments, such as loan commitments and guarantees.

19.2.1 Credit risk measurement

Credit risk is the possibility of losses associated with changes in the credit profile of borrowers or counterparties. These losses, associated with changes in portfolio value, could arise due to default or due to deterioration in credit quality.

- Default risk: obligor fails to service debt obligations
- Recovery risk: recovery post default is uncertain
- Spread risk: credit quality of obligor changes leading to a fall in the value of loan
- Concentration risk: over exposure to an individual, group or industry
- Correlation risk: Concentration based on common risk factors between borrowers, industries or sectors which may lead to simultaneous default limits, diversification strategy and its risk based pricing of loans and receivables based on credit risk appetite and the size of its capital.

The Bank has adopted the standardized measurement of credit risk. In this regard, the tasks under the credit risk unit are as follows, among others:

- Segmentation of the credit portfolio (in terms of risk but not size)
- Model requirements (for risk assessments)
- Data requirements
- Credit risk reporting requirements for regulatory / control and decision-making purposes at various levels
- Policy requirements for credit risk (credit process and practices, monitoring and portfolio management, etc.)
- Align risk strategy and business strategy

19.2.2 Risk limit control and mitigation policies

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by industry sector are set out in the credit policy. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and of potential borrowers to meet interest and principal repayment obligations and by charging these lending limits where appropriate.

19.2.3 Impairment and provisioning policies

The Bank has adopted a Credit Impairment and Income Recognition Policy, whereby the impairment and provisioning policies are defined. The Bank assesses at each balance sheet date whether there is objective evidence that loans and receivables are impaired. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position, and
- Deterioration in the value of collateral

19.2.4 Maximum exposure to credit risk

The following table shows the maximum exposure to on- and off-balance sheet credit risk of the Bank without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques, net of any related allowance for credit and impairment loss:

Classified as to terms

	2025	%	2024	%
Short term (one year or less)	8,586,971	82%	13,078,163	89%
Medium term (over one year to five years)	1,893,257	18%	1,567,510	11%
Total	10,480,228	100%	14,645,673	100%

Classified as to type of borrowers

	2025	2024
Private residents of the Philippines		
Individuals	10,480,228	14,645,673

19.2.5 Credit quality per class of financial assets

Description of financial assets grading on credit risk follows:

- High grade - these are financial assets which have a high probability of collection or are invested or deposited in a reputable financial institutions. The counterparty has the apparent ability to satisfy its obligation and the securities on the receivables are readily enforceable.
- Standard grade - these are financial assets where collections are probable due to the reputation and the ability of the counterparty to pay but with experience of default.
- Past due but not impaired - these are loans where any principal or interest or installment due, or portions thereof are not paid on their contractual due date.
- Impaired - these are loans falling under the credit impairment policy of the bank.

The tables below show the credit quality per class of financial assets at net carrying amount (gross of allowance for credit losses and impairment) as at December 31, 2025 and 2024.

December 31, 2025					
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	1,050,321	-	-	-	1,050,321
Due from other banks	84,505,545	-	-	-	84,505,545
Loans and receivables	-	6,221,291	1,642,725	2,616,212	10,480,228
Total	85,555,866	6,221,291	1,642,725	2,616,212	96,036,094

December 31, 2024					
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	1,110,436	-	-	-	1,110,436
Due from other banks	74,736,996	-	-	-	74,736,996
Loans and receivables		10,244,429	179,486	4,221,758	14,645,673
Total	75,847,432	10,244,429	179,486	4,221,758	90,493,105

The following table summarizes the changes in the loss allowance for the loans between the beginning and the end of the annual period.

For the year ended December 31, 2025

	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance, beginning	244,250	1,183,208	2,794,300	4,221,758
Write-offs and other movements	-	-	(1,605,546)	(1,605,546)
Loss allowance, ending	244,250	1,183,208	1,188,754	2,616,212

For the year ended December 31, 2024

	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance, beginning	245,698	1,436,159	2,849,124	4,530,981
Write-offs and other movements	(1,448)	(252,951)	(54,824)	(309,223)
Loss allowance, ending	244,250	1,183,208	2,794,300	4,221,758

19.3 Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of both on and off-balance sheet instruments, products, and transactions in an institution's overall portfolio. Market risk arises from market-making, dealing, or position-taking in instruments, structure or strategies the income from which are sensitive to movements in interest rates, foreign exchange rates, credit spreads and equities and commodities prices.

19.3.1 Foreign exchange risk management

Foreign exchange risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency which they are measured.

The Bank has no foreign currency exposures as at December 31, 2025 and 2024.

19.3.2 Interest rate risk exposure

Interest rate risk results from mismatches between asset and liability positions which are subject to unfavorable movements in interest rates with potentially adverse impact on margins, net interest income and economic value of bank's assets, liabilities and shareholders' value. Interest rate risk may be measured using methods which includes sensitivity analysis and simulation modelling. The Bank has its interest rate policy in which risk limits are laid down.

The Bank's policy is to minimize interest rate cash flow risk exposure. Changes in interest rates have no significant impact on the Bank as its financial assets and liabilities have fixed interest rates over a certain period of time which are re-priced when changes in market interest rate occurs:

- Loans and receivables - contractual rate is constant until maturity
- Investments in treasury bills - contractual rate is constant until maturity
- Savings deposits - nominal rate is to be re-priced every quarter depending on current market rates

19.4 Liquidity risk

Liquidity risk is defined within the Bank's policy framework as "the risk that, at any time, the Bank does not have sufficient realizable financial assets to meet its financial obligations as they fall due."

The liquidity policy of the Bank is to ensure:
- It can meet its financial obligations as they fall due in the normal course of business; and
- It maintains an adequate stock of highly liquid assets to enable it to meet unexpected funding needs at short choice.

It requires establishment and maintenance of three lines of defense:
- Cashflow management where the Bank creates a continuously maturing stream of assets and liabilities;
- Maintenance of liquid assets portfolio; and
- Maintenance of a diversified liability base.

19.4.1 Maturity analysis for financial assets and liabilities

The table below presents the maturity profile of non-derivative financial instruments at period end based on undiscounted cash flows, including future interest, which the Bank uses to manage the inherent liquidity risk. The analysis takes into account the maturity grouping based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized or the financial liability will be settled.

	Up to 1 year	More than 1 year	Total
December 31, 2025			
Financial assets			
Cash and other cash items	742,969	-	742,969
Due from other banks	84,596,478	-	84,596,478
Due from BSP	1,050,321	-	1,050,321
Loans and receivables	9,247,373	2,038,862	11,286,235
Other assets	1,900,158	95,728	1,995,886
Total financial assets	97,537,299	2,134,590	99,671,889
Financial liabilities			
Deposit liabilities	36,597,479	-	36,597,479
Accrued expenses and other liabilities	2,743,463	-	2,743,463
Lease liabilities	581,547	1,085,552	1,667,099
Total financial liabilities	39,922,489	1,085,552	41,008,041
Total maturity gap	57,614,810	1,049,038	58,663,848

	Up to 1 year	More than 1 year	Total
December 31, 2024			
Financial assets			
Cash and other cash items	1,754,807	-	1,754,807
Due from other banks	74,736,996	-	74,736,996
Due from BSP	1,110,436	-	1,110,436
Loans and receivables	13,771,855	1,650,654	15,422,509
Other assets	7,671,695	-	7,671,695
Total financial assets	99,045,789	1,650,654	100,696,443
Financial liabilities			
Deposit liabilities	36,719,259	-	36,719,259
Accrued expenses and other liabilities	441,293	-	441,293
Total financial liabilities	37,160,552	-	37,160,552
Total maturity gap	61,885,237	1,650,654	63,535,891

19.4.2 Minimum Liquidity Ratio

In accordance with the prevailing liquidity standards of the BSP, stand-alone rural banks are required to maintain a Minimum Liquidity Ratio (MLR) designed to ensure short-term resilience against liquidity shocks. The MLR is a micro-prudential measure that promotes a bank's ability to withstand stress events by holding an adequate stock of high-quality, unencumbered liquid assets.

The MLR is expressed as the ratio of the Bank's eligible stock of liquid assets to its total qualifying liabilities. These liquid assets, which may include cash, regulatory reserves, and other readily liquefiable instruments, serve as an immediate buffer to support the Bank's liquidity needs during periods of financial stress.

The Bank shall maintain an MLR of at least twenty percent (20%). This requirement ensures that the Bank holds a sufficient pool of liquid assets to meet its obligations as they fall due.

Stock of liquid assets

	2025	2024
Cash and other cash items	742,969	1,754,807
Due from BSP	1,050,321	1,110,436
Due from other banks	84,505,545	74,736,996
Total	86,298,835	77,602,239

Qualifying liabilities

	2025	2024
Retail regular savings deposit with outstanding balance per account of P 500.00 and below	22,136,007	22,651,416
Obligations arising from operational expenses	1,454,578	328,015
Total on-balance sheet liabilities	43,460,234	83,905,155
Less:	23,590,585	22,979,431
Other on-balance sheet liabilities	19,869,649	60,925,724
Irrevocable obligations under off-balance sheet items	19,419,353	11,325,708
Total	39,289,002	72,251,432

Calculation of the minimum liquidity ratio

	2025	2024
Stock of liquid assets	86,293,834	77,602,239
Qualifying liabilities	39,289,002	72,251,432
Minimum liquidity ratio	219.64%	107.41%

19.5 Fair value measurements

19.5.1 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Bank takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of PFRS 16, Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in PAS 36, Impairment of Assets.

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

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

The carrying amounts of financial assets and financial liabilities recognized in the statement of financial position are reasonable approximations of their respective fair values as at December 31, 2025 and 2024, due to the short-term nature of these instruments or because they bear interest at market rates. Financial assets comprise cash and other cash items, due from other banks, due from BSP, loans and receivables, net, and other assets, while financial liabilities mainly include deposit liabilities and accrued expenses and other liabilities.

The fair values of financial instruments are determined using valuation techniques that maximize the use of relevant observable market inputs and minimize the use of unobservable inputs. Accordingly, the estimated fair values of financial assets and financial liabilities are classified within Level 2 of the fair value hierarchy, since the valuation techniques employed incorporate observable inputs such as interest rate yield curves and market-based pricing. No financial instruments were measured using Level 1 quoted prices or Level 3 significant unobservable inputs as at December 31, 2025 and 2024.

The fair value of instruments traded in active markets at the statement of financial position date is based on their quoted price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant models, and other relevant valuation models.

The models and assumptions used by the bank in estimating the fair value of the financial instruments are:

- Cash and other cash items, Due from BSP, and Due from other banks - The fair value of floating rate placements and overnight deposits approximates their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. All of these financial assets have a maturity of one year, thus their fair values approximate their carrying amounts.

- Loans and receivables - Fair values are estimated using the discounted flow methodology, using the Bank's current incremental lending rates for similar types of loans and receivables.

- Financial liabilities – The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

- Other assets and other liabilities - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term nature of the account.

20 Events after the reporting period

On January 28, 2026, the Bank issued additional 100,000 common shares at P100 par value amounting to P10 million.

21 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

21.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the SEC:

- PFRS Accounting Standards
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC)

The financial statements of the Bank are prepared on a going concern basis under the historical cost basis, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period (if any). Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

21.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Bank

The Bank has adopted the following amendment for the first time for its annual reporting period commencing January 1, 2025:

- Lack of Exchangeability – Amendments to PAS 21

  On August 15, 2023, the International Accounting Standards Board (IASB) amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary. In October 2023, the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) adopted these amendments to PAS 21.

The amendments listed above did not have any impact on the amounts recognized in prior and current periods and are not expected to significantly affect the future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Bank. The Bank's assessment of the impact of these new standards and amendments is set out below:

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to PFRS 9 and PFRS 7 (effective for annual periods beginning on or after 1 January 2026)

  On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. In July 2024, the FSRSC adopted the targeted amendments to PFRS 9 and PFRS 7. 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 cashflows (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).

- Annual Improvements to PFRS Accounting Standards – Volume 11 (effective for annual periods beginning on or after 1 January 2026)

  On 18 July 2024, the IASB has issued narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the Standards. These amendments include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards. In August 2024, the FSRSC adopted these amendments. The amended Standards are:

  - PFRS 1 First-time Adoption of International Financial Reporting Standards;
  - PFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing PFRS 7;
  - PFRS 9 Financial Instruments;
  - PFRS 10 Consolidated Financial Statements; and
  - PAS 7 Statement of Cash Flows.

- PFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

  This is new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statements of profit or loss.

  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.

The Bank does not expect the amendments and new standards to have a significant impact to the Bank's financial statements.

21.3 Presentation and Functional Currency

All amounts in the financial statements of the Bank are expressed in Philippine Peso (PHP), the currency of the primary economic environment in which the Bank operates. All information presented in Philippine Peso has been rounded to the nearest peso, except otherwise specified.

21.4 Going Concern Assumptions

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

21.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity when it becomes a party to the contractual provisions of the instrument.

(a) Financial assets

Initial recognition

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Bank's business model for managing them, the Bank initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income (FVOCI), it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within the time established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

Subsequent measurement

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

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

Purchases or sales of financial assets that require delivery of assets within the time establish by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

(i) Financial assets at amortized cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the statement of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form and integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

The details of the above conditions are as follows:

- The Sole Payment of Principal & Interest (SPPI) Test

The Bank assesses the contractual terms of financial assets to identify whether it meets the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (i.e., if there are repayments of principal or amortization of the premium/discount)

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's financial assets at amortized cost includes cash and cash equivalents, loans and other receivables (Notes 2, 4 and 7).

- Business Model Assessment

The Bank determines the business model at the level that best reflects how the Bank manages groups financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed, or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the assessment.

The business model assessment is based on reasonably expected scenarios without taking" worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(ii) Financial assets at FVOCI

Debt instruments

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income (OCI). Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Equity instruments

Upon initial recognition, the Bank elects to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading.

The Bank has no financial assets at FVOCI classified as debt or equity instruments.

(iii) Financial assets at FVPL

This category includes derivative instruments and listed equity investments. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right to payment has been established.

The Bank has no financial assets at FVPL.

Derecognition

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

- The rights to receive cash flows from the assets have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without a material delay to third party under a pass through arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank 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 rights to receive cash flows from an asset or has entered into a passthrough arrangements, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risk and rewards of the asset, nor transferred control of the asset, the Bank continues to recognize the transferred asset to the extent of its continuing Involvement. In that case, the Bank also recognizes an associated liability.
The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to pay.

Impairment

The Bank records expected credit loss (ECL) for all loans and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a significant increase in credit risk (SICR) since initial recognition or is considered of low credit risk as of the reporting date. In determining whether an account should be assessed under Stage 1, the Bank considers the number of days past due as its criteria. Loans past due up to 30 days are considered Stage 1. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.

- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. A SICR is generally deemed present in accounts with more than 30 days up to 90 days past due, except for microfinance loans. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Bank recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of "default"

The Bank classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition

The Bank uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-off

The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings). Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(b) Financial liabilities

Classification

The Bank classifies its financial liabilities in the following categories: financial liabilities at FVPL (including financial liabilities held for trading and those that designated at fair value) and financial liabilities at amortized cost. The Bank only has other financial liabilities at amortized cost as at December 31, 2025 and 2024.

The Bank's financial liabilities at amortized cost include deposit liabilities, due to the Treasurer of the Philippines, accrued expenses and other liabilities and lease liability (Notes 8, 9, 10 and 12).

Initial recognition

The Bank’s financial liabilities at amortized cost are initially measured at fair value inclusive of directly attributable transaction costs.

Subsequent measurement

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

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

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received or discounted using the original effective rate is at least ten percent different from the discounted present value of the remaining cash flows of the original liability. If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification; and (ii) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

21.6 Impairment on non-financial assets

The Bank is required to perform an impairment review when certain impairment indicators are present. Determining the fair value of non-financial assets, which require 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 entity to conclude that properties and equipment, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operation.

21.7 Cash and cash equivalents

For purposes of cash flows reporting and presentation, cash and cash equivalents include cash and other cash items that are subject to insignificant risk of changes in value, due from BSP and other banks.

21.8 Bank premises, furniture, fixtures and equipment

Bank premises, furniture, fixtures and equipment are initially measured at cost less any accumulated depreciation, amortization and impairment losses. The cost of an asset consists of its 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 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. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Major spare parts and stand-by equipment qualify as bank premises, furniture, fixtures and equipment when the Bank expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of bank premises, furniture, fixtures and equipment, they are accounted for as bank premises, furniture, fixtures and equipment.

Estimated future dismantlement costs of items of bank premises, furniture, fixture and equipment arising from legal or constructive obligations are recognized as part of the statement of financial position and are measured at present value at the time when the obligation was incurred.

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

Asset category	Estimated useful life
Building	40 years
Furniture, fixtures and equipment	4 to 5 years
Transportation equipment	8 years
Office premises	3 years

Stand-by equipment is depreciated from the date it is made available for use over the shorter of the life of the stand-by equipment or the life of the asset the stand-by equipment is part of, while major spare parts are depreciated over the period starting when it is bought into service, continuing over the lesser of its useful life and the remaining expected useful life of the asset to which it relates.

The carrying values of the bank premises, furniture, fixtures and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount an impairment loss is recognized in the statement of comprehensive income.

21.9 Investment properties

The Bank's investment properties include real and other properties acquired (ROPA).

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Bank. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified as investment properties upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago). The difference between the fair value of the asset acquired and the carrying amount of the asset given up is recognized as 'Gain on foreclosure - net' in the statement of income. Subsequent to initial recognition, investment properties are carried at cost less accumulated impairment in value, if any.

Investment properties are derecognized when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal. Any s or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Profit from assets sold' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against income in the year in which the costs are incurred.

Transfers are made to investment properties when, and only 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.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Bank as an owner-occupied property becomes an investment property, the Bank accounts for such property in compliance with the policy stated under property and equipment up to the date of change in use.

21.10 Intangible assets

Intangible assets acquired separately with finite useful lives are carried at cost less accumulated amortization and impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives of 5 years.

The estimated useful life and amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

21.11 Share capital

Share capital is determined using the nominal value of shares that have been issued and fully paid. The costs of acquiring the Bank's own shares are shown as a deduction from equity attributable to the Bank's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to Bank's equity holders.

21.12 Interest income and expense

Interest income and expense are recognized in the statement of income for all interest-bearing financial instruments using the effective interest rate method.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

21.13 Service fee income

The Bank recognizes revenue when (or as) the Bank satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

Service fee income are generally recognized over time when the service has been provided and the control over the service is transferred to the customer. The service being rendered by the Bank represents a single performance obligation.

Service fees are recognized on an accrual basis when the service has been provided. Services fees compose of processing fees arising from loans, deposits and other banking transactions which are recognized as income based on agreed terms and conditions and are recognized over the term of the relevant instrument, as applicable.

21.14 Employee benefits

(a) Short-term benefits

The Bank recognizes a liability for benefits accruing to employees in respect of wages and salaries, monetization of annual vacation leave and sick leave, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer to encourage voluntary redundancy.

In case of termination due to the installation of labor-saving devices or redundancy, the employee affected thereby shall be entitled to a separation pay equivalent to at least one (1) month pay for every year of service. In case of retrenchment to prevent losses or in cases of closure or cessation of business operations not due to serious business losses or financial reverses, the separation pay shall be equivalent to at least one-half (1/2) month pay or one (1) month pay for every year of service whichever is higher. A fraction of at least six (6) months shall be considered as one whole year.

(c) Post-employment benefits

In the absence of a retirement plan, the bank provides for estimated benefit costs required to be paid under RA 7641 or The Philippine Retirement Law to qualified employees. An employee upon reaching the age of sixty (60) years or more, but not beyond sixty five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years, may retire and shall be entitled to retirement pay equivalent to: (i) one half month pay for every year of service, a fraction of six (6) months shall be considered as one whole year; (ii) equivalent of one half (1/2) of the 13th month pay based on the latest salary of the employee for every year of service; and (iii) the equivalent of five (5) days service incentive leave for every year of service. Retirement benefits are computed annually based on existing employees on an accrual basis when such benefits have been incurred.

21.15 Leases

The Bank recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from long-terms leases are initially measured on a present value basis. The interest expense is recognized in the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. The right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The Bank accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the Bank:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Bank accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Bank recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

21.16 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's related parties include the Bank's directors, officers, stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. Such other person/juridical entity whose interests may pose potential conflict with the interest of the Bank are likewise identified as a related party.

The Bank has several relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially the same terms, as those prevailing at the time for comparable transactions with other parties.
Related party transactions are transactions or dealings with related parties of the Bank, regardless of whether or not a price is charged. These transactions 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.

21.17 Provisions

Provisions are recognized when: (a) the Bank has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

21.18 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

21.19 Taxation

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement 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.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The tax recognized are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgment of tax professionals within the Bank supported by previous experience in respect of such activities and in certain cases based on specialist tax advice.

(b) Deferred 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 deductible 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. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduce 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 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 set off 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.

21.20 Events after the reporting date

The Bank identifies subsequent events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Bank's position at the reporting date, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements.

21.21 Correction of prior period errors

The Bank corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a) restating the comparative amounts for the prior period presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

21.22 Reclassification of comparative amounts

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. Management believes that the reclassification resulted in a better presentation of accounts and did not have any adverse impact on prior year's profit or loss.

22 Supplementary Information Under Section 174 of the Manual of Regulations for Banks (MORB)

Presented below are the additional information required by Section 174 of the MORB. This information is presented for BSP reporting and is not a required part of the basic financial statements. The 2024 information has been presented for comparative purposes.

22.1 Basic quantitative indicators of financial performance

	2025	2024
Net (loss) income after tax	(18,425,908)	1,969,614
Average assets	102,042,754	70,109,006
Average share capital	52,597,800	13,945,400
Average equity	38,360,060	8,275,030
Return on average assets	(18.06%)	2.81%
Return on average share capital	(35.03%)	14.12%
Return on average equity	(48.03%)	23.80%
Net interest income	1,822,375	2,450,171
Average interest earning assets	88,765,236	61,985,163
Net interest margin	2.05%	3.95%

22.2 Description of capital instrument issued

The Bank considers its ordinary shares as capital instrument for purposes of calculating its Capital Adequacy Ratio (CAR) as at December 31, 2025 and 2024.

Financial leverage exposure

Loans receivable at amortized cost	10,480,228	14,645,673
Total average assets	102,042,754	70,109,006
Total liabilities	43,460,234	83,905,155
Deposit liabilities	36,574,058	36,695,760
Average capital contribution	52,597,800	13,945,400
Total average stockholder's equity	38,360,060	8,275,030
Total liabilities to average assets	42.59%	119.68%
Total liabilities to average stockholders' equity	113.30%	1013.96%
Total receivables to deposit liabilities	28.65%	39.91%
Total loans receivable to average capital contribution	19.93%	105.02%
Total leverage exposure	204.47%	1278.57%

22.2.1 Breakdown of total loans as to security

Details of the loan portfolio as to collateral security are as follows:

	December 31, 2025		December 31, 2024	
	%	Total	%	Total
Real estate mortgage - residential	25%	2,579,501	17%	2,460,371
Real estate mortgage - commercial	14%	1,449,953	10%	1,488,872
Real estate mortgage - agricultural	1%	127,509	7%	1,041,350
Chattel, jewelry, others	14%	1,500,049	12%	1,714,793
Unsecured	46%	4,823,216	54%	7,940,287
Total	100%	10,480,228	100%	14,645,673

22.2.2 Breakdown of total loans as to status

Details of the loan portfolio as to status per product line are as follows:

	December 31, 2025		December 31, 2024	
	Performing	Non-performing	Performing	Non-performing
Agrarian reform loans	-	489	-	199,190
Other agri-credit loans	1,139,294	245,267	1,889,382	1,277,249
MSME - small	109,044	1,705,117	1,524,305	1,885,980
MSME - medium	3,732,441	-	2,845,069	
Loans to individuals for primarily for personal use	3,360,841	157,351	4,121,442	674,872
Loans to individuals for other purposes	30,382	2	221,484	6,700
Total	8,372,002	2,108,226	10,601,682	4,043,991

22.3 Significant credit exposures

Details of the loan portfolio as to economic activity and industry sector as at December 31, 2025 and 2024 are as follows:

December 31, 2025

Economic activity or industry sector	%	Current	Past due	NPL / In litigation	Total
Agriculture, fishing and forestry	13.82%	1,026,640	15,561	406,121	1,448,322
Wholesale and retail trade	0.43%	-	-	44,751	44,751
Construction	18.04%	-	1,890,900	-	1,890,900
Real estate renting and business activities	1.22%	127,474	-	-	127,474
Other service activities	32.92%	1,950,586	-	1,500,016	3,450,602
LIPPU	33.57%	3,360,841	-	157,338	3,518,179
Total	100.00%	6,465,541	1,906,461	2,108,226	10,480,228

December 31, 2024

Economic activity or industry sector	%	Current	Past Due	NPL/ In litigation	Total
Agriculture, fishing and forestry	25.02%	1,789,432	99,950	1,775,653	3,665,035
Wholesale and retail trade	0.59%	-	-	86,766	86,766
Construction	3.23%	473,186	-	-	473,186
Real estate renting and business activities.	1.15%	167,920	-	-	167,920
Other service activities	38.67%	3,896,700	53,052	1,713,197	5,662,949
LIPPU	31.34%	4,121,442	-	468,376	4,589,817
TOTAL	100.00%	10,448,680	153,002	4,043,992	14,645,673

Amount of loans to individuals primarily for personal use are only extended to total amount since there's no corresponding industry classification provided under BSP Memorandum No. M-2014-009.

The BSP considers that loan concentration exists when total loan portfolio exposure to a particular economic sector exceeds thirty percent (30%) of the total loan portfolio or ten percent (10%) of tier 1 capital, except for real estate loans.

22.4 Information on DOSRI or related party loans

The Bank has no loan exposure to directors, officers, stockholders, and related interest (DOSRI) or related party loans as at December 31, 2025 and 2024.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

In the ordinary course of business, the Bank might extend loan transactions with certain DOSRI. Under existing policies of the Bank, these loans are made on substantially the same terms as loans to other individuals and businesses of comparable risk. The amount of individual loans to DOSRI of which seventy (70%) must be secured, should not exceed the amount of their deposits and book value of their paid-in capital in the Bank. In the aggregate, loans to DOSRI should not exceed the Bank's total capital funds or fifteen percent (15%) of the Bank's total loan portfolio, whichever is lower.

Below are the selected ratios relative to the Bank's DOSRI loan accounts:

A.	Aggregate ceiling	2025	2024
i.	Total loan portfolio	10,480,228	14,645,673
ii.	15% of total loan portfolio	1,572,034	2,196,851
iii.	Adjusted capital per audited FS	91,250,000	13,945,000
iv.	Item A (ii) or A (iii) whichever is lower	1,572,034	2,196,851

B.	Ceiling on unsecured loans	2025	2024
i.	Secured DOSRI loans	-	-
ii.	Unsecured DOSRI loans	-	-
iii.	Total	-	-
iv.	30% of item A (iv)	471,610	659,055
v.	30% of B (iii)	-	-
vi.	Item B (iv) or B (v) whichever is lower	-	-

C.	Compliance with aggregate ceiling	2025	2024
i.	Item A (iv) - B (iii)	1,572,034	2,196,851

D.	Compliance with ceiling on outstanding unsecured loans	2025	2024
i.	Item B (vi) - item B (ii)	-	-

22.5 Secured liabilities and assets pledged as security

As at December 31, 2025 and 2024, the Bank has no assets pledged as security to obtain loans from financial institutions.

23 Supplemental Information Under Revenue Regulations 15-2010

Below is the additional information required by the Revenue Regulations No. 15-2010 that is relevant to the bank. This information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) Documentary Stamp Tax

Documentary stamp taxes paid through the Electronic Documentary Stamp Tax System for the year ended December 31, 2025, consists of:

	Paid	Accrued	Total
Original issuance of shares of stock	534,375	-	534,375
Deposit and loan documents	42,287	2,250	44,537
Total	576,662	2,250	578,912

(ii) Withholding Taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2025, consists of:

	Paid	Accrued	Total
Income taxes withheld on compensation	3,257,743	1,164,541	4,422,284
Creditable income taxes withheld (expanded)	92,868	29,160	122,028
Withholding VAT on purchases of digital services	21,840	24,507	46,347
Final income taxes withheld on interest on deposits and yield on deposit substitutes	20,613	1,892	22,505
Final income taxes withheld on the amount withdrawn from decedent's deposit account	3,889	-	3,889
	3,396,953	1,220,100	4,617,053

Withholding tax payable is presented under other liabilities in the statement of financial position, while Withholding VAT on purchases of digital services are recorded within its current expense as the Bank is not subject to VAT.

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2025 consists of:

	Paid	Accrued	Total
Gross receipts tax	90,627	32,869	123,496
Business and other taxes	12,435	-	12,435
Real property tax	3,769	-	3,769
Total	106,831	32,869	139,700

(iv) Tax cases and assessments

As of the reporting date, the Bank has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.