MVSM BANK
(a rural bank since 1953)

72 Years

MVSM BANK
trusted since 1953

#AtHomeKaDito

ANNUAL REPORT
2025

MVSM BANK
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MVSM BANK
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CORPORATE POLICY

a. Mission and Vision Statement of MVSM Bank

For 2026, the Bank looks forward to sustained and prudent growth anchored on an improved Mission and Vision that reaffirm our commitment to accessibility, reliability, and customer-centric banking.

Mission
To give accessible and reliable financial services to as many customers in an atmosphere where clients "feel at home".

Vision
To be the Bank of choice among multi-generational clients in our trade areas by ensuring the delivery of customer-centric products and services.

b. Introduction of the Bank’s brand that differentiates it from other Bank

Established in 1953, MVSM Bank, formerly known as Liamzon Rural Bank, was the first bank established in Marikina—the shoe capital of the Philippines. It was founded by Isidoro Liamzon Sr. and his wife, Milagros Liamzon. Mr. Liamzon drew inspiration from the Marikina tradition of the “Salamyaan,” a uniquely Marikenyo gathering place where people met weekly to exchange news, play sports, share meals, and engage in informal savings practices similar to a “paluwagan.” He was also one of the founders of the Sto. Niño Savings Association, which continues to exist today.

In a symbolic milestone in Philippine banking history, the first savings account of then Central Bank Governor Miguel Cuaderno Sr. was opened with Liamzon Rural Bank, marking the Bank’s early role insupporting the formal financial system. Since then, the Bank has remained steadfast in its mission to serve the unbanked and underserved communities for over seven decades.

In 1958, Liamzon Rural Bank was renamed Marikina Valley Rural Bank. Four decades later, la major consolidation took place when Marikina Valley Rural

Bank merged with another Liamzon-owned institution, the Rural Bank of San Mateo, forming what is now known as MVSM Bank.

Both predecessor banks were pioneers in their respective localities of Marikina and San Mateo, earning a strong reputation as stable, reliable, and efficient community banks that have endured the test of time. Throughout its history, MVSM Bank has received recognition from various institutions and has demonstrated resilience amid economic cycles, financial crises, and natural calamities such as Typhoon Ondoy in 2009. Despite these challenges, the Bank has consistently upheld its commitment to provide secure and dependable financial services. It has also maintained a strong tradition of community support, including scholarship programs initiated by Mr. Liamzon for deserving Marikenyo students, many of whom have gone on to excel in their chosen professions. While MVSM Bank remains rooted in its community banking heritage, it continues to evolve. Traditionally a brick-and-mortar institution, the Bank is steadily advancing its digital transformation journey while preserving its personalized service culture where clients feel valued and at home. In recent years, the Bank has strengthened its digital capabilities through participation in the i2i payment platform powered by

UBX, a UnionBank subsidiary, and as an active participant in the National Retail Payment System through PESONet, enabling efficient interbank fund transfers.

MVSM Bank's digital transformation accelerated with its transition from a legacy MBWin core banking system to a cloud-based core banking platform. To address operational inefficiencies and meet growing digital demands, the Bank further advanced its modernization initiatives through a strategic partnership with Asenso Solutions Inc.

A significant milestone was achieved in 2024 when MVSM Bank secured a grant from the Asian Development Bank under the Fintech for Inclusion Transformation (FIT) Program. This support enabled accelerated digitalization efforts, including cloud migration of core banking systems and adoption of digital collaboration tools such as Google Workspace and Zoom, in partnership with Kollab Guru Group Inc.
These initiatives underscore MVSM Bank's strategic evolution from a traditional manual banking institution to a modern, cloud-enabled organization. Through the integration of technology adoption, infrastructure enhancement, capacity building, and sustained community engagement, the Bank continues to deliver efficient, innovative, and client-centered financial services while reinforcing its operational resilience and market relevance. A significant milestone was achieved in 2024 when MVSM Bank secured a grant from the Asian Development Bank under the Fintech for Inclusion Transformation (FIT) Program.

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As MVSM looks forward, it remains firmly committed to strengthening its position as a leader in multi-generational banking. By fostering enduring relationships that span families and generations, MVSM goes beyond traditional banking to support evolving financial needs at every stage of life. This long-term perspective not only reinforces client trust and loyalty but also ensures continuity in wealth management, financial education, and legacy building. Through this approach, MVSM continues to create lasting value—serving as a stable partner for today while helping secure the financial future of generations to come.

c.Business model of the Bank

i. Deposit Generation

MVSM Bank continues to expand its client base through its one-stop financial service centers, offering a comprehensive suite of products and services, including deposit and loan facilities, remittance services, bills payment solutions, and other essential banking services tailored to meet the evolving needs of its clients.

The growth in time deposits was primarily driven by the Bank’s Deposit Generation Contest, complemented by the upward adjustment in interest rates implemented on September 17, 2025, which strengthened its competitive positioning in the market.

Meanwhile, the number of Savings Accounts—particularly Basic Deposit Accounts (BDAs)—posted significant growth from 2024 to 2025. This reflects the Bank’s sustained efforts to promote financial inclusion, particularly among the unbanked segment. Supporting this initiative, the Bank resumed its Market Collection activities in the Binangonan Branch on July 15, 2025, further improving accessibility and convenience for clients in local communities.

As part of its physical expansion strategy, the Bank successfully opened its third Branch-Lite Unit on November 6, 2025, strategically located at Teresa Public Market, Corazon Aquino Avenue, San Gabriel, Teresa, Rizal. Building on this momentum, the Bank is planning to further expand its Branch-Lite network, with Baras or Morong, Rizal identified as the next target locations.

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ii. Loan Diversification

MVSM Bank's lending strategy continues to prioritize the BCD socioeconomic segment, with a particular focus on Micro, Small, and Medium Enterprises (MSMEs). Loan products are designed with appropriate limits that align with the financing needs and repayment capacity of MSME borrowers, ensuring both accessibility and sustainability.

With growing confidence in the Bank's enhanced credit scoring model and increased utilization of government-backed credit guarantee facilities, MVSM Bank has adopted a more progressive stance by expanding loan ceilings. The Bank is also embracing a data-driven approach to credit evaluation, incorporating alternative credit information sources such as the Negative File Information System (NFIS). These resources strengthen the Bank's underwriting framework, particularly for clients with limited or non-traditional credit histories, enhancing risk assessment and decision-making accuracy.

To further advance financial inclusion while upholding prudent credit risk management, the Bank is actively studying the feasibility of accepting "imperfect" collateral as security, which would further expand lending opportunities for underserved clients while maintaining sound risk controls.

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FINANCIAL SUMMARY HIGHLIGHTS

A two (2) Year comparative presentation of selected profitability, capital, performance, and balance sheet data/ratios (based on AFS 2025), as follows:

BALANCE SHEET

Item	2025	2024
Total Assets	1,697,797,872	1,584,853,662
Other financial assets at amortized cost	294,572,973	283,413,840
Liquid Assets	218,794,924	158,497,245
Loans & Other Receivables-Net	823,740,450	789,429,677
Deposits	1,314,788,577	1,246,901,402
Equity	235,960,975	245,413,471
Total Liabilities	1,461,836,897	1,339,440,191

INCOME STATEMENT (IN MILLION PHP)

Item	2025	2024
Net Interest Income	92,197,347	93,085,116
Non-Interest Income	26,794,744	34,811,023
Gross Operating Income	118,992,091	127,896,139
Operating Expenses	82,924,722	83,979,188
Pre-provision Profit	36,067,369	43,916,951
Impairment Losses	1,504,370	1,882,560
Profit Before Tax	34,562,999	42,034,391
Tax Expense	7,009,487	9,921,683
Net Profit (Loss) After Tax	27,553,512	32,112,708

FINANCIAL PERFORMANCE INDICATORS

PROFITABILITY

Indicator	2025	2024
Return on Average Common Equity	-	-
Return on Average Equity	11.45%	13.55%
Return on Average Assets	1.68%	2.10%

MARGINS AND LIQUIDITY

Indicator	2025	2024
Net Interest Margin	7.38%	7.85%
Minimum Liquidity Ratio	34.87%	32.95%
Gross Customer Loans to Deposit Ratio	—	—
Liquid Assets to Total Assets	—	—

COST EFFICIENCY

Indicator	2025	2024
Cost to Income Ratio	—	—
Cost to Average Assets	—	—

ASSET QUALITY

Indicator	2025	2024
Non Performing Loans (NPL)/Gross (%)	4.84%	8.59%
Non Performing Loans (NPL)/Gross (Php)	39,987,741	68,463,769

CAPITAL AND LEVERAGE

Indicator	2025	2024
Common Equity Tier (CET) 1 Ratio	13.60%	15.07%
Total Tier 1	15.00%	16.56%
Capital Adequacy Ratio (CAR)	17.14%	18.76%
Asset to Equity	–	–

DISTRIBUTION NETWORK AND MANPOWER

Item	2025	2024
Branches	9	9
Branch-lite	3	2
Employees	86	84
Officers	30	30
Rank & File	56	54

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FINANCIAL CONDITION & RESULTS OF OPERATION

Review and Results of Operations

Key Milestones in 2025

The year 2025 marked significant progress not only in digital transformation but also in operational expansion and community engagement:

- ***May 23, 2025*** – Completion of the renovation of the Antipolo Branch, enhancing customer experience and service capacity.

- ***May 23, 2025*** – Formal recognition by the Asian Development Bank as a grant recipient under the Fintech for Inclusion Transformation (FIT) Program (2023–2025).

- ***May 27–29, 2025*** – Conduct of a three-day Knowledge Transfer and Capability Development Workshop under Phase 2 of the FIT Program, facilitated by SGV & Co.. The program, supported by Agence Française de Développement (AFD), in partnership with Rural Bankers Association of the Philippines and ADB, aimed to strengthen digital competencies among selected officers and IT personnel.

- ***July 15, 2025*** – Launch of the Binangonan Branch Market Mobile Collection initiative, expanding financial access and improving deposit mobilization in local markets.

- ***September 25, 2025*** – Conduct of a Focus Group Discussion (FGD) with selected clients titled *"Moving Forward to Digitalization,"* providing valuable insights to guide customer-centric digital solutions.

- ***November 06, 2025*** – Opening of the 3rd Branch-Lite Unit located in Teresa Public Market, reinforcing the Bank's presence in high-traffic community hubs.

- ***November 11, 2025*** – Recognition as one of the oldest rural banks in the Philippines, underscoring MVSM Bank's legacy of stability and service.

Through these milestones, MVSM Bank demonstrates that its transformation extends beyond technology—it encompasses infrastructure development, capacity building, and meaningful community involvement.

As the Bank advances toward an enhanced digital and cloud-enabled operating model, it remains firmly committed to its core promise: delivering personalized, responsive, and reliable service. The journey from a legacy DOS-based system to a modern digital platform is not merely a technological upgrade—it is a strategic evolution aimed at better serving clients, strengthening resilience, and sustaining growth in an increasingly digital financial landscape.

The major thrust of MVSM Bank continues to be the promotion of financial inclusion, with milestones achieved during the year clearly reflecting this vision. The Bank expanded its physical presence through the opening of a Branch-Lite unit, a tangible demonstration of its commitment to bringing banking services closer to underserved communities. Complementing this effort, the Bank's Digital Transformation, marked by the migration to a cloud-based core banking system, represents a significant step toward inclusive, accessible, and efficient banking. This initiative was further supported by a grant from the Asian Development Bank (ADB), recognizing the Bank's role in bridging the gap between rural and urban financial services and advancing "anywhere banking" for traditionally unserved populations.
The economic environment in 2025 remained consistent with the previous year, with interest rates elevated due to government monetary policies aimed at controlling inflation. While high interest rates have made borrowing costlier, they have also offered attractive returns for depositors. MVSM Bank faced competitive pressures from commercial and digital

banks offering higher deposit yields.

In response to market pressures, the Bank adjusted time deposit rates and promoted the Basic Deposit Account, resulting in a gradual recovery of placements and supporting overall deposit growth. Total deposit liabilities increased from PHP 1.247 billion in 2024 to PHP 1.315 billion in 2025, marking a 5.46% net growth.

Demand Deposits		***Savings Deposits***		***Time Deposits***		***Total Deposit Liabilities***		***Branch/ Amount in Millions***
Amount	*# of Accts*	*Amount*	*# of Accts*	*Amount*	*# of Accts*	*Amount*	*# of Accts*	
6.162	64	179.934	5,515	161.528	223	347.625	5,802	HEAD
5.155	15	17.072	1,059	6.233	16	28.46	1,090	ANTIPOL
27.766	31	81.833	4,418	10.323	42	119.922	4,491	BINANGO
0.271	7	48.08	2,974	15.421	46	63.772	3,027	CONCEPCION
67.064	31	170.033	4,285	40.25	32	277.346	4,348	PASIG
3.123	20	29.902	1,102	1.263	2	34.288	1,124	PILILLA
0.426	12	35.888	2,108	3.43	15	39.744	2,135	ROSARIO
19.338	61	199.424	9,307	149.286	267	368.049	9,635	SAN
1.866	25	16.359	1,057	3.597	18	21.823	1,100	TANAY
0.211	12	13.526	732	0.024	2	13.76	746	TAYTAY
131.382	278	792.051	32,557	391.355	663	1,314.79	33,498	TOTAL
144.063	281	801.132	27,983	301.545	540	1,246.74	28,804	TOTAL
-12.681	**(3)**	**-9.08**	**4,574**	**89.81**	**(123)**	**68.049**	**4,694**	**INCREASE**

The Bank's loan portfolio continued to expand, with total loans increasing by 3.74% to PHP 826.275 million. Notably, the Past Due Ratio improved from 10.72% to 9.67%, and Non-Performing Loans (NPLs) decreased by 27.61%, indicating effective credit monitoring and collection efforts. A substantial portion of past-due loans is expected to be regularized in the near term, which is projected to further enhance asset quality.

in millions	Actual Balance		Variance	%
	Dec 31, 2025	Dec 31, 2024		
Loans	826.275	796.458	29.817	3.74%
Current	747.299	711.115	36.184	5.09%
Past Due	79.918	85.342	-5.424	-6.36%
NPL	50.507	69.773	-19.266	-27.61%
Past due	9.67%	10.72%	-1.04%	5%

MVSM Bank also maintained access to its guarantee lines with the Philippine Guarantee Corporation, providing PHP 91.181 million in available coverage to support housing and SME lending, though utilization remains selective.

	Housing	Small Housing	SME
Guarantee Line	50	10	50
Enrolled	18.819	0	0
Available Balance	31.181	10	50

At year-end, the Bank achieved most of its 2025 targets: total deposits slightly exceeded the revised target, while total loans fell short by PHP 93.26 million. Net income stood at PHP 25.07 million, marginally below the target of PHP 26.11 million, reflecting ongoing investments in digital transformation, branch expansion, and inclusive banking initiatives.

Overall, the Bank's strategy reflects a balanced approach to managing interest rate pressures, competitive market dynamics, and asset quality, while continuing to expand financial inclusion through both physical and digital channels. These efforts position MVSM Bank for sustainable growth and resilience in the evolving rural banking landscape.

in millions	Ending Balance Revised Target for 12/31/25*	Actual Balance as of 12/31/25	Excess/(Deficiency)
Deposit	1,306.20	1,314.79	8.594
Loans	919.532	826.275	-93.257
PDR	10.00%	9.67%	0.33%
Net Income/(Loss)	26.113	25.068	-1.046
ROPA Sales**	10	8.715	-1.285

Here are some key financial indicators for 2025:

A. Capital Adequacy

The Capital Adequacy Ratio (CAR) stood at 17.95% in 2025, ensuring that the Bank remains well-capitalized and resilient. Notably, the Bank has maintained stable CAR levels even throughout the pandemic and has been able to declare dividends for the last five (5) years.

Year	Capital Adequacy Ratio
2021	16.54%
2022	15.69%
2023	20.24%
2024	19.01%
2025	17.95%

B. Asset Quality

The Bank has successfully increased its loan portfolio while improving asset quality. The Past Due Ratio (PDR), Non-Performing Loan (NPL) Ratio, and Non-Performing Asset (NPA) Ratio have all shown a downward trend, indicating stronger credit risk management.

Year	Total Loan Portfolio	Past Due	PDR	Non-Performing Loans, Gross	NPL Ratio	Non-Performing Assets	NPA Ratio
2021	561.379	107.987	19.24%	90.022	16.04%	271.522	19.33%
2022	593.342	76.623	12.91%	62.595	10.55%	250.993	16.59%
2023	709.607	111.538	15.72%	73.486	10.36%	261.705	17.58%
2024	796.458	85.343	10.72%	69.773	8.76%	249.053	15.82%
2025	826.275	79.918	9.67%	50.507	6.11%	235.382	13.69%

C. Deposit Liabilities

A major achievement was the launch of the Basic Savings Account (BSA) on July 1, 2024, aimed at promoting financial inclusion. This product has gained strong traction, with 3,745 accounts opened by December 31, 2025.

Breakdown of Deposit Liabilities for 2024 vs. 2025:

	Actual Balance		Variance	%
	Dec 31, 2025	Dec 31, 2024		
Deposit	**1,314.79**	**1,246.74**	**68.049**	**5.46%**
Demand	**131.382**	**144.063**	**-12.681**	**-8.80%**
Savings	**792.051**	**801.132**	**9.08**	**1.13%**
Time	**391.355**	**301.545**	**89.81**	**29.78%**

D. Earnings Quality

In 2025, the Bank posted a Return on Assets (ROA) of 1.52% and a Return on Equity (ROE) of 10.20%. While these figures represent a slight decline from 2024 levels, they remain within prudent and sustainable ranges, reflecting stable profitability. Nevertheless, both ROA and ROE were below the rural banking industry averages as of December 31, 2025, signaling the need for continued strategic focus. Key areas for improvement include enhancing asset utilization, strengthening loan growth and pricing strategies, and diversifying income sources through the expansion of non-interest income streams to support sustainable profitability and competitiveness.

YEAR	MVSM		INDUSTRY RATIO-RBs	
	Return on Assets	Return on Equity	Return on Assets	Return on Equity
2021	1.29%	9.41%	1.55%	8.36%
2022	1.23%	9.09%	3.52%	18.79%
2023	1.39%	9.69%	2.08%	11.34%
2024	2.08%	14.42%	2.75%	15.18%
2025	1.52%	10.20%	2.21%	12.14%

E. Organizational Developments and Strategic Initiatives for 2025:

1. The Bank's manpower complement remains adequate, with minimal turnover, reflecting workforce stability. Throughout 2025, the Bank actively promoted employee engagement, implementing salary adjustments and bonuses. A comprehensive program of wellness activities was conducted year-round to support staff health and well-being. In addition, training and development initiatives continued to be a strategic priority, ensuring employees are equipped with the skills and knowledge necessary to support the Bank's growth, operational efficiency, and service excellence.

- **Pictures Christmas Party 2025**

- **Pictures Annual Outing 2025**

- **Pictures Seminar on Customer Service, Cybersecurity, AMLA Refresher 2025**

2. The Compliance Program is in place and the Chief Compliance Officer together with her Assistant Chief Compliance Officer continuously monitors Bank activities in order to ensure the Bank's adherence to its internal policies, government regulations etc.

3. The Internal Audit Dept. requested to extend the Audit Plans and Programs from 1 year to 2 years to allocate more audit time to auditable areas. It will also maintain the audit risk at a manageable level and will allow the IAD to allocate more time to high-risk activities and accounts. This request was discussed extensively during the Audit Committee meeting and was approved by the Board.

4. On June 18, 2025, MVSM Bank marked its 72nd Anniversary through a week-long series of client engagement activities, highlighted by a coffee gathering at the Head Office and merienda offerings across all branches. These initiatives reinforced the Bank's strong community presence and client-centric culture. Complementing this milestone, the Bank expanded its footprint with the opening of the third (3rd) Branch-lite Unit located at Teresa Public Market, Teresa, Rizal on November 6, 2025.

In support of its digital transformation agenda, the Bank conducted a Focus Group Discussion (FGD) on September 25, 2025 to capture client insights on digitalization initiatives. The results provided actionable feedback to further enhance digital services, improve user experience, and align product offerings with evolving client expectations.

In 2025, MVSM Bank continued to strengthen its marketing initiatives to promote products and services more effectively. Social media platforms proved to be a highly effective channel in expanding client reach and engagement. This was complemented by on-ground marketing efforts, including flyering in nearby barangays and the installation of tarpaulins, particularly in public markets, to increase visibility of loan products and other financial services.

Significant improvements were also undertaken in branch infrastructure and client touchpoints. During the first half of 2025, the Antipolo Branch was renovated to reflect a more modern and welcoming ambiance consistent with the Bank's "AT HOME KA DITO" branding. Meanwhile, plans are underway to expand the Binangonan Branch lobby by utilizing a portion of the parking area, with implementation targeted in the third to fourth quarter of the year to better accommodate growing client traffic. Enhancements in bank signages, community boards, counters, decals, doors, and guard podiums were likewise pursued to ensure consistent branding and improved client interaction. Client feedback mechanisms and social media platforms were also actively utilized to strengthen communication and service responsiveness. Additionally, acquired assets were promoted through the Bank's official Facebook page to maximize market exposure.

Internal and external information campaigns were sustained, including the regular airing of RBAP's "LIFT LIFE" advocacy videos across branch TV screens, alongside informational materials from the BSP such as the Philippine polymer banknote series to promote public awareness and financial literacy.

The 72nd Anniversary celebration was further enlivened through festive branch decorations, including paper banderitas displayed throughout June. Client appreciation activities included the distribution of candies at teller and Bayad Center counters, as well as light snacks and refreshments served on June 18. A dedicated coffee cart at the Head Office provided both clients and employees with complimentary hot and iced beverages, enhancing the overall celebratory atmosphere.

On the sustainability front, MVSM Bank continued to advance its Environmental, Social, and Governance (ESG) commitments. The Pasig Branch Lite implemented a rainwater catch basin system to support water conservation efforts by collecting and reusing rainwater for non-potable purposes such as cleaning and plant maintenance. In parallel, the Bank's investment in solar energy infrastructure delivered measurable cost savings across branches from 2024 to 2025, reducing operational expenses while supporting environmental objectives. These initiatives demonstrate that the Bank's sustainability programs are both economically beneficial and environmentally responsible. Continued Board support is recommended to sustain and scale these strategic investments in green infrastructure.

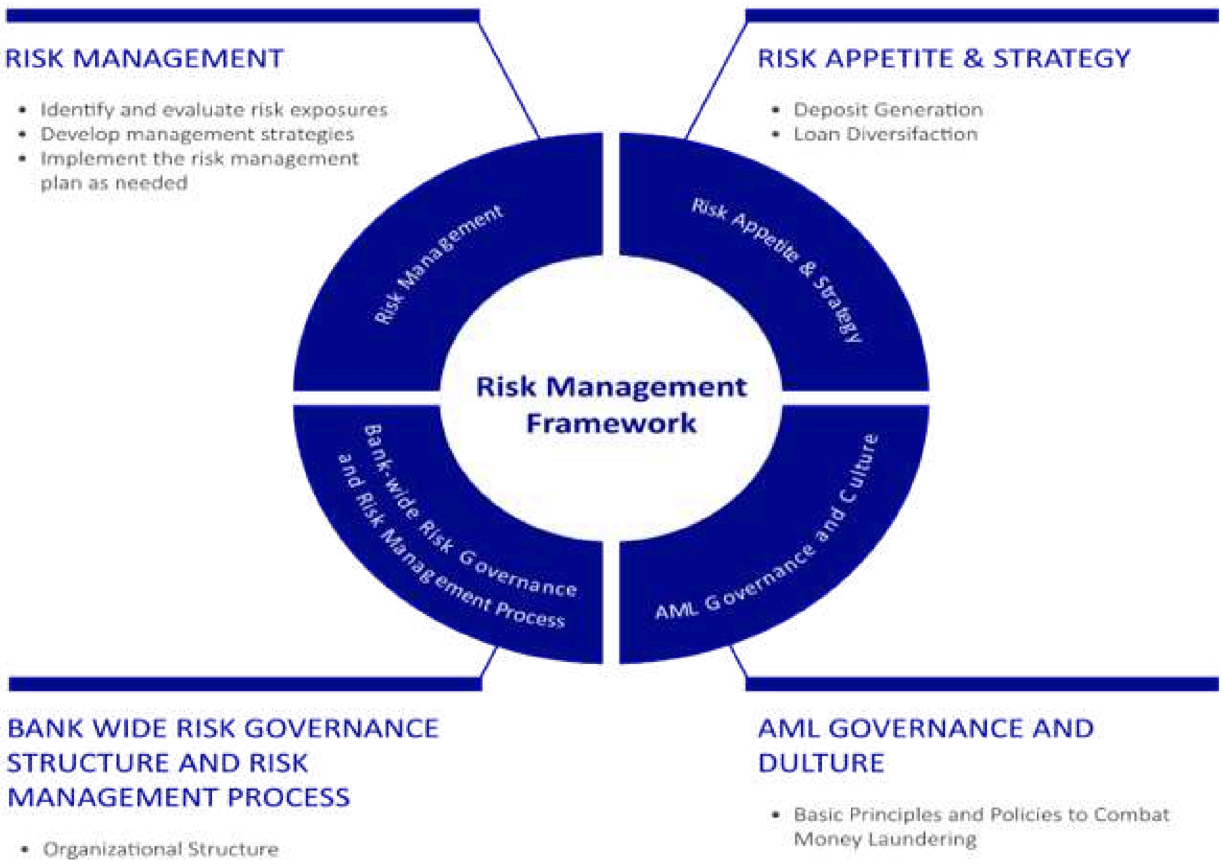
As part of its corporate social responsibility efforts, MVSM Bank also conducted community gift-giving activities to selected beneficiaries, reinforcing its commitment to social impact and community development.

Guided by its enduring tagline "AT HOME KA DITO," MVSM Bank remains focused on deepening client relationships, enhancing service delivery through digital innovation, and pursuing sustainable growth anchored on strong community engagement and responsible banking practices.

Marketing Pictures from branches

RISK MANAGEMENT FRAMEWORK ADOPTED

This section highlights the Bank's Board-approved Risk Management framework and should include at a minimum the following information:



a. Overall risk management culture and philosophy
The Bank is considered a simple/non-complex bank, the Audit committee discusses Risk Management and Corporate Governance matters in their meetings, duties and responsibilities includes:

The Risk Management function is the responsibility of the Board of Directors thru the Audit Committee. It is responsible for overseeing the risk-taking activities of the Bank, as well as evaluating whether these remain consistent with the Bank's risk appetite and strategic direction. The risk management function shall be responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense.

Role of Audit Committee in Risk Management

The Audit Committee shall advise the Board of Directors on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank. The Audit Committee shall:

1) Oversee the risk management framework. The Committee shall oversee the risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.

2) Oversee adherence to risk appetite. The Committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.

3) Oversee the risk management function. It shall also ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Bank.

4) Identify and evaluate risk exposures. The Committee shall assess the probability of each risk becoming real and shall estimate its possible effects and cost. Priority areas of concern are those risks that are most likely to occur and cost when they happen;

5) Develop management strategies. The Audit Committee shall develop a written plan defining the strategies for managing and controlling major risks. It shall identify practical strategies to reduce the chance of harm and failure to minimize the losses if the risk becomes real.

6) Implement the risk management plan as needed. The Committee shall evaluate the plan to ensure its continued relevant, comprehensiveness and effectiveness, it shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. The Committee shall report regularly to the Board of Directors the Bank's overall risk exposures, actions taken to reduce the risks and recommend further action or plans as necessary.

The Board and Senior Management play an active role in risk oversight with the continuous trainings, regular meetings and updates.

Policies, procedures and limits on risk are regularly reviewed and enhanced accordingly.

Risk Management Practices and the Corresponding Risk Management Policy/Principles Adopted by the Bank's Board for the Attainment of the said Mission and Goals:

1. Assist in developing the Risk Management Policy and Process [to meet regulatory requirements in Risk Management / to manage critical to the Bank's operations, particularly the Operational Risks / to manage risks critical to the Bank's operations including non-financial risks / to manage risks critical to the Bank, including Strategic Risks].

2. Assist the Board to develop an overall Risk Management strategy, including specific strategies for capital and liquidity management as well as for credit market, operation, compliance, reputational and other key risks of the Bank;

3. Provide analytical and administrative support to the operations of the executive -level risk committees and management in discharging their duties in relation to Risk Management;

4. Coordinate the development of a Business Continuity strategy and plans to ensure Business Continuity in the events of Business Interruption;

5. Keep up to date with development and changes in the legal / regulatory regime, external risk landscape, international standards and methodologies related to Risk Management; and

6. Supporting management to inculcate a Risk Culture throughout the organization.

b. Risk Appetite and Strategy

In 2025, MVSM Bank aims to maintain a Tier 1 capital ratio above 12% to ensure a strong capital base capable of supporting growth and absorbing potential losses. Its risk appetite is carefully defined across key areas:

- Credit Risk: Focused on diversified retail lending to middle-class earners and minimum-wage clients, with a maximum NPL ratio of 15% and a 65% limit on real estate loan concentration.

- Market Risk: Low appetite, managed through a diversified mix of government securities to mitigate interest rate sensitivity.

- Operational Risk: Very low tolerance; the Bank prioritizes robust internal controls, reliable infrastructure, and process improvements to minimize losses.

- Liquidity Risk: Low-to-moderate appetite, with a Minimum Liquidity Ratio of 26%, above the regulatory minimum.

- Compliance and Legal Risk: Minimal appetite; the Bank strictly adheres to laws, regulations, and industry standards.

- Reputational Risk: Very low tolerance, with proactive measures to protect trust and public perception.

- IT Risk: Limited to secure, closed systems; mobile banking access is currently not offered to clients due to operational and market constraints.

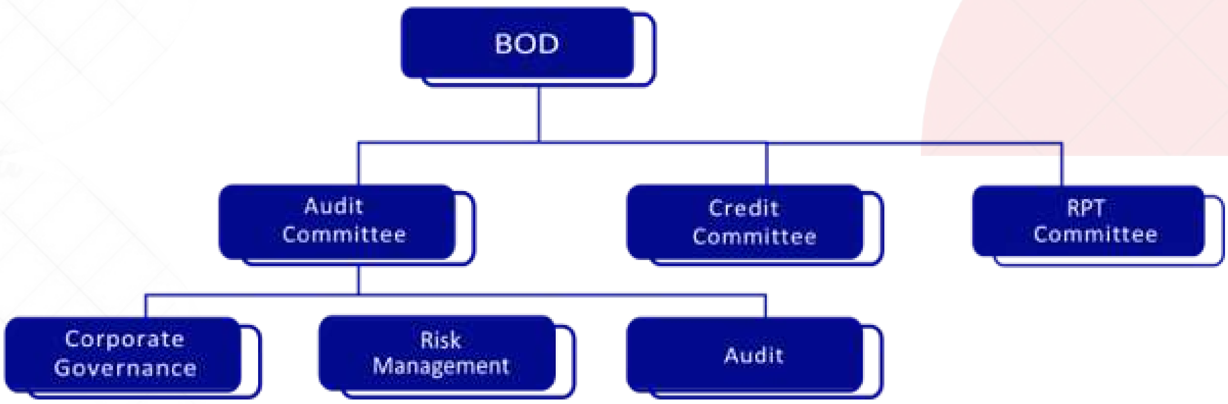
The Bank monitors risk through regular Board reporting, independent reviews, and adherence to defined limits. Metrics such as CAR, NPL ratio, MLR, and loan concentration limits are tracked with green/yellow/red thresholds to guide management actions.

Strategically, MVSM Bank focuses on sustainable growth rather than first-mover initiatives. Key priorities include maximizing the use of its RB SOFT core banking system, exploring microsites for client services, expanding mobile collection apps, strengthening capital buffers, and enhancing risk management based on BSP examination recommendations.

c. Bank-wide risk governance structure and risk management process

The Audit Committee meets at least once a month or as the need arises and minutes are reported to the Board. The Audit Committee meets with the external auditors, Management and Internal Auditors to discuss matters that the Committee or each of these groups believe should be discussed.

ORGANIZATIONAL STRUCTURE



Role and Responsibilities of the following:

A. Role of Audit Committee in Risk Management

The Audit Committee shall advise the Board of Directors on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank.

B. Internal Control/Audit and Compliance

The Internal Audit and Compliance in-charge of the overall control environment of the organization, the process of identifying, analyzing, managing risk, the adequacy of management information systems and adherence to control activities and promote effective and efficient operations, reliable financial and regulatory reporting and compliance with all relevant laws, rules and regulations and policies of the institution.

C. Role of Senior Management

The senior management is responsible for implementing the Board-approved risk strategy. It ensures that procedures and policies are applied consistently throughout the Bank and that all levels of staff are informed of their responsibilities with respect to risk management. Senior management is also in-charge of crafting policies, processes and procedures for managing risks according to the Board-approved risk management framework.

d. AML governance and culture, and description of the overall Money Laundering (ML)/ Terrorist Financing (TF) risk management framework is adopted to prevent the use of the bank for ML/TF activities.

Basic Principles and Policies to Combat Money Laundering

In line with the declaration of policy, the Bank shall apply the following principles:

1. The Bank shall conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system;

2. The Bank shall know sufficiently its customers at all times and ensure that the financially or socially disadvantaged are not denied access to financial

services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the covered person by himself or otherwise;

3. The Bank shall adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing;

4. The Bank shall comply fully with this part and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and

5. The Bank shall fully cooperate with Anti-Money Laundering Council (AMLC) for the effective implementation and enforcement of the AMLA.

MVSM BANK
(a rural bank since 1953)

CORPORATE GOVERNANCE

a. Overall corporate governance structure and practices

MVSM Bank is committed to continuously improve its corporate governance practices in order to remain an ethically driven corporation and will concentrate on the rights of shareholders, the fair treatment of shareholders, the treatment of stakeholders, disclosure and transparency and the duties of Board members. It involves systems, policies and processes for assuring proper accountability, integrity and openness in the conduct of the organization's business.

1. The role of Audit Committee in Corporate governance are as follows:

a) Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors;

b) Ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the Board and its Committees and Executive Management; and shall also conduct an annual self-evaluation of its performance. It shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards;

c) Recommendations to the Board regarding the continuing education of directors, assignment to Board committees, succession plan for the Board members and senior officers, and their remuneration commensurate with corporate and individual performance.

d) Decide the manner by which the Board's performance shall be evaluated and propose an objective performance criterion approved by the board. Such performance indicators shall address how the Board has enhanced long term shareholders' value.

2. Meetings

The Corporate Governance matters are regularly discussed in its Audit Committee meetings.

b. Selection process for the Board and Senior Management

The members of the Board of Directors shall possess minimum qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations. In selecting independent directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry-out his duties and responsibilities.

The Board of Directors shall apply fit and proper standards on key personnel, integrity, technical expertise and experience in the Bank, either current or planned, shall be the key considerations in the selection process. And because mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy vision and core values of the institution. The Board of Directors shall replace members of senior management, when necessary, and have in place an appropriate plan of succession.

c. Board's overall responsibility

<u>General responsibility of the Board of Directors</u>

The position of a Bank Director is a position of trust.

A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The Board of Directors is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the Board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day-to-day affairs of the institution.

d. Description of the major role and contribution of the Chairman of the Board

The Chairman establishes the principles of good governance in the entire organization; undertakes every effort necessary to create awareness within the organization; provides guidelines that will direct Senior Management to attain best practices at every level of the organization; continuously monitor and evaluate Senior Management's performance in accordance with the Company's Mission and Vision.

e. Board Composition

Name of Directors	Type of Directorship	Principal Stockholder or Nominee	No. of Years Served as Directors	No. Shares	% of Shares Held to O/S Shares
Gene M. Sangalang	Vice-Chairman	Principal Stockholder	8 yrs. & 9 mos.	1,465	0.13%
Brigida Regina J. de Luna	Member	Principal Stockholder	12 yrs. & 5 mos.	227,979	19.63%
Maria Milagros L. Javier	Member	Principal Stockholder	2 mos.	227,979	19.63%
Anna Liza B. Santiago	Member	Principal Stockholder	8 mos.	0	0%
Noelle Riza D. Castillo	Member	Principal Stockholder	8yrs. & 6 mos.	919	0.08%
Florencia B. del Rosario	Independent Director	Principal Stockholder	3 yrs. & 4 mos.	0	0.00%
William Cydrick M. Estrada	Independent Director	Principal Stockholder	3 yrs. & 4 mos.	0	0.00%
Total Shares				686,323	59.09%
Total Outstanding Capital Stock				*1,161,327*	

f. Board Qualification

GENE M. SANGALANG

Chief Operations Officer/Vice Chairman

Age : 59

Nationality : Filipino

QUALIFICATIONS :
BS Accounting

BRIGIDA REGINA J. DE LUNA

Member

Age : 54

Nationality : Filipino

QUALIFICATIONS :
BS Business Economics

MARIA MILAGROS L. JAVIER

Member

Age : 47

Nationality : Filipino

QUALIFICATIONS :
BS Economics

NOELLE RIZA D. CASTILLO

Member

Age : 57

Nationality : Filipino

QUALIFICATIONS :
BS Economics/Bachelor of Laws (LLB)

ANNA LIZA B. SANTIAGO

Member

Age : 56

Nationality : Filipino

QUALIFICATIONS :
BSBA - Accounting

FLORENCIA B. DEL ROSARIO

Independent Director

Age : 63

Nationality : Filipino

QUALIFICATIONS :
BSC - Commerce

WILLIAM CYDRICK M. ESTRADA

Independent Director

Age : 46

Nationality : Filipino

QUALIFICATIONS :
Juris Doctor

Some of the Trainings attended by the Board of Directors:

Seminar/Training	Participant	Conducted by	Date
HR for Non-HR Managers	Maria Milagros L. Javier	RBAP	Jan 23, 24 & 27, 2025
Basic Corporate Governance for Bank Directors and Officers	William Estrada	RBAP	March 20-21, 2025
	Florencia Del Rosario	RBAP	April 24-25, 2025
PICPA RIZAL CHAPTER 3RD GMM "Balancing the Books, Bridging the Gaps: Conflict; "Legal Language Simplified: Contract Drafting for Professionals"; Sec and Bir Compliances and Reminder; Invest in your Future: The Power of Proactive Financial Planning; Final Tips and Reminders for FS Preparation and Disclosures	Anna Liza B. Santiago	PICPA 1- METRO MANILA	March 29 up to April 2, 2025
Aligning Business Strategy to Technology Innovations & Trends	Brigida Regina J. De Luna	SGV Partner In Charge and AFD Project	April 11 up to April 25
	Maria Milagros L. Javier		
	Gene M. Sangalang		
Digital Customer Onboarding	Brigida Regina J. De Luna		
	Maria Milagros L. Javier		
	Gene M. Sangalang		

PICPA WMMC 3RD GMM "Halalan 2025: Call for CPA's Action		PICPA 1- METRO MANILA	Apr 28, 2025
Advance Corporate Governance		RBAP	Apr 30, 2025
Capital Budgeting, Forecasting and Analysis of Cash Flows	Anna Liza B. Santiago	PICPA 1- METRO MANILA	5/7/2025
Leading with Integrity: Strategies for Accountable, Transparent & Good Governance			5/10/2025
Navigating Labor Laws: Latest Dole Updates and Insights On SSS, PHIC, and HDMF Compliance			5/20/2025
Staying Ahead of the Curve: Essential Tax Updates for 2025			5/20/2025
Common Pitfalls of Accountants in Handling VAT Compliance Under the Train and Create Law			5/22/2025

The Changing Withholding Tax Rules			5/22/2025
Saying What We Mean and Mean What We Say: Tips and Tricks for an Impactful Research Presentation			5/24/2025
Project Knowledge Transfer & Capability Development for Rural Financial Institutions: Fintech for Inclusion Transformation (FIT) Program Phase 2 Workshops	Brigida Regina J. De Luna		May 27-29, 2025
	Maria Milagros L. Javier		
	Gene M. Sangalang		
Enhancing Business Communication Skills for Professionals	Anna Liza B. Santiago	PICPA 1- METRO MANILA	5/30/2025
Managing BIR Audits: Effective Preparation & Response			5/30/2025
PFRS Comparison Series: Full PFRS vs SME vs Small Entities			6/11-6/13/2025

PICPA Tech Summit 2025 Elevating Accounting with Technology			6/13 -6/14/2025
Project Management: An Additional Skillset for Accounting Professionals			6/19/2025
Smart Tips in Handling Tax Assessment			6/19/2025
Tax Health Check: Evaluating Your BIR Compliance			6/20/2025
Designing An Effective Internal Control			6/24/2025
Internal Control Under the Coso Framework			6/24/2025
4th EMMC GMM and Webinar on Sec and Tax Updates			6/25/2025
Legal Framework of Banking: Module 2 of the Basic Program for Banking Professionals	Atty. William Cydrick Estrada	BAIPHIL	Jul 4, 2025

Legal Framework of Banking: Module 2 of the Basic Program for Banking Professionals	Atty. William Cydrick Estrada	BAIPHIL	Jul 4, 2025
2025 Accountancy Week Celebration: "Updates on Sec Accreditation for External Auditors	Anna Liza B. Santiago	PICPA 1- METRO MANILA	7/16/2025
Collaborative Leadership: Empowering Cross-Functional Teams in a Digital World			7/17/2025
Teaching Accounting in the AI Age: Empowering Educators, Engaging Learners			7/17/2025
2025 Accountancy Week Celebration NMMC Day "Ai in Action: Rewiring Commerce, Industry, And The Accounting Mindset			7/18/2025

AWC-WMMC Day "Advanced Excel Technique's for Teachers"			7/29/2025
Financial Literacy Roadshow	Brigida Regina J. De Luna	Bureau of the Treasury together with the DBP and LBP	Jul 30, 2025
Digital Services Vat and Beyond: Key Tax Updates For 2025	Anna Liza B. Santiago	PICPA 1- METRO MANILA	9/17/2025
Tips & Tricks in Teaching CPALE Course: Financial Accounting & Reporting Classroom Delivery Approaches			9/20/2025
AMLA Refresher, Cybersecurity, Data Privacy & Service Recovery: Managing Complaints	Gene M. Sangalang	MVSM, In-house	Sep 20, 2025
	Brigida Regina J. De Luna		
	Maria Milagros L. Javier		
	Atty. William Cydrick Estrada		

Tips & Tricks in Teaching CPALE Course: Financial Accounting & Reporting Classroom Delivery Approaches	Anna Liza B. Santiago	PICPA 1- METRO MANILA	9/20/2025
PICPA NMMC 1st GMM "Sustainability Reporting 101" & "Sustainability Reporting: A New Era for Accountants"			9/23 – 9/26/2025
Tax Clinic 2: Understanding The Capital Markets Efficiency Promotion Act (CMEPA): Key Reforms and Implications for Businesses and Professionals	Anna Liza B. Santiago		10/22/2025

RBAP Annual National Convention and GMM: "Bridging Generations, Building Futures: Growth, Succession, and Governance in Rural Banking"	Brigida Regina J. De Luna	RBAP	November 11-12, 2025
Corporate Governance: Advance Topics	Maria Milagros L. Javier	CCE Ateneo De Manila University	Nov 27, 2025
PICPA NMMC 2ND GMM "BOARD DYNAMICS AND ETHICAL GOVERNANCE: WHAT EVERY ACCOUNTANT SHOULD KNOW"	Anna Liza B. Santiago	PICPA 1- METRO MANILA	12/18/2025

g. List of Board-level committees including membership and function.

(1) Audit Committee:

Florencia B. del Rosario	Chair
William Cydrick M. Estrada	Member
Anna Liza B. Santiago	Member

Its primary purpose is to support the Board of Directors in fulfilling its responsibility to ensure that management attains organizational objectives while maintaining an effective system of internal control and risk management.

(2) Credit Committee:

Brigida Regina J. de Luna	Chair
Gene M. Sangalang	Member
Florencia B. del Rosario	Member

Its purpose is to oversee the credit and lending strategies and objectives of the Bank, including: (1) Oversee the credit risk management of the Bank, including reviewing internal credit policies and establishing portfolio limits; and (2) Review the quality and performance of the Bank's credit portfolio. The Committee shall also be responsible for any other matters delegated to it by the Board.

(3) Related Party Transaction (RPT) Committee:

William Cydrick M. Estrada	Chair
Florencia B. del Rosario	Member
Noelle Riza B. Castillo	Member

Its primary purpose is to support the Board of Directors in fulfilling its responsibility to ensure that all related parties are continuously identified, RPTs are monitored, and oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

h. Directors' attendance at Board and Committee meetings:

Name of Directors	Board Number of meetings		Audit Committee Number of Meeting		Credit Committee Number of Meeting		Related Party Transaction Number of Meeting	
	Attended	%	Attended	%	Attended	%	Attended	%
Gene M. Sangalang	14	100.00%			11	100.00%		
Brigida Regina J. de Luna	14	100.00%			11	100.00%		
Maria Milagros L. Javier	2	100.00%						
Anna Liza B. Santiago	11	100.00%	7	100.00%				
Noelle Riza D. Castillo	13	92.86%					5	100%

Florencia B. del Rosario	6	100.00%	3	100.00%	2	100.00%	2	100%
William Cydrick M. Estrada	12	100.00%	7	100.00%			3	100%
Total Number of Meetings Held During the Year	***14***		***8***		***11***		***5***	

i. Changes in the Board of Directors

During 2025, the Bank implemented key changes in the composition of its Board of Directors to further strengthen corporate governance, enhance board independence, and align the Board's collective expertise with the Bank's strategic objectives, consistent with the corporate governance standards of the Bangko Sentral ng Pilipinas (BSP).

On March 11, 2025, Atty. Cecilia Misola tendered her resignation from the Board in view of her application to the judiciary. She was subsequently replaced by Ms. Anna Liza B. Santiago, whose appointment brings relevant expertise and strengthens the overall competency profile of the Board.

In line with the Bank's commitment to maintaining a robust independent oversight function, Atty. William Cydrick Estrada was appointed as Independent Director effective April 7, 2025, replacing Mr. Edgardo Molina. His legal proficiency and experience in governance are expected to enhance the Board's effectiveness in overseeing risk management, regulatory compliance, and related party transactions, in accordance with BSP expectations on independent directors.

Further reinforcing independent representation, Ms. Florencia dela Rosario was appointed as Independent Director effective August 1, 2025, replacing Mr. Duane Von Sumo. Her appointment supports compliance with BSP-prescribed independence requirements and contributes to greater objectivity, diversity, and balanced decision-making within the Board.

The Board likewise expresses its profound regret on the passing of its Chairman, Mr. Rufino S.B. Javier, on July 13, 2025. In response, Ms. Maria Milagros L. Javier was appointed to the Board effective November 1, 2025, ensuring continuity in leadership and preserving institutional knowledge vital to the Bank's long-term direction.

Pending the formal election of a new Chairman, Ms. Florencia dela Rosario, in her capacity as Independent Director, has been designated as Acting Chairman. This interim arrangement ensures continuity of leadership and is aligned with BSP corporate governance principles on maintaining effective oversight and board independence during transition periods.

All Board appointments and changes were undertaken in accordance with the BSP “fit and proper” rule, ensuring that members of the Board possess the integrity, experience, competence, and independence necessary to effectively perform their duties. These developments underscore the Bank’s continuing commitment to maintaining a well-balanced and competent Board, capable of providing sound strategic direction, strong governance oversight, and sustained value to its stakeholders.

j. List of executive officers/senior management

Name of Executive Officer/ Senior Management	Position	Qualification/ Experience in MVSM	Age	Nationality	
1	GENE M. SANGALANG	Chief Operations Officer	BSC Accounting	59	Filipino
2	BRIGIDA REGINA J. DE LUNA	President/CEO	BS Business Economics	54	Filipino
3	MARIA PATRICIA J. UY	Chief Customer Officer/Corporate Secretary	BA European Languages	48	Filipino
4	MARIA MILAGROS L. JAVIER	Chief Admin & Support Service Officer	BS Economics	47	Filipino

5	ESTRELLA L. VILLENAS	Chief Compliance Officer	BBA Marketing	52	Filipino
6	ANGELINA RAIDA A. SALAMAT	Treasurer/Manager	BSC Banking and Finance	47	Filipino
7	LORENA S. TOLENTINO	Remedial Accts. Manager	BA Accountancy	62	Filipino
8	JIMMY N. ARELLANO	Credit Risk Officer	BSC Accounting	51	Filipino
9	JOEL V. ABAD	Senior Internal Auditor	BSBA Accounting	60	Filipino
10	SARRAH JANE S. RAYMUNDO	Corporate Bookkeeper	BSBA - MANAGEMENT	35	Filipino
11	SARAH JANE V. RIOS	Accounting head	BSBA - MANAGEMENT	41	Filipino
12	LOUVELLE D. MAMORNO	Corporate Bookkeeper	BSBA - HR. Devt. Mgt.	35	Filipino

k . Assessment Program

The Performance Evaluation Assessment includes the following:

The BOD, Board Committees, Unit Heads and the BMs must perform regularly the scheduled assessments in order to monitor the effectiveness of the all employees, Board and Board Committees:

a. Self-Assessment/Evaluation

1) The final performance ratings shall be computed using average method for the Board of Directors as a body.

2) The final performance ratings shall be computed using the number of questions with proportionate points or percentage /weights e.g., questions with YES and NO answers. Sum up the results of questions and then align the results with the Table of Ratings. The said computation of ratings is applicable for Self-Assessment of Board of Directors; Self-Evaluation of Audit Committee and Self Evaluation of Credit Committee.

b. Performance Evaluation Report - indicate the competencies/qualitative criteria used in evaluating performance (see attached Performance Evaluation Report Form).

The HR shall identify and define the rater of each employee per position. For employees with multiple ratings like CCO, CRO, SIA, etc. the final performance ratings shall be computed using the average method.

c. Performance/Merit System - given 100 merit points within a calendar year every errors/findings/misreporting/delayed submission will be deducted to their merit points. The total demerit points will be tallied and totaled and will also serve as a basis for the increase and bonus.

Strategic Plan for the year– annual basis based on the achievement of branch targets & developments.

Schedule of Assessment

Kind of Assessment	*Frequency of Assessment*
Self-Assessment/Evaluation – Board of Directors (BOD); BOD as a body; Audcom as a body; and Crecom as a body; RPTCom as a body	Annually, before Annual Election of Board of Directors and Board Committee members (scheduled every 2nd Tuesday of March)
Performance Evaluation Report	For all Regular Employees - annually, every July after the reference cut-off month ending 30th of June (inclusive date from July 1 of the previous year up to June 30 of the current year); and For Newly Hired Employees – twice before regularization.
Performance/Merit System	Annually, usually done before Strategic Plan on/or before 1st week of December, awarding of the "BEST" employee in each category (BM, Cashier, Teller, Loan Processor, Bookkeeper, Messenger & Branch) will be done on the day of the Christmas
Evaluation of the current Strategic Plan	Semi-Annual, usually done after June and December

I. Orientation and Education Program

Training and Development

Training and development activities are conducted in order to improve the performance of each employee. Various programs are made for all employees. They include the following:

- Training within the Bank (In-House)
- Training outside the Bank
- Orientation and Job Induction of new hires

Regular refresher courses will be conducted for the following: loans, tellering/cashiering, bookkeeping, AMLA, Security. Participants would depend on the seminar to be conducted. These in-house training will cover topics recommended by audit, operations and compliance.

Depending on the results of the Talent Review and in cases of promotion/ change of job designation, employees may be nominated to attend available seminars.

Below are some seminars conducted by RBAP Foundation:

1) Delinquency and Fraud Management in Banks
2) Internal Credit Risk Rating System Workshop
3) Credit Analysis & Loan Packaging Seminar
4) Risk Management Basic Course
5) Cash Flow Statement—Understanding & Analyzing
6) Compliance Officer's Development Training
7) Signature Verification Bank Fraud and Forgery Detection
8) AMLA Seminar
9) Comprehensive Property Appraisal Seminar
10) Business Continuity Management Program

m. Retirement and Succession Policy

1. RETIREMENT

1.1 Compulsory Retirement shall take effect on the employees' birth month at the age of 65.

1.2 Optional Requirement Any employee with at least 20 years of service or upon reaching the age of 60 may retire at his option of the Bank and shall be entitled to retirement benefits.

1.3 Retirement Benefits Computation:

a. Any employee with an Officership position (Manager, Cashier, Loan Manager, General Bookkeeper and Appraiser) and has rendered at least fifteen (15) years of service with the Bank will receive One Month's Pay for every year of service rendered upon retirement.

b. Any retiring employee with at least twenty (20) years of service shall be entitled to receive One Month's Pay for every year of service rendered.

2. SUCCESSION PLANNING GUIDELINES

The Bank has institutionalized a comprehensive Succession Planning and Development Program covering all regular employees of MVSM Bank, Inc., as part of its commitment to organizational resilience and sustainable talent management. A centralized and regularly updated employee database has been established, capturing critical personnel information to serve as a reliable decision-support tool for Management in workforce planning, talent review, and leadership pipeline development. This structured framework enables the Bank to systematically define career pathways, align individual competencies with strategic priorities, and ensure the availability of qualified successors for key positions.

In developing each employee's career plan, a robust and multi-dimensional assessment process is undertaken. Key parameters considered include tenure, current role and functional responsibilities, branch or departmental assignment, identified career progression pathways, succession role targets, and readiness levels. Performance and potential ratings are likewise integrated to provide a balanced view of demonstrated results and future capacity. The framework further incorporates clearly defined development needs, corresponding learning and development interventions, target timelines, and designated mentors or coaches. Progress is continuously tracked through documented milestones, with periodic reassessments conducted by the immediate supervisor and subject to review by Human Resources to ensure alignment and accountability.

The Development Plan component provides a disciplined approach to capability building by identifying targeted interventions to address competency gaps and enhance employee effectiveness. These interventions include structured internal training programs aligned with the Bank's competency framework, as well as participation in external capacity-building initiatives such as those offered by the Rural Bankers Association of the Philippines (RBAP). This ensures that all development activities are strategic, outcome-driven, and responsive to both individual career goals and the Bank's evolving business requirements.

To operationalize the program, the Bank has developed a Succession Planning and Development Matrix, which serves as a dynamic and forward-looking tool for identifying both immediate and pipeline successors for critical roles. This matrix plays a vital role in mitigating operational risks arising from planned or unplanned absences, resignations, or retirements. By maintaining clear visibility of successor readiness and development status, the Bank is able to ensure seamless continuity of operations, preserve institutional knowledge, and uphold service delivery standards despite changes in staffing.

n. Renumeration & Compensation policy

1. Forms of Remuneration

The components of total remuneration are:

a. Fixed remuneration

The fixed remuneration is determined on the basis of the role and position of the individual employee, including professional experience, seniority, education, responsibility, job complexity, local market conditions, etc. Fixed salary is mainly payable in cash.

b. Variable remuneration

The majority of employees have a variable component to their remuneration in addition to their fixed remuneration. There is a proportionate ratio between fixed remuneration and variable remuneration. The relation between fixed and variable remuneration is of reasonable proportion. Employees should not have to rely on their variable remuneration. The variable portion is clearly connected to the work and performance of the individual, the performance of his/her department and the overall performance of the Bank. The goals are based on factors that support the Bank's long-term strategy. The variable component varies across the Bank's business areas and management levels.

The performance-based remuneration motivates and rewards high performers who significantly contribute to sustainable results, perform according to set targets/expectations for the individual in question, strengthen long-term customer relations, and generate income and shareholder value. The Board of Directors has determined a maximum percentage of performance-based remuneration relative to the fixed remuneration in order to ensure an appropriate balance between fixed and variable pay.

This percentage varies according to the type of position held by the employee and the business unit in which the employee is employed and local requirements. The maximum limit on variable remuneration remains at 200 per cent of fixed salary.

c. Other Remuneration:

1. Healthcard/Health Coverage Insurance
2. Retirement Benefits (please refer to BIR approved Retirement Plan)
3. SSS/Philhealth and Pag-ibig Contribution
4. Financial Assistance

2. Compensation for Directors and Officers

a. Directors

The directors shall not receive any compensation, as such directors, except for reasonable per diems. Any compensation may be granted to directors by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting, in no case shall the total yearly remuneration of directors, serving as such directors exceed ten (10%) of the net income before tax of the Bank during the preceding year.

The non-executive Chairman shall be entitled to reimbursement of expenses for meetings, official visits and participation in various forums and other expenses and allowances for attending to his duties as Chairman on behalf of the Bank. The Chairman as assignee of the Bank Golf Club & other Country Club shares has the privilege to use the facility, venue to conduct meetings with potential clients, business partners, and committee meetings.

The Stockholders' Meeting decides the value of the fees for the Board of Directors.

The remuneration policy for Executive Directors is proposed to the Board of Directors by the Remuneration & Compensation Committee. The Board of Directors then approves any type of supplementary remuneration.

The President proposes policies for the Directors to the Remuneration & Compensation Committee, which expresses its opinion and presents the policies to the Board of Directors.

This process is supported, as far as the technical aspects are concerned, by the HR Head, who takes care of the implementation of these policies.

President Remuneration is composed of the fixed, variable and other remuneration based on the degree of achievement of the targets set in the previous year.

b. Senior Management

Remuneration & Compensation of the senior management and the most highly compensated management officers of the bank will be deliberated by the Compensation Committee. After the Compensation Committee has deliberated and reported, specific remunerations for Directors and

Senior Management are deliberated at the Board of Directors meeting, and specific remunerations are discussed in the Board meeting,

within the limits of remunerations approved at the Annual Stockholders Meeting, and with the amount of remunerations calculated based on rules and regulations established by the Bank.

Employees in risk control functions (i.e., internal audit, compliance, and risk management functions) shall be based on the achievement of their objectives and shall be independent of the business lines which they oversee.

c. Officers

The Committee deliberates and reports on matters pertaining to remuneration for Officers such as remuneration policy, plan, calculation methods, and specific remuneration content of individual Officers.

o. Policies and procedures on related party transactions (RPT)

i. Policies and procedures for managing related part transactions

POLICY:

Bank's directors, officers, stockholders and their related interest are not prohibited to borrow from their own Bank, provided that the terms of the loan are not less favorable to the Bank than those offered to others and loans so granted to them shall as much as possible be fully covered by collaterals.

1. Definition of Related Parties

The Bank will review the submitted BIOGRAPHICAL DATA of all DOSRI which will be used as the basis for the Inventory of related parties. A review of this inventory will be done annually after the Annual Stockholder's meeting.

2. Coverage of RPT Policy

The coverage of related party transactions shall go beyond just credit risk but will include among others:

a. On-and-off balance sheet credit
b. Consulting, professional, agency and other service arrangements/contracts
c. Purchases and sales of assets, including transfer of technology and intangible items (e.g. research and development, trademarks and license agreements)
d. Construction arrangements/contracts
e. Lease arrangements/contracts
f. Borrowings, commitments, fund transfers and guarantees
g. Sale, purchase or supply of goods or materials and
h. Establishment of joint venture entities

PROCEDURES:

a. Transactions with DOSRI, regardless of amount, shall be reviewed and endorsed to the RPT Committee and Board for approval. The approval shall be manifested in a resolution passed by the board of directors during a meeting properly minutes and made of record.
b. The Compliance Officer shall prepare a monthly report of all related party transactions approval.

The report shall contain the following information

- Name of the director or officer concerned and
- his involvement as regards the credit accommodation, such as principal, endorser, spouse of borrower, etc.;
- Nature of the loan or other credit accommodation, purpose, amount, credit basis for such loan or other credit accommodation, security and appraisal thereof, maturity, interest rate, schedule of repayment and other terms of the loan or other credit accommodation;
- Names of the committee members/directors who participated in the deliberations of the meeting; and
- Names in print and signatures of the committee members/directors approving the resolution: Provided, that in instances where a committee member/director who participated in the meeting and who approved such resolution failed to sign, the corporate secretary may issue a certification to this effect indicating the reason for the failure of the said director to sign the resolution.

c. If a related party transaction would be ongoing, the RPT Committee/Board of Directors shall periodically review and assess ongoing relationships with related parties to determine and ensure compliance with all the regulatory requirements.

d. No director may engage in any Board or Committee discussion or approval of any related party transaction. However, such director must provide to the Board or Committee all material information reasonably requested concerning the transaction.

ii. Conglomerate structure

n/a

iii. Details of material RPTs as defined under Subsec. X136 of the MORB, including the nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments:

Material Related Party Transactions

MVSM Bank (A Rural Bank Since 1953) Inc.
Name of Bank

040590
Bank Code

For the Quarter Ended December 31, 2025

Parent Bank/OB & Subsidiary/Affiliates	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount Contract Price	Terms	Rationale for Entering into Transaction
A. Bank/OB							
a. Subsidiaries and Affiliates							
b. DOSRI							
	RSJMLJ Corporation	Stockholders/Director	1/1/2025	Lease Contract*	43,588.38	1 yr	Building Rental- Tanay
	Jali Corp.	Stockholders/Director	1/1/2025	Lease Contract*	43,588.38	1 yr	Building Rental- Concepcion
	RSJMLJ Corporation	Stockholders/Director	6/2/2025	Lease Contract*	138,375.80	1 yr	Building Rental- San Mateo
	RSJMLJ Corporation	Stockholders/Director	10/1/2025	Lease Contract*	62,868.42	1 yr	Building Rental- BLU
	Atty. Cecilia M. Misola	Director		Legal Related Expenses	P5,000-Manila/ 5,000-Province	Per Appearance	
	Nympha M. Buenaventura	Stockholder	9/15/2017	Borrowings	69,248.94	15 yrs	Loan Accommodation
c. Others							
B. Subsidiary 1							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							
C. Subsidiary 2							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							
D. Affiliate 1							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							
E. Affiliate 2							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							

Please indicate in the last column (rationale for entering into the transaction) if the counterparty was a non-related party at the time when the transaction was entered into.
* inclusive of w/tax
** exclusive of w/tax

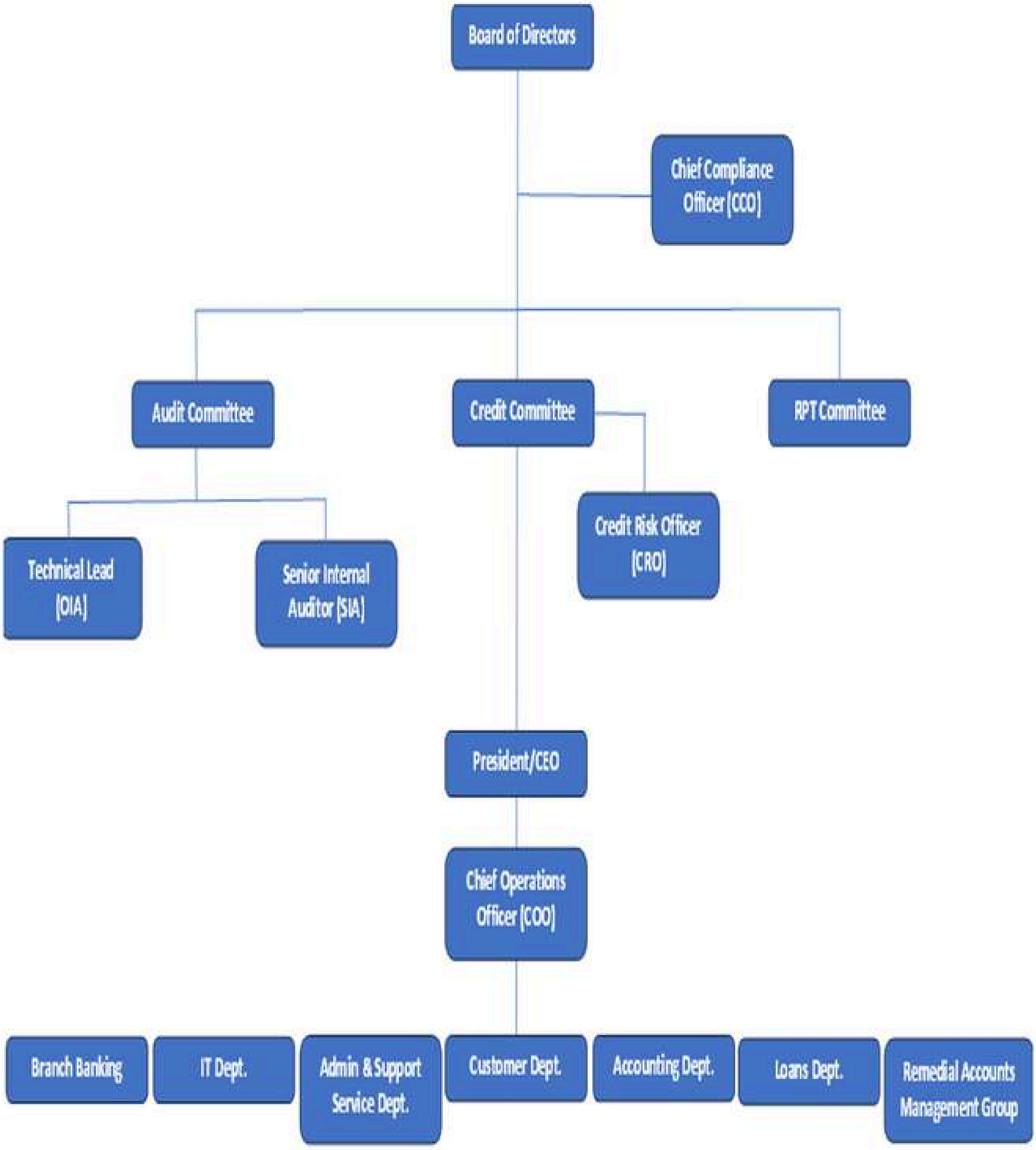
Certified Correct:

ANNA LIZA B. SANTIAGO
Chief Operations Officer

p. Self-Assessment Function

i. Structure of the internal audit and compliance functions including its role, mandate/authority, and reporting process

Plantilla of Organization as of 31 December 2025:



a. Internal Audit – The internal auditor shall have full, free and unrestricted access to all company activities, records, property and personnel. He shall report directly to the Audit Committee. His duties and responsibilities shall include the following:

1) Performs continuous program of verification and conduct his examination in such a way as to ensure management of the general reliability and validity of all reports;
2) Recommends the establishment of appropriate internal controls;
3) Supervises and maintains the bank's system of internal control and ascertains that it is adequate and functioning properly;
4) Recommends appropriate measures to ensure that the established policies, procedures and controls are followed;
5) Perform such other functions as may be assigned by the Board of Directors in connection with examination, evaluation and appraisal of the bank's operations.

The internal auditor has no authority or responsibility over the activities he audits, and his main purpose is to assist the members of the organization in the effective discharge of their responsibilities.

b. Compliance Officer –the Chief Compliance Officer to identify problems as quickly & as efficiently as possible & to report the findings to the appropriate levels of Management. His duties and responsibilities shall include the following:

1) Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.

2) Oversees & implements the compliance system and monitors the performance of the Compliance Program and related activities on a continuing basis, taking appropriate steps to improve its effectiveness;
3) Build-up a compilation of all banking laws and relevant rules and regulations issued by the Bangko Sentral ng Pilipinas (BSP) and other regulatory/supervisory bodies such as the Philippine Deposit Insurance Corporation (PDIC), the Social Security System (SSS), the Department of Labor and Employment (DOLE), Bureau of Internal Revenue (BIR), Home Development Mutual Fund (HDMF), Philippine Health Insurance (PHIC) Corporation and the Local Governments and to implement such laws;
4) Establishes & maintains a constructive working relationship with all the regulatory agencies for the prime purpose of seeking clarifications on specific provisions of laws, rules and regulations and/or discussing compliance findings with the regulatory authorities;
5) Maintain his membership in good standing with the Association of Compliance Officers for Rural Banks to expose himself to various compliance "best practices";
6) Maintain a clear and open communication process within the bank to educate and address compliance matters or conduct regular meeting and seminars/workshops among the officers/staff on the interpretation, implementation guidelines and risk implications of each law, rule or regulation in the operations of the bank;
7) Monitor & assess the compliance program & recommend to the Board of Directors any warranted revision or changes in the program; and

8) Seek the opinion of the Legal Counsel on questions of law & be guided accordingly by the opinion of the Legal Counsel.
9) In compliance with the R. A. No. 10173 also known as Data Privacy Act of 2012, the CCO was designated as the Data Protection Officer (DPO) of the bank to ensure compliance with applicable laws and regulations for the protection of data privacy and security.

He shall directly access the BOD in relation to compliance matters.

ii. Process adopted by the board to ensure effectiveness and adequacy of the internal control system

The Board of Directors, through the Audit Committee, ensures the effectiveness and adequacy of the Bank's internal control system by maintaining a robust, independent, and technically proficient Internal Audit Department (IAD). The IAD operates under a Collaborative Leadership Model, blending internal oversight with specialized external expertise to strengthen audit quality and address the increasing complexity of banking regulations.

Under this model, the Senior Internal Auditor (SIA) serves as the Head of the IAD, accountable to the Board and Audit Committee, overseeing audit planning, execution, and reporting. The Outsourced Internal Auditor (OIA) acts as Technical Lead and Mentor, providing specialized expertise and guidance for complex audits while developing the skills of internal staff. The Internal Audit Staff executes fieldwork, evaluates controls, and participates in compliance testing under the mentorship of the OIA and supervision of the SIA.

The Board ensures that internal audit activities are aligned with regulatory requirements, including areas subject to statutory restrictions, and that staffing and resources are periodically reviewed to match the volume and complexity of operations. Independence, objectivity, professional competence, and adherence to ethical standards are maintained at all levels of the audit function. Regular communication between the IAD, Senior Management, and the Audit Committee ensures that significant findings are promptly reported and addressed, thereby supporting continuous improvement of the Bank's control environment and risk management framework.

q. Dividend Policy

The Bank has established the following general policy regarding the declaration of dividends:
"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine, in accordance with applicable laws, the regulations of the Bangko Sentral ng Pilipinas (BSP), and the Securities and Exchange Commission (SEC), and subject to compliance with all applicable financial regulatory requirements."

Dividends provide shareholders with a return on their investment and enable them to participate in the Bank's profitability. The declaration of dividends is approved by the Board of Directors and does not require prior BSP approval; however, all declarations are made in full compliance with the regulatory requirements set forth by the BSP.

For the year 2025, the Board declared total dividends of Php 12,251,655.00 on January 6, 2025, and an additional Php 12,251,655.00 on May 14, 2025. These distributions reflect the Bank's continued commitment to rewarding its shareholders while maintaining regulatory compliance and financial prudence.

r. Corporate Social Responsibility Initiatives

As part of the CSR, MVSM Bank continuously accepts on-the-job Trainees (OJT) or internship from various neighboring schools for their immersion before going to the real world of work. And participated in various activities as follows:

a) **May 24, 2025** – MVSM Bank Taytay Branch participated in the Summer Art Program organized by signage partner and visual artist Mr. Rodel Sismundo in Brgy. San Juan, Taytay, Rizal. Held from May 3–21, 2025, the program offered free art workshops to children ages 7–15, covering fundamental drawing, painting techniques, and mural work. The initiative culminated in a student exhibit and graduation on May 24, 2025. This reflects the Bank's continuing commitment to community involvement and youth development.

b) **Late November to Early December 2025** – Implemented the Outreach Program 2025, continuing the Bank's tradition of social responsibility and community engagement.

s. Consumer Protection Practices

i. Role and responsibility of the Board and senior management for the development of consumer protection strategy and establishment of an effective oversight over the bank's consumer protection programs

Based on existing financial customer protection standard risks as identified and profiled by the Bank, identified risks were classified as follows:
The effects of lack of oversight supervision by BOD and is "rare" to happen since they are very serious in addressing customer protection issues by coming out with policies and procedures in developing the Customer Assistance Management System, thereby, impact of the risk to the Bank and the customer would be low.

<u>Roles & Responsibilities of the BOARD & SENIOR MANAGEMENT:</u>

1) **BOARD OF DIRECTORS**
The Board shall be primarily responsible for approving and overseeing the implementation of the bank's CPRMS.

The Roles of the Board shall include the following:

a. Approve the CPRMS and Consumer Assistance Mechanism (CAM) that takes into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to consumer protection risks;
b. Promote a culture of ethical behavior and adherence to the highest standards of fair and responsible dealing with consumers;
c. Ensure that adequate information and actions taken are reported on a regular basis in terms of measurement of consumer protection related risks, reports from the CAM, as well as other material consumer related developments that will impact the Bank;
d. Ensure the adequate provision of resources and effective implementation of personnel training and competency requirements;
e. Approve remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest; and
f. Review periodically the implementation and effectiveness of the CPRMS including how findings are reported and whether the audit mechanisms are in place to enable adequate oversight, and put in place a regular mechanism to review the relevance of the CPRMS in case of changes in the bank's business model and/or operating environment.

2) RESPONSIBILITIES OF THE SENIOR MANAGEMENT

The Senior Management shall be responsible for proper implementation of the Consumer protection policies and procedures duly approved by the Board. Also, its role shall focus on ensuring effective management of day-to-day consumer protection activities.

The Senior Management shall be responsible for the following:

a. Ensure that approved CPRMS and CAM policies and procedures are clearly documented, properly understood and appropriately implemented across all levels and business units.
b. Ensure an effective monitoring and management information system to regularly measure, aggregate, and analyze consumer related issues to determine the level of consumer protection risk. An appropriate and clear reporting and escalation mechanism should also be integrated in the risk governance framework.
c. Ensure that adequate systems and controls are in place to promptly identify issues that affect the consumer across all phases of the relationship with the consumer;
d. Ascertain that weaknesses in the consumer protection practices or consumer protection emerging risks are addressed and corrective actions are taken in a timely manner; and
e. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit.

ii. The consumer protection risk management system of the bank, the means by which a bank identify, measure, monitor, and control consumer protection risks inherent in its operations

The Bank shall monitor risks and the effectiveness of established controls through periodic measurement of Consumer Protection activities based on internally established standardsand industry benchmarks to assess the effectiveness and efficiency of existing operations. The risk monitoring and assessment reports shall be submitted on time, accurate, and complete to the Management to provide assurance that established controls are functioning effectively, resources are operating properly and used efficiently and Consumer Protection operations are performing within established issues. Any deviation noted in the process should be evaluated and the management shall initiate remedial action to address underlying causes. The scope and frequency of these performance measurement activities will depend on the complexity of the Bank's risk profile and should cover, among others, the following concerns, mechanism, response and monitoring:

In this view, the Bank has established two (2) approaches in measuring the effects of failure to follow the required protection standards or principles, namely:

1. The Bank classifies its risk according to probability or the likelihood of occurrence of the risk:
   a) RARE – the happening of the customer protection risk is not expected to come soon;
   b) LIKELY – the happening of the customer protection risk is not expected at the moment;
   c) CERTAINLY – the happening of customer protection risk is definite or imminent.

2. The Bank classifies the level of customer protection risks accordingly:

1) LOW – the impact of customer protection risk to the Bank is nil or minimal;

2) MEDIUM – the impact of customer protection risk to the Bank is moderate or within the tolerable level of the Bank.
3) HIGH – the impact of customer protection risk to the Bank is above what the Bank's tolerable limit and has adverse effects on the reputation.

iii. The consumer assistance management system of the bank which shall include the consumer assistance policies and procedures as well as the corporate structure for handling complaints

The Bank goal is to provide consumer with the highest quality of service possible. Hereunder are the procedures that will be followed when the bank receives a complaint or query:

1) Complaints/queries are accepted by staff and endorsed to the branch managers;
2) Manager base on the query or complaint and acts on the matter immediately. If it cannot be resolved or answered immediately, the customer is asked to return at least two days after;
3) When complaint is not immediately resolved at branch level, the Audit Team (depending on complaint) conducts its own investigation about the complaint;
4) Report is prepared by Audit Team to Operations. The investigation and report preparation to take at least three days;
5) When complaint remains unresolved, the VP for Operation goes to the branch and final recommendation is made. Customers are not discouraged to inform BSP about their complaint.

6) Depending on the response of the BSP, the bank may again do its investigation or accept the matter to be closed.
7) Record/s of complaints resolved at branch level kept at the branch and communications coming from BSP are filed with the Compliance Unit.

t. Sustainability Framework

In 2023, MVSM Bank developed its environment & Social Governance (ESG) best practices. The board approved last 09 May 2023 and implementation of the Bank's Environmental and Social Risk Management System (ESRMS) together with the Sustainable Finance Framework (SSF) and Transition Plan to support its sustainability commitments and set out how it intends to raise Sustainable Financing Instruments (SFIs). The Board ensures that policies and procedures/manuals are aligned to the Bank's SFF and ESRMS (Corporate Governance, Risk Management, Credit and Operations/Branches, Strategic Plan of the Bank, and other policies and manuals):

1) Sustainability goals:

   a) Improve the bank's system and responses to climate change risks:
   b) Establish a foundation for future projects and improvements for the Bank's sustainability;
   c) Educate and foster community spirit towards an informed understanding of climate change and its related risks; and
   d) Identify and manage risks for the Bank and its clients with an informed understanding of climate change and other environment and social risks.

2) ESG Strategies

a) Environment sustainability talks/webinars;
b) Review and alignment of bank policies and procedures to its Sustainability Financing Framework (SFF) and Environment and Social Risk Management System (ESRMS);
c) Conservation and recycling of Bank resources;
d) Partnership with the Marikina Shoe Industry;
e) Partnership with Environment Groups;
f) Lending and Investment Programs for Environmental and Social Projects or Business; and
g) Lending programs for people and business affected by natural calamities.

3) ESG Initiatives

As part of MVSM Bank's commitment to Environmental, Social, and Governance (ESG) practices, the Pasig Branch Lite installed a catch basin system to collect and store rainwater for reuse. This initiative promotes sustainable water management by reducing reliance on potable water sources and minimizing runoff during heavy rains. Collected rainwater may be used for cleaning, watering plants, or other non-potable needs—supporting the Bank's goal to reduce its environmental footprint and contribute to resource conservation at the branch level.

The Bank's strategic investments in solar panels, energy-efficient inverter air-conditioning units, and the continuous use of BYD hybrid vehicles have generated significant cost savings across its branch network. These initiatives have contributed to lower fuel and electricity consumption, reduced operational expenses, and improved overall energy efficiency. The adoption of hybrid vehicle technology, together with renewable energy solutions, has also helped minimize the Bank's carbon footprint and environmental impact. Collectively, these measures reflect the Bank's strong commitment to environmental sustainability and demonstrate its proactive integration of practical, innovative, and cost-effective solutions within its Environmental, Social, and Governance (ESG) framework.

Solar Energy – Head Office, Pililla & San Mateo Branch:

Purchase of BYD with a hybrid engine and battery; and replacement of worn-out aircon to inverter type.

4) Sustainable Finance and Environmental & Social (E&S) Risk Exposure

In line with its commitment to responsible banking and sustainable finance, MVSM Bank continues to integrate Environmental and Social (E&S) considerations into its credit risk management framework, consistent with the principles of the Philippine Sustainability Taxonomy Guidelines. This ensures that lending activities not only support economic growth but are also aligned with environmental protection and social responsibility.

a) Risk Appetite on Sustainability

The Bank maintains a moderate and prudent risk appetite toward sustainability-related exposures, prioritizing financing for economic sectors that drive local development, promote financial inclusion, and generate positive social and environmental outcomes. Lending decisions are guided not only by financial viability but also by the potential environmental and social (E&S) impacts of each activity. Higher-risk sectors, such as construction and real estate—given their inherent E&S risks related to land use, resource consumption, waste generation, and community impact—are subject to enhanced due diligence, stricter approval processes, and heightened monitoring.

In line with the Philippine Sustainability Taxonomy Guidelines, the Bank ensures that all financed activities adhere to the "Do No Significant Harm (DNSH)" principle, deliberately avoiding exposures that could materially undermine environmental or social objectives,
while supporting sustainable growth and responsible lending practices.

b) Environmental and Social Risk Management System (ESRMS)

The Bank adopts an E&S risk screening approach embedded within its credit evaluation process. Loan accounts are assessed based on industry classification and potential environmental or social impact. Higher-risk exposures are subject to closer review, documentation,and monitoring, while ensuring compliance with applicable environmental laws and regulations.

All existing MSME exposures are classified as "Green Light", indicating they pose no significant harm to environmental or social objectives and are aligned with sustainability principles.

c) Breakdown of E&S Risk Exposure by Industry

As of December 31, 2025, the Bank's loan portfolio on MSME shows concentration in the following sectors:

- Construction – 32.09%
- Real Estate Activities – 31.08%
- Trading (Wholesale and Retail) – 16.33%
- Education – 7.62%
- Other sectors (Manufacturing, Transportation, Services, etc.) – remaining 12.88%

These sectors collectively represent 44.91% of the Bank's total loan portfolio, indicating a significant exposure to industries with varying levels of environmental and social risk.

All existing MSME exposures are classified as "Green Light", indicating they pose no significant harm to environmental or social objectives and are aligned with sustainability principles. The recent Material Recovery Facility financing contributes to environmental objectives, reflecting the Bank's proactive sustainable finance strategy.

Albania

d) Environmental and Social Risks

The Bank has identified several existing and emerging risks associated with its lending activities. Environmental risks include exposures to the construction and real estate sectors, which may involve challenges related to land use, waste management, and regulatory compliance. Additionally, climate-related events such as flooding, typhoons, and other extreme weather conditions may adversely affect borrower operations and repayment capacity. Social risks primarily concern labor practices and occupational safety in construction and trading sectors, as well as potential community impacts and business continuity challenges in disaster-prone areas.

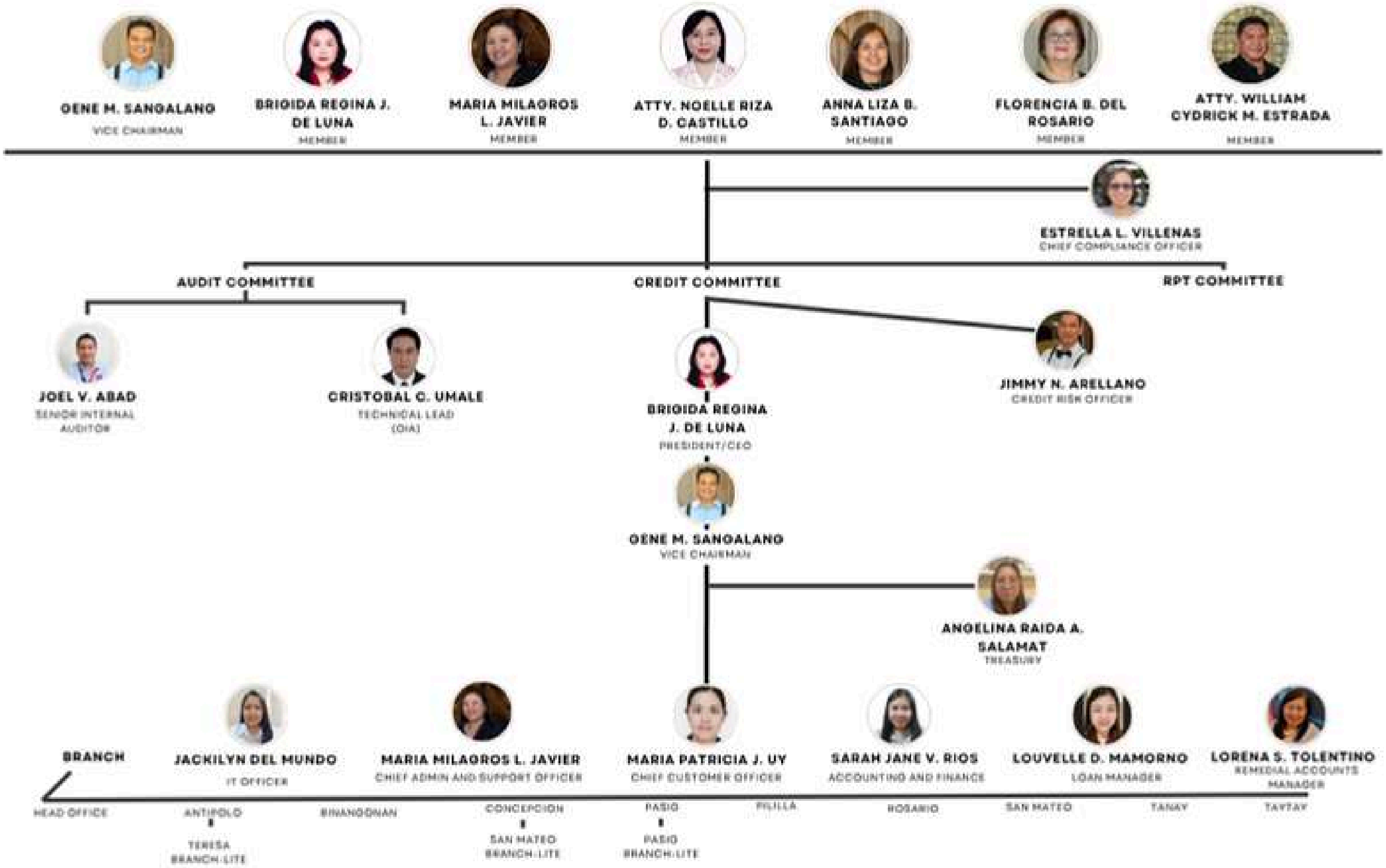
These risks have potential impact on the Bank's financial position, including deterioration in credit quality, reduction in collateral values, and constraints on borrower cash flows, which may result in higher credit risk and provisioning requirements. To address these exposures, the Bank continuously strengthens its monitoring, assessment, and mitigation processes, ensuring proactive management of both environmental and social risks across its portfolio.

MVSM BANK
(a rural bank since 1953)

CORPORATE INFORMATION

a. Organizational structure, including the name and position of key officers

BOARD OF DIRECTORS



b. List of major stockholders of the bank, including nationality, percentage of stockholdings and voting status

AS OF DECEMBER 31, 2025

Name of Stockholder / Subscriber	Nationality	No. of Shares	Amount	Ratio
COMMON SHARES - VOTING SHARES				
DE LUNA, BRIGIDA REGINA J.	Filipino	227,979.00	22,797,900.00	19.63%
UY, MA. PATRICIA J.	Filipino	227,979.00	22,797,900.00	19.63%
JAVIER, MA. MILAGROS L.	Filipino	227,979.00	22,797,900.00	19.63%
DE LUNA, EMMANUEL DEOGRACIAS H.	Filipino	120,818.00	12,081,800.00	10.40%
UY, ARCHIE LAWRENCE K.	Filipino	120,818.00	12,081,800.00	10.40%

c. List and description of products and services offered

1. Deposit

a. Demand Deposit
A non-interest-bearing account where in deposit transactions are made with a use of checkbooklet and withdrawal slips.

b. Regular Savings Deposit
An interest-bearing savings account wherein deposit transactions are made over the counter with a use of passbook.

c. Mega/Time Deposit
An interest-bearing deposit account wherein funds of a specific amount are given pre-determined competitive rates for a fixed term.

d. Basic Deposit Account
A newly launch savings product with an interest-bearing deposit account for the unbanked and low-income sector for an affordable and easy-to-open account.

2. Loans

a. Business Loan
for business expansion, additional capital for business, start-up, etc.

b. Housing Loan
for home construction/ renovations, purchase of house & lot, etc.

c. Personal Consumption Loans
for travel expenses, tuition fees and other personal needs.

d. SSS Pensioner Loans
for personal needs of SSS Pensioners

3. **Money Remittance thru Western Union, i2i platform**

4. **Bills payment Thru BAYAD CENTER Billers include the following merchants: Meralco, PLDT, Smart, Globe, PLDT, Skycable, Destiny Cable, Digitel, Manila Water, Maynilad, Manulife, Maxicare Healthcare Corporation, PAG-IBIG Fund, SSS, Grepalife, SunCelluar, Sunlife of Canada, World Vision Dev't. Foundation, etc**

5. **SSS Payment Agent**

d. Bank website - www.mvsmbank.com

Facebook Account:

https://www.facebook.com/mvsmbankofficial

e. *List of banking units*

Branch	Address	Contact Person	Designation	Tel #	Fax #	E-mail
Head Office	389 JP Rizal St Sto Niño Marikina City	Angelina Raida A. Salamat	Manager	8681-0075 / 6984	7501-8526	duviesalamat@mvsmbank.com
Antipolo	Makaya Bldg. Circumferencial San Roque Antipolo City	Sylvia Legaspi	Branch Manager	8696-0897		sylvialegaspi@mvsmbank.com
Teresa Branch-lite	Teresa Public Market,	Rachel Villanueva	Marketing Staff	8478-5903		branchliteteresa@mvsmbank.com
Binangonan	Sta. Ursula St Binangonan Rizal	Michelle L. Cervo	Branch Manager	8652-2780		michellecervo@mvsmbank.com
Concepcion	713 JP Rizal Cor. Farmers Ave. Concepcion I Marikina City	April M. Manuel	Branch Manager	8645-5143	7369-6544	aprilmanuel@mvsmbank.com
San Mateo-Branch-lite	#76 Gen. Luna St., Ampid 1, San Mateo, Rizal	Janelle F. Fontamillas	Marketing Staff	8713-3531		branchlitesanmateo@mvsmbank.com

Pasig Mkt	Market Ave. Ninoy Aquino Park Pasig Public Market Pasig City	Arnel S. Malicdem	Branch Manager	8642-7760	8642-7056	arnelmalicdem@mvsmbank.com
Pasig Branch-lite	Lot 8B 37 C. Raymundo Ave., Caniogan, Pasig City	Jean B. Mariano	Marketing Staff	8723-6884		branchlite@mvsmbank.com
Pililla	Manila East Road Bagumbayan Pililla Rizal	Nancy R. Raquion	Branch Manager	8654-4441		nancyraquion@mvsmbank.com
Rosario	Goldiland building 189 Ortigas Avenue, Santa Lucia Pasig City	Cynthia Gersalina	Branch Manager	8656-1174		cynthiagersalina@mvsmbank.com
San Mateo	97 Gen. Luna St. Guitnang Bayan San Mateo	Nympha M. Buenaventura	Branch Manager	8948-0675	8470-3528	chiquibuenaventura@mvsmbank.com
Tanay	Ft Katapusan St. Plaza Aldea Tanay Rizal	Flora C. Ferido	Branch Manager	8654-5312		flora.ferido@mvsmbank.com
Taytay	341 Rizal Ave. San Juan Taytay Rizal	Gener Intal	Branch Manager	8658-7139		gener.intal@mvsmbank.com

MVSM BANK INC. Head office & its branches

HEAD OFFICE

ANTIPOLO BRANCH

TERESA BRANCH-LITE UNIT

BINANGONAN BRANCH

PILILLA BRANCH

TANAY BRANCH

TAYTAY BRANCH

SAN MATEO BRANCH

CONCEPCION BRANCH

SAN MATEO BRANCH-LITE UNIT

PASIG BRANCH

PASIG BRANCH-LITE UNIT

ROSARIO BRANCH

AUDITED FINANCIAL STATEMENT (AFS) WITH AUDITOR'S OPINION

The AFS for the calendar or fiscal year including the opinion of the external auditor of the bank should be presented in full in the Annual Report as attached.

a) Summary of financial performance of the business segment for the year; Contribution of business segment to the total revenue of the bank during the year; Significant developments during the year including major activities (see attached AFS 2025 by Paguio, Dumayas & Associates, CPAs)

b) Future plans/targets/objectives

1) Future Plans
The key initiatives for 2026 to drive continued growth and operational excellence.
a) Increase profit by at least 10%;
b) Increase deposit portfolio by at least 5%;

c) Increase ROPA disposal by 5%;
d) Expand digital transformation initiatives;
e) Increase risk mitigation measures;
f) Conduct risk analysis of new products/processes;
g) Ensure compliance with BIR, BSP, PDIC, SSS and other regulatory bodies; and
h) Optimize liquidity Management.

1) Target & Objectives for the next five (5) year

Particulars	**2026**	**2027**	**2028**	**2029**	**2030**
Loans	**888.555**	**976.626**	**1,073,504**	**1,187.58**	**1,306.82**
Deposits	**1,380.53**	**1,449.55**	**1,522.03**	**1,598.13**	**1,678.04**
Income	**34.3**	**39.6**	**45.8**	**61.3**	**76**

II. COMPLIANCE WITH APPENDIX 63C OF THE MORB DISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED STATEMENT OF CONDITION

A. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

Item	Nature of Item	Account Code		Amount	
				a	b
				C0010	C0020
C.1	RISK-BASED CAPITAL ADEQUACY RATIO [A.5 divided by B.4 multiply by 100]	990000000000000000	R0170		17.95
C.2	Common Equity Tier 1 Ratio [A.2 divided by B.4 multiply by 100]	990000000000000001	R0180		14.46
C.3	Capital Conservation Buffer [C.2 minus 6]	990000000000000002	R0190		8.46
C.4	Tier 1 Capital Ratio [A.1 divided by B.4 multiply by 100]	990000000000000003	R0200		15.84

PART I. CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO (in absolute amounts)

CAR15 PART I. - SIMPLIFIED CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO (In absolute

Item	Nature of Item	Account Code		Amount	
				a	b
				C0010	C0020
A.	Calculation of Qualifying Capital				
A.1	Tier 1 Capital [Sum of A.2 and A.3)	395000000000710000	R0010		229,693,209.43
A.2	Common Equity Tier 1 Capital	395000000000711000	R0020		209,696,409.43
A.3	Additional Tier 1 Capital	395000000000712000	R0030		19,996,800.00
A.4	Tier 2 Capital	395000000000720000	R0040		30,477,647.79
A.5	Total Qualifying Capital [Sum of A.1 and A.4]	395000000000700000	R0050		260,170,857.22
B.	Calculation of Risk-Weighted Assets				
B.1	Total Credit Risk-Weighted Assets [B.1(d) minus B.1(h)]	195931000000000000	R0060		1,294,144,384.55
(a)	Risk-Weighted On-Balance Sheet Assets	100000000000811000	R0070	1,294,144,384.55	
(b)	Risk-Weighted Off-Balance Sheet Assets	400000000000812000	R0080	0.00	
(c)	Counterparty Risk-Weighted Assets	110100000000813000	R0090	0.00	
(d)	Total Credit Risk Weighted Assets [Sum of B.1(a), B.1(b) and B.1(c)]	100000000000810000	R0100	1,294,144,384.55	
(e)	Deductions from Total Credit Risk-Weighted Assets				
(f)	General Loan Loss Provision (in excess of the amount permitted to be included in Tier 2 capital) [Part III.1, Item G.(1)(b) minus Part II, Item B.1 (7)]	175150500000000000	R0110	0.00	
(g)	Unbooked allowance for credit losses and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	365052000000711000	R0120	0.00	
(h)	Total Deductions [Sum of B.1(f) and B.1(g)]	165000000000810000	R0130	0.00	
B.2	Total Operational Risk-Weighted Assets	195000000000830000	R0140		155,554,739.97
B.3	Total Market Risk-Weighted Assets	100000000000820000	R0150		0.00
B.4	Total Risk-Weighted Assets [Sum of B.1, B.2 and B.3]	100000000000800000	R0160		1,449,699,124.52
C.	Minumum Capital Ratios				
C.1	RISK-BASED CAPITAL ADEQUACY RATIO [A.5 divided by B.4 multiply by 100]	990000000000000000	R0170		17.95
C.2	Common Equity Tier 1 Ratio [A.2 divided by B.4 multiply by 100]	990000000000000001	R0180		14.46
C.3	Capital Conservation Buffer [C.2 minus 6]	990000000000000002	R0190		8.46
C.4	Tier 1 Capital Ratio [A.1 divided by B.4 multiply by 100]	990000000000000003	R0200		15.84

PART II. QUALIFYING CAPITAL (in absolute amounts)

CAR15_TQC1
PART II. QUALIFYING CAPITAL (In absolute amounts)

Item	Nature of Item	Account Code		Name	Sequence	Amount	
						a	b
				C0010	C0020	C0030	C0040
A.	Tier 1 Capital						
A.1	Common Equity Tier 1 (CE	300000000000711000	R0010				209,990,465.65
(1)	Paid up common stock	305050000000000000	R0020			116,132,700.00	
(2)	Deposit for common sto	305250500000000000	R0030			-	
(3)	Common stock dividend	315120000000000000	R0040			-	
(4)	Additional paid-in capita	305200000000000000	R0050			-	
(5)	Retained earnings 1/	315000000000000000	R0060			25,842,800.14	
(6)	Undivided profits	315150000000000000	R0070			25,067,606.81	
(7)	Other Comprehensive In	320000000000000000	R0080			42,947,358.70	
	(i) Net Unrealized Gains,	320080000000000000	R0090			58,725,000.00	
	(ii) Cumulative foreign c	320150000000000000	R0100			-	
	(iii) Net gains/(losses) or	320101000000000000	R0110			-	
	(iv) Others	320900000000000000	R0120			(15,777,641.30)	
(8)	Non-controlling interest	325150000000000000	R0130			-	
A.2	Deductions from CET1 Ca	365050000000711000	R0140				294,056.22
(1)	Common stock treasury	365050500000711000	R0150			-	
(2)	Unbooked allowance for	365052000000711000	R0160			-	
(3)	Total outstanding unsec	365052500000711000	R0170			-	
(4)	Total outstanding unsec	365053000000711000	R0180			-	
(5)	Total outstanding loans,	365053300000711000	R0190			-	
(6)	Deferred tax asset, net 2	365053500000711000	R0200			-	
(7)	Goodwill, net 3/	365054000000711000	R0210			-	
(8)	Other intangible assets,	195502500000711000	R0220			294,056.22	
(9)	Defined benefit pension	155100003500711000	R0230			-	
(10)	Investments in equity of	365200500000700000	R0240			-	
(11)	Investments in equity of	365201500000700000	R0250			-	
(12)	Significant non-controlli	365203001005711000	R0260			-	
(13)	Significant non-controlli	365203501005711000	R0270			-	
(14)	Non-controlling investm	365203001500711000	R0280			-	
(15)	Non-controlling investm	365203501500711000	R0290			-	
(16)	Other equity investmen	145251500000000000	R0300			-	
(17)	Reciprocal investments i	365205000500711000	R0310			-	
A.3	Total CET1 Capital [A.1 le	395000000000711000	R0320				209,696,409.43
A.4	Additional Tier 1 (AT1) Ca	305050000000712000	R0330				19,996,800.00
(1)	Instruments issued by th	305000000000000000	R0340			19,996,800.00	
	(i) Paid up perpetual and	305100000000000000	R0350			19,996,800.00	
	(ii) Other AT1 capital ins	305130000000000000	R0360			-	
(2)	Deposit for perpetual ar	305251000000000000	R0370			-	
(3)	Deposit for other AT1 ca	305253000000000000	R0380			-	
(4)	Additional paid-in capita	305201000000000000	R0390			-	
(5)	Non-controlling interes	325151000000000000	R0400			-	
A.5	Deductions from AT1 Cap	365050000000712000	R0410				0.00
(1)	Perpetual and non-cumu	365051000000712000	R0420			-	
(2)	Investments in equity of	145250501000000000	R0430			-	
(3)	Investments in equity of	145251000505000000	R0440			-	
(4)	Significant non-controlli	365203001010712000	R0450			-	
(5)	Significant non-controlli	365203501010712000	R0460			-	
(6)	Non-controlling investm	365203001505712000	R0470			-	

Item	Nature of Item	Account Code		Name	Sequence	Amount	
						a	b
				C0010	C0020	C0030	C0040
(7)	Non-controlling investm	365203501500712000	R0480			-	
(8)	Reciprocal investments	365205000500712000	R0490			-	
A.6	Total AT1 Capital [A.4 less	395000000000712000	R0500				19,996,800.00
A.7	Total Tier 1 Capital [Sum	300000000000710000	R0510				229,693,209.43
B.	Tier 2 Capital						
B.1	Tier 2 Capital [Sum of B.1	300000000000720000	R0520				30,477,647.79
(1)	Instruments issued by th	305000000000720000	R0530			-	
	(i) Paid-up perpetual and	305150000000000000	R0540			-	
	(ii) Paid-up limited life re	220250500000000000	R0550			-	
	(iii) Paid-up limited life r	220251000000000000	R0560			-	
	(iv) Other Tier 2 capital i	305150000000720000	R0570			-	
	(a) Hybrid capital ins	305150500000720000	R0580			-	
	(b) Unsecured subor	305151000000720000	R0590			-	
	(c) Others	305151500000720000	R0600			-	
(2)	Deposit for perpetual ar	305251500000000000	R0610			-	
(3)	Deposit for limited life r	305252000000000000	R0620			-	
(4)	Deposit for limited life r	305252500000000000	R0630			-	
(5)	Deposit for other Tier 2	305253500000000000	R0640			-	
(6)	Appraisal increment res	325050000000000000	R0650			21,493,367.40	
(7)	General loan loss provisi	175151000000000000	R0660			8,984,280.39	
(8)	Non-controlling interest	325151500000000000	R0670			-	
B.2	Deductions from Tier 2 Ca	365050000000720000	R0680				0.00
(1)	Tier 2 capital instrument	325101500000000000	R0690			-	
(2)	Sinking fund for redemp	365101500000721000	R0700			-	
(3)	Sinking fund for redemp	365151000000722000	R0710			-	
(4)	Investments in equity of	145250501500000000	R0720			-	
(5)	Investments in equity of	145251000515000000	R0730			-	
(6)	Significant non-controlli	365203001015720000	R0740			-	
(7)	Significant non-controlli	365203501000720000	R0750			-	
(8)	Non-controlling investm	365203001510720000	R0760			-	
(9)	Non-controlling investm	365203501500720000	R0770			-	
(10)	Reciprocal investments	365205000500720000	R0780			-	
B.3	Total Tier 2 Capital [B.1 le	396000000000720001	R0790			30,477,647.79	
C	Total Qualifying Capital [Su	395000000000700000	R0800				260,170,857.22

(ii) Other AT1 capital instruments

Item	Nature of Item	Account Code		Name	Sequence	Amount	
						a	b
				C0010	C0020	C0030	C0040
		305130000000000000		0	1	-	

(iv) Other Tier 2 capital instruments - Others

Item	Nature of Item	Account Code		Name	Sequence	Amount	
						a	b
				C0010	C0020	C0030	C0040
		305151500000720000		0	1	-	

1/ This shall exclude the portion appropriated for general provision.\n 2/ Net of any allowance for impairment and associated deferred tax liability: Provided that the conditions to offset under PAS 12 are met and that any excess of deferred tax liability over deferred tax assets (i.e., net deferred tax liability) shall not be added to CET 1 capital.\n 3/ Net of allowance for impairment and any associated deferred tax liability which would be extinguished upon impairment or

PART III.1. RISK-WEIGHTED ON-BALANCE SHEET ASSETS (in absolute amounts)

CAR15_ONBS_RWA1
PART III.1. RISK-WEIGHTED ON-BALANCE SHEET ASSETS (In absolute amounts)

Item	Nature of Item	Account Code		Net Carrying Amount 1/	Risk Weight (in %)	Risk Weighted Amount
				(1)	(2)	(3) = (1) * (2)
				C0010	C0020	C0030
A.	0% Risk Weight –					
(1)	Cash on hand (including foreign curr	1050500000000000000	R0010	27,235,588.73		
(2)	Peso denominated claims on or port					
	(a) Due from BSP	1051500005000000000	R0020	14,018,750.73		
	(b) Debt Securities designated at fa	1180010005000000000	R0030	-		
	(c) Other financial assets mandator	1190000000000000000	R0040	-		
	(d) Financial assets at Fair Value Th	1210000000000000000	R0050	-		
	(e) Debt Securities at Amortized Co	1240000000000000000	R0060	294,572,973.09		
	(f) Loans and receivables	1954012005000000000	R0070	-		
	(g) Loans and receivables arising fro	1954020005000000000	R0080	-		
	(h) Others	1990000000000000000	R0090	-		
(3)	Claims on or portions of claims guar	1081005000000000000	R0100	-		
(4)	Claims on or portions of claims guar	1081010000000000000	R0110	-		
(5)	Loans to the extent covered by hold-	140150507500600000	R0120	3,617,026.97		
(6)	Loans or acceptances under letters o	140150508000600000	R0130	-		
(7)	Peso denominated special time depo	140150508500600000	R0140	-		
(8)	Peso denominated real estate mortg	140150510500600000	R0150	-		
(9)	Peso denominated loans to the exte	140150509500600000	R0160	-		
(10)	Loans to the extent guaranteed by th	140150513000600000	R0170	-		
(11)	Loans to small farmer and fisherfolk	140150512500600000	R0180	-		
(12)	Sub-total [Sum of A (1) to A (11)]	1000000000000811100	R0190	339,444,339.52	0.00%	0.00
B.	20% Risk Weight -					
(1)	Checks and other cash items (includi	1051000000000000000	R0200	5,036,640.52		
(2)	Claims on or portions of claims guar	1081015000000000000	R0210	-		
(3)	Claims on or portions of claims guar	1081020000000000000	R0220	-		
(4)	Claims on or portions of claims guar	1081025000000000000	R0230	-		
(5)	Claims on or portions of claims guar	1081030000000000000	R0240	-		
(6)	Interbank call loans	1954010005000000000	R0250	-		
(7)	Claims on or portion of claims guara	1081035000000000000	R0260	-		
(8)	Claims on or portion of claims guara	1081040000000000000	R0270	-		
(9)	Loans to MSMEs, which are performi	140150520000600000	R0280	-		
(10)	Sub-total [Sum of B (1) to B (9)]	1000000000000811200	R0290	5,036,640.52	20.00%	1,007,328.10
C.	50% Risk Weight -					
(1)	Loans to individuals for housing purp	140150004000100000	R0300	380,361,322.93		
(2)	Foreign currency denominated claim	1081045015000000000	R0310	-		
(3)	Sub-total [Sum of C (1) to C (2)]	1000000000000811300	R0320	380,361,322.93	50.00%	190,180,661.47
D.	75% Risk Weight –					
(1)	Qualified micro, small and medium e	1401805000000000000	R0330	-	75.00%	0.00
E.	100% Risk Weight –					
(1)	Non-performing loans to individuals	1401500040000000000	R0340	12,676,756.96	100.00%	12,676,756.96
F.	150% Risk Weight –					
(1)	All non-performing loans (except no	1420010000000000000	R0350	23,820,218.67		
(2)	Real and other properties acquired a	1955012015000000000	R0360	176,465,406.62		
(3)	Sub-total [Sum of F (1) to F (2)]	1000000000000811400	R0370	200,285,625.29	150.00%	300,428,437.94
G.	100 % Risk Weight –					
(1)	Other Assets					
	(a) Total Assets per Balance Sheet	1000000000000000000	R0380	1,718,965,661.14		
	(b) General Loan Loss Provisions pe	1751500000000000000	R0390	8,984,280.39		
	(c) Total Exposures excluding Other	1000500000000811000	R0400	937,804,685.22		
	(d) Sub-total [Sum of G(1)(a) and G(	1950005000000811000	R0410	790,145,256.31		
(2)	Deductions from Other Assets					
	(a) Total outstanding unsecured cre	1655005000000811000	R0420	-		
	(b) Total outstanding unsecured loa	1655010000000811000	R0430	-		
	(c) Total outstanding loans, other c	1655075000000811000	R0440	-		
	(d) Deferred tax asset, net of deferr	1655015000000811000	R0450	-		
	(e) Goodwill, net of allowance for lo	1655020000000811000	R0460	-		
	(f) Other intangible assets, net [refe	1955025000000711000	R0470	294,056.22		
	(g) Defined benefit pension fund as	1551000035000000000	R0480	-		
	(h) Sinking fund for redemption of l	1655025000000811000	R0490	-		

Item	Nature of Item	Account Code		Net Carrying Amount 1/	Risk Weight (in %)	Risk Weighted Amount
				(1)	(2)	(3) = (1) * (2)
				C0010	C0020	C0030
	(i) Sinking fund for redemption of li	1655030000000811000	R0500	-		
	(j) Investment in equity of unconsol	1655035000000811000	R0510	-		
	(k) Investment in equity of unconsc	1655045000000811000	R0520	-		
	(l) Significant non-controlling invest	3652030010000711000	R0530	-		
	(m) Significant non-controlling inve	3652035010000711000	R0540	-		
	(n) Non-controlling investments (be	3652030015000711000	R0550	-		
	(o) Non-controlling investments (be	3652035015000711000	R0560	-		
	(p) Other equity investments in nor	1452515000000000000	R0570	-		
	(q) Reciprocal investments in comm	3652050005000711000	R0580	-		
	(r) Financial Assets Held for Trading	1655065000000811000	R0590	-		
	(s) Derivatives with Positive Fair Va	1655070000000811000	R0600	-		
	(t) Total Deductions [Sum of G(2)(a	1655000000000811000	R0610	294,056.22		
(3)	Net Other Assets [G (1)(d) minus G (	1950000000000811000	R0620	789,851,200.09	100.00%	789,851,200.09
H.	TOTAL RISK-WEIGHTED ON-BALANCE	1000000000000811000	R0630			1,294,144,384.55

1/ This shall refer to the outstanding balance of the account inclusive of unamortized discount/(premium) and accumulated market gains/(losses).\n 2/ Executive Order No. 58 dated 23 July 2018 has approved the merged of Home Guaranty Corporation (HGC) and Philippine Export-Imprt Credit Agency (Philexim) and renamed Philexim to Philippine Guarantee Corporation (Philguarantee)\n 3/ GLLP is equivalent to 1 percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations.\n 4/ In the case of government-owned or -controlled banks, the adjustment shall not include the unsecured peso-denominated credit accommodations to the Philippine National Government.

PART III. 2. RISK-WEIGHTED ON-BALANCE SHEET ASSETS (in absolute amounts)

CAR15_OFF_RWA

PART III.2 RISK-WEIGHTED OFF-BALANCE SHEET ASSETS (In absolute amounts)

Item	Nature of Item	Account Code		Name	Seq. No.	Notional Principal Amount	Credit Conv. Factor (CCF)	Credit Equivalent Amount	Distribution of Credit Equivalent				Total
									0%	20%	75%	100%	
						(1)	(2)	(3) = (1)*(2)	(4)	(5)	(6)	(7)	(Sum of 4 to 7)
				C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
A.	Direct credit substitutes (e.g. gu												
	(1) Guarantees issued other th	405000000000000000	R0010			0.00	100%	0.00	0.00	0.00		0.00	
	(2) Financial standby letters of	410050500000000000	R0020				100%	0.00					
	(3) Financial standby letters of	410051000000000000	R0030				100%	0.00					
	(4) Sub-total [Sum of A (1) to	403000000000000000	R0040			0.00		0.00	0.00	0.00		0.00	
	(5) Risk-weighted amount [A	403000000000812000	R0050						0.00	0.00		0.00	0.00
B.	Transaction-related contingencie												
	(1) Performance Standby LCs -	410100500000000000	R0060				50%	0.00					
	(2) Performance Standby LCs -	410101000000000000	R0070				50%	0.00					
	(3) Other Commitments e.g. fo	425200000000000000	R0080				50%	0.00					
	(4) Sub-total [Sum of B (1) to	408000000000000000	R0090			0.00		0.00	0.00	0.00		0.00	
	(5) Risk-weighted amount [E	408000000000812000	R0100						0.00	0.00		0.00	0.00
C.	Trade-related contingencies aris												
	(1) Trade related guarantees -	420100000000000000	R0110				20%	0.00					
	(2) Trade related guarantees -	420050000000000000	R0120				20%	0.00					
	(3) Sight LCs - domestic (net of	415050500000000000	R0130				20%	0.00					
	(4) Sight LCs - foreign (net of m	415051000000000000	R0140				20%	0.00					
	(5) Usance LCs - domestic (net	415100500000000000	R0150				20%	0.00					
	(6) Usance LCs - foreign (net of	415101000000000000	R0160				20%	0.00					
	(7) Deferred LCs - domestic (ne	415150500000000000	R0170				20%	0.00					
	(8) Deferred LCs - foreign (net o	415151000000000000	R0180				20%	0.00					
	(9) Revolving LCs - domestic (ne	415200500000000000	R0190				20%	0.00					
	(10) Revolving LCs - foreign (ne	415201000000000000	R0200				20%	0.00					
	(11) Other commitments with	425250000000000000	R0210				20%	0.00					
	(12) Sub-total [Sum of C (1) t	412000000000000000	R0220			0.00		0.00	0.00	0.00	0.00	0.00	
	(13) Risk-weighted amount [	412000000000812000	R0230						0.00	0.00	0.00	0.00	0.00
D.	Other commitments which can b												
	(1) Credit card lines	425150000000000000	R0240				0%						
E.	Items not involving credit risk												
	(1) Late deposits/payments rec	495050000000000000	R0250				0%						
	(2) Inward bills for collection	495100000000000000	R0260				0%						
	(3) Outward bills for collection	495150000000000000	R0270				0%						
	(4) Travelers' checks unsold	495200000000000000	R0280				0%						
	(5) Trust department accounts	495250000000000000	R0290				0%						
	(6) Items held for safekeeping/	495260000000000000	R0300				0%						
	(7) Items held as collaterals	495350000000000000	R0310				0%						
	(8) Deficiency claims receivable	495400000000000000	R0320				0%						
	(9) Others (Please specify)	495950000000000000	R0330			0.00	0%						
	(10) Sub-total [Sum of E (1) to	495000000000000000	R0340			0.00							
F.	Total Notional Principal Amount	400000000000000000	R0350			0.00							
G.	TOTAL RISK-WEIGHTED OFF-BAL	400000000000812000	R0360										0.00

(9) Others (Please specify)

Item	Nature of Item	Account Code		Name	Seq. No.	Notional Principal Amount	Credit Conv. Factor (CCF)	Credit Equivalent Amount	Distribution of Credit Equivalent Amount According to Risk Weights				Total
									0%	20%	75%	100%	
						(1)	(2)	(3) = (1)*(2)	(4)	(5)	(6)	(7)	(Sum of 4 to 7)
				C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
		495950000000000000		0	1	0.00	0%						

1/ Assign the appropriate risk weight according to the obligor, or if relevant, the qualified guarantor or the nature of the collateral.

PART IV. OPERATIONAL RISK-WEIGHTED ASSETS (in absolute amounts)

CAR
PART IV. OPERATIONAL RISK-WEIGHTED ASSETS (in absolute amounts)

Item	Nature of Item	Account Code		Gross Income			
				Year 3	Year 2	Last Year	Average 1/
				C0010	C0020	C0030	C0040
A	Net interest income						
A.1	Interest Income	50505000000000000	R0010	82,445,242.67	85,328,121.30	102,371,413.30	
A.2	Interest Expense	60510000000000000	R0020	7,045,913.29	5,886,210.60	7,636,299.80	
A.3	Sub-total (A.1 minus A.2)	50500000000000000	R0030	75,399,329.38	79,441,910.70	94,735,113.50	
B	Other non-interest income						
B.1	Dividend Income	51005000000000000	R0040	-	-	-	
B.2	Fees and Commissions Income	51010000000000000	R0050	6,608,807.20	9,372,872.14	8,959,656.62	
B.3	Net Gain/loss on Financial Assets and Liabilities Held for Trading	51015000000000000	R0060	-	-	-	
B.4	Net Profit/loss on Foreign Exchange	51025000000000000	R0070	-	-	-	
B.5	Net Gain/loss on Fair Value Adjustment in Hedge Accounting	51035000000000000	R0080	-	-	-	
B.6	Other Income	51045000000000000	R0090	8,818,154.11	11,715,689.83	16,057,946.45	
B.7	Sub-total (Sum of B.1 to B.6)	51000000000000000	R0100	15,426,961.31	21,088,561.97	25,017,603.07	
C	Gross Income (Sum of A.3 and B.7)	50000000000000000	R0110	90,826,290.69	100,530,472.67	119,752,716.57	103,703,159.98
D	Capital Charge [C (average) multiply by Capital Charge Factor of 12%]	99000000000830000	R0120				12,444,379.20
E	Adjusted Capital Charge (D multiply by 125%)	99600000000830000	R0130				15,555,474.00
F	TOTAL OPERATIONAL RISK-WEIGHTED ASSETS (E multiply by 10)	19500000000830000	R0140				155,554,739.97

1/ When calculating the average, include only the positive annual gross income; hence, figures for any year in which annual gross income is negative or zero should be excluded from both the numerator and denominator.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

							7	8	8	4

COMPANY NAME

MVSM BANK (A RURAL BANK SINCE 1953) INC.

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

389 J. P. RIZAL STREET, STO. NIÑO, MARIKINA CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	BSP

COMPANY INFORMATION

Company's email Address	Company's Telephone Number	Mobile Number
accountingdept@mvsmbank.com	**8681-0075**	**0967-650-1618**
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
14	**December 9**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number	Mobile Number
Brigida Regina J. De Luna	**compliance@mvsmbank.com**	**8682-0081**	**0921-414-9980**

CONTACT PERSON's ADDRESS

#35 San Ignacio Street, Capitol 8, Pasig City

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

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

MVSM BANK (A RURAL BANK SINCE 1953) INC.
MARIKINA CITY – PHILIPPINES

FINANCIAL STATEMENTS
DECEMBER 31, 2025 and 2024

AND

INDEPENDENT AUDITOR'S REPORT ISSUED BY:

MVSM Bank
a Rural Bank Since 1953

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of**MVSM BANK (A RURAL BANK SINCE 1953), INC.**is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended**December 31, 2025**and **2024**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control asManagement 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 going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unlessManagement either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC), the independent auditor appointed by thestockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to thestockholders, has expressed its opinion on the fairness of presentation upon completion of such audits.

GENE M. SANGALANG
Chairman of the Board

BRIGIDA REGINA J. DE LUNA
President / CEO

ANGELINA RAIDA A. SALAMAT
Treasurer

Signed this 25th day of June 2026.

3rd Floor Elizabeth Center Building, National Road., Brgy. Putatan, Muntinlupa City, Philippines
(02) 700 156 47
www.pdacgroup.com/pdac

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MVSM BANK (A RURAL BANK SINCE 1953) INC.
389 J.P. Rizal Street
Sto. Niño, Marikina City

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **MVSM BANK (A RURAL BANK SINCE 1953) INC.** (the Bank), which comprise the statements of financial position as at **December 31, 2025** and **2024**, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audits 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 the 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 audits. 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 to 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 audits 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 the 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audits. We remain solely responsible for our audit opinion.

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

PASUIO, DUMAYAS & ASSOCIATES, CPAs

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and BSP Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the BSP under Circular No. 1074 and by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 as disclosed in Notes 40 and 41, respectively, to the financial statements is presented for purposes of filing with the BSP and BIR and is not a required part of the basic financial statements. Such information is the responsibility of the Management of the Bank. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)
Tax Identification Number 008-662-265-000
BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 5614-SEC (Group C), valid for 2023 financial statements audit and extended to cover 2025 financial statements per SEC Notice dated April 4, 2025
BOA Accreditation No. 5614, March 1, 2026 valid until February 28, 2029
BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit
CDA Accreditation No. 124-AF, January 15, 2025 valid until January 14, 2030

For the Firm:

Floyd C. Paguio

FLOYD C. PAGUIO
Senior Partner
CPA Certificate No. 115664
Tax Identification Number 243-676-418-000
BIR Accreditation No. 08-800011-001-2025, February 3, 2025, valid until February 2, 2028
BOA Accreditation No. 5614/P-002, March 1, 2026, valid until February 28, 2029
BSP Accreditation No. 115664-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. IC-EA-2025-0086-R (Group A), valid for 2025 to 2027 financial statements audit
PTR No. 5087827, issued on January 14, 2026, Muntinlupa City

June 25, 2026
Muntinlupa City, Metro Manila

PAGUIO, DUMAYAS & ASSOCIATES, CPAs

NOT VALID WITHOUT SEAL

MVSM BANK (A RURAL BANK SINCE 1953) INC.
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2025 and 2024
(In Philippine Peso)

	Notes	2025	2024 (As restated)
ASSETS			
Cash and other cash items	*6*	**32,272,229**	22,284,183
Due from Bangko Sentral ng Pilipinas (BSP)	*7*	**14,018,751**	1,451,837
Due from other banks	*8*	**172,503,944**	134,761,225
Other financial assets at amortized costs	*9*	**294,572,973**	283,413,840
Loans and receivables - net	*10*	**823,740,450**	789,429,677
Financial asset at fair value through other comprehensive income	*11*	**80,000,000**	85,000,000
Bank premises, furniture, fixtures and equipment - net	*12*	**73,743,692**	64,906,412
Right-of-use assets - net	*13,39*	**25,691,813**	28,360,237
Investment properties - net	*14*	**176,465,407**	170,195,604
Other assets	*15,39*	**4,788,613**	5,050,647
TOTAL ASSETS		**1,697,797,872**	1,584,853,662
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposit liabilities	*17*	**1,314,788,577**	1,246,901,402
Bills payable	*18*	**64,000,000**	10,600,000
Income tax payable	*31*	**5,280,122**	6,624,339
Lease liabilities	*19,39*	**28,573,748**	29,862,979
Retirement liabilities - net	*28*	**14,723,618**	8,354,164
Deferred taxes - net	*32*	**5,688,476**	7,981,594
Other liabilities	*20*	**28,782,356**	29,115,713
TOTAL LIABILITIES		**1,461,836,897**	1,339,440,191
STOCKHOLDERS' EQUITY			
Capital stock	*22*	**136,129,500**	136,129,500
Surplus reserves	*23*	**23,497,516**	23,497,516
Revaluation reserves	*24*	**30,444,661**	42,947,359
Surplus free	*39*	**45,889,298**	42,839,096
TOTAL STOCKHOLDERS' EQUITY		**235,960,975**	245,413,471
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**1,697,797,872**	1,584,853,662

(See Notes to the Financial Statements)

MVSM BANK (A RURAL BANK SINCE 1953) INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2025 and 2024
(In Philippine Peso)

	Notes	2025	2024
INTEREST INCOME			
Loans and receivables	*10*	**94,539,287**	90,463,100
Other financial assets at amortized cost	*9*	**8,753,394**	9,031,790
Due from other banks	*8*	**390,099**	1,226,526
		103,682,780	100,721,416
INTEREST EXPENSE			
Deposit liabilties	*17*	**7,759,197**	6,404,406
Bills payable	*18*	**1,665,491**	102,688
Lease liability	*13*	**2,060,745**	1,129,206
		11,485,433	7,636,300
NET INTEREST INCOME		**92,197,347**	93,085,116
PROVISION FOR EXPECTED CREDIT AND IMPAIRMENT LOSSES	*16*	**1,504,370**	1,882,560
NET INTEREST INCOME AFTER PROVISION		**90,692,977**	91,202,556
OTHER INCOME	*26*	**26,794,744**	34,811,023
TOTAL INCOME BEFORE OPERATING EXPENSE		**117,487,721**	126,013,579
OPERATING EXPENSES	*27*	**(82,924,722)**	(83,979,188)
INCOME BEFORE TAXES		**34,562,999**	42,034,391
INCOME TAX EXPENSE	*31*	**(7,009,487)**	(9,921,683)
NET INCOME		**27,553,512**	32,112,708
OTHER COMPREHENSIVE INCOME (LOSS)			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Net unrealized fair value gains on investment securities at FA at FVOCI	*11*	**(3,750,000)**	7,500,000
Net remeasurement of post-employment defined benefit plan - net		**(8,752,698)**	47,673
TOTAL COMPREHENSIVE INCOME		**15,050,814**	39,660,381

(See Notes to the Financial Statements)

MVSM BANK (A RURAL BANK SINCE 1953) INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2025 and 2024
(In Philippine Peso)

		Capital Stock		Surplus Reserves		Revaluation Reserves			
	Notes	Common Stock	Preferred Stock	Appraisal Increment	Regulatory	Net Unrealized Fair Value Gains on FA at FVOCI	Net Remeasurement on Retirement Benefit Obligation	Surplus Free	Total
Balances at January 1, 2024		116,132,700	19,996,800	21,493,367	2,004,149	51,225,000	(15,825,314)	33,446,137	228,472,839
Cash dividends declaration	*25*	-	-	-	-	-	-	(21,780,720)	(21,780,720)
Net income		-	-	-	-	-	-	32,112,708	32,112,708
Other comprehensive income		-	-	-	-	7,500,000	47,673	-	7,547,673
Balances at December 31, 2024, as previously presented	*22,23,24*	116,132,700	19,996,800	21,493,367	2,004,149	58,725,000	(15,777,641)	43,778,125	246,352,500
Prior period adjustments	*39*	-	-	-	-	-	-	(939,029)	(939,029)
Balances at Deccember 31, 2024, as restated		116,132,700	19,996,800	21,493,367	2,004,149	58,725,000	(15,777,641)	42,839,096	245,413,471
Cash dividends declaration	25	-	-	-	-	-	-	(24,503,310)	(24,503,310)
Net income		-	-	-	-	-	-	27,553,512	27,553,512
Other comprehensive loss		-	-	-	-	(3,750,000)	(8,752,698)	-	(12,502,698)
Balances at December 31, 2025	*22,23,24*	**116,132,700**	**19,996,800**	**21,493,367**	**2,004,149**	**54,975,000**	**(24,530,339)**	**45,889,298**	**235,960,975**

(See Notes to the Financial Statements)

MVSM BANK (A RURAL BANK SINCE 1953), INC.
STATEMENTS OF CASH FLOW
For the Years Ended December 31, 2025 and 2024
(In Philippine Peso)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxes		**34,562,999**	42,034,391
Adjustments for:			
Depreciation and amortization	*12,13,14*	**10,367,372**	8,430,391
Interest income	*8,9*	**(9,143,493)**	(10,258,315)
Gain on sale of investment properties	*14*	**(7,848,129)**	(9,638,944)
Interest expense on lease liabilities	*13*	**2,060,745**	1,129,206
Provision for impairment and credit losses	*10,16*	**1,504,370**	1,882,560
Retirement expense	*28*	**1,488,355**	1,300,000
Gain on sale of bank premises, furniture, fixture and equipment	*12*	**(742,788)**	-
Write-off of ROU asset	*13*	**-**	(151,941)
Operating cash flow before changes in working capital		**32,249,431**	34,727,348
Decrease (Increase) in operating assets:			
Loans and receivables		**(35,815,143)**	(83,239,346)
Other assets		**262,034**	1,692,521
Increase (Decrease) in operating liabilities:			-
Deposit liabilities		**67,887,175**	67,944,884
Other liabilities		**(333,357)**	3,257,997
Cash generated from operations		**64,250,140**	24,383,404
Income taxes paid		**(9,396,822)**	(7,943,404)
Interest received		**9,143,493**	10,258,315
Retirement benefits paid		**(2,721,600)**	(1,078,583)
Contribution to the plan asset		**(1,150,000)**	(5,182,518)
Net cash from operating activities		**60,125,211**	20,437,214
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investments on other financial assets at amortized cost	*9*	**(147,000,000)**	(222,999,649)
Proceeds from matured other financial assets at amortized cost	*9*	**135,840,867**	223,443,244
Proceeds from cash sale of investment properties	*14*	**16,371,927**	22,500,000
Acquisition of bank premises, furniture, fixtures and equipment	*12*	**(15,968,926)**	(11,103,449)
Acquisition of investment property	*14*	**(15,368,114)**	-
Proceeds from disposal of bank premises, furnitures and equipment	*12*	**750,000**	-
Net cash from (used in) investing activities		**(25,374,246)**	11,840,146
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bills payable	*18*	**53,400,000**	10,600,000
Dividends paid	*25*	**(22,052,979)**	(19,602,648)
Final tax paid on dividends	*25*	**(2,450,331)**	(2,178,072)
Interest paid on lease liabilities	*13*	**(2,060,745)**	(1,129,206)
Payment of lease liabilities	*19*	**(1,289,231)**	(1,257,611)
Net cash from (used in) financing activities		**25,546,714**	(13,567,537)
NET INCREASE IN CASH AND OTHER CASH ITEMS		**60,297,679**	18,709,823
CASH AND OTHER CASH ITEMS AT JANUARY 1	*6,7,8*	**158,497,245**	139,787,422
CASH AND OTHER CASH ITEMS AT DECEMBER 31	*6,7,8*	**218,794,924**	158,497,245

(See Notes to the Financial Statements)

1. CORPORATE INFORMATION

The **MVSM BANK (A RURAL BANK SINCE 1953), INC.** (the "Bank"), was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on June 17, 1953. The Bank is the pioneer bank in the areas of San Mateo, Rizal and Marikina. The Bank's products and services are traditional deposits such as savings deposits, certificate of time deposits and demand deposits. The Bank also offers various types of loans such as commercial, agricultural, and personal loans. As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). As such, the Bank is required to comply with banking rules and regulations such as those relating to the maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP.

The Bank's activities are subject to the provisions of Republic Act (R.A.) No. 8791, The General Banking Law of 2000, and other related banking laws.

As at December 31, 2025, the Bank has ten (10) branches including its main branch and two (2) branch-lite units, which are strategically located in the National Capital Region and Region IV-A.

The Bank's registered office, which is also its principal place of business, is located at 389 J.P. Rizal Street, Sto. Niño, Marikina City and is domiciled in the Philippines.

Approval of Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on June 25, 2026.

2. ADOPTION OF NEW AND REVISED PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) ACCOUNTING STANDARDS

The Philippine Financial and Sustainability Reporting Standards Council (PFSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRS Accounting Standards in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and Philippine Financial Reporting Interpretations Committee (PFRIC) which have been approved by the PFSRSC and adopted by the SEC.

These new and revised PFRS Accounting Standards prescribe new accounting recognition, measurement and disclosure requirements applicable to the Bank. When applicable, the adoption of the new standards was made in accordance with their transitional recognizes, otherwise the adoption is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

2.01 New and amended PFRS Accounting Standards that are Effective for the Current Year

The following new standards impacting the Bank has been adopted in the annual financial statements for the year ended December 31, 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- *Amendments to PAS 21, The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability*

  The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

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

  An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

  The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

  When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

  The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:
  • a spot exchange rate for a purpose other than that for which an entity assesses exchangeability
  • the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

  An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

  When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

  The amendments add a new appendix as an integral part of PAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying PAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

  In addition, the IASB made consequential amendments to PFRS 1 to align with and refer to the revised PAS 21 for assessing exchangeability.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The amendments are not applicable to the Bank.

2.02 New and Revised PFRS Accounting Standards in Issue but not yet Effective

At the date of authorization of these financial statements, the Bank has not applied the following new and revised PFRS Accounting Standards that have been issued but are not yet effective. The following new standards will have insignificant impact to the Bank's financial statements unless otherwise specifically stated.

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

  The amendments in Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7) are:

  Derecognition of a financial liability settled through electronic transfer

  The amendments permit an entity to deem a financial liability (or part of a financial liability) that is settled using an electronic payment system to be discharged (and derecognized) before the settlement date if specified criteria are met. If an entity elects to apply this accounting policy, it must do so for all settlements made through the same electronic payment system.

  Classification of financial assets

  - *Contractual terms that are consistent with a basic lending arrangement.*

    The amendments provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. This is intended to assist an entity to apply the requirements for assessing contractual cash flow characteristics to financial assets with features linked to environmental, social and governance (ESG) concerns.

  - *Assets with non-recourse features.*

    The amendments enhance the description of the term 'non-recourse', in particular to specify that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

  - *Contractually linked instruments.*

    The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Specifically, the amendments highlight that in such instruments a prioritization of payments to the holders of financial assets using multiple contractually linked instruments (tranches) is established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of losses between the holders of different tranches. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

Disclosures

- Investments in equity instruments designated as FVTOCI
  The requirements in PFRS 7 are amended to require an entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period.

- *Contractual terms that could change the timing or amount of contractual cash flows.*
  The amendments require an entity to disclose the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortized cost or FVTOCI and each class of financial liability measured at amortized cost.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

If an entity elects to apply these amendments for an earlier period, it is required to either: apply all the amendments at the same time and disclose that fact or apply only the amendments to the classification of financial assets for that earlier period and disclose that fact.

The amendments are required to be applied retrospectively, in accordance with PAS 8, with specific exceptions.

- ***Annual improvements to PFRS Accounting Standards – Volume 11***

PFRS 1 First-time Adoption of International Financial Reporting Standards—Hedge accounting by a first-time adopter

For consistency with the requirements in PFRS 9, PFRS 1:B5-B6 were amended to refer to the ‘qualifying criteria’ for hedge accounting (instead of the ‘conditions’) and to add cross- references to PFRS 9:6.4.1 to improve the understandability of PFRS 1.

PFRS 7 Financial Instruments: Disclosures—Gain or loss on derecognition

The amendments remove an obsolete cross-reference in PFRS 7:B38 to a paragraph that had been deleted when PFRS 13 was issued and align the wording of this paragraph with the terms used in PFRS 13.

Guidance on implementing PFRS 7—Disclosure of deferred difference between fair value and transaction price

The amendments update PFRS 7:IG14 to make the wording of that paragraph consistent with PFRS 7:28 and improve the internal consistency of the wording in the example in PFRS 7:IG14.

Guidance on implementing PFRS 7—Introduction and credit risk disclosures

The amendments add a statement to PFRS 7:IG1 clarifying that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7.

The amendments also simplify the explanation of the aspects of the requirements that are not illustrated in PFRS 7:IG20B.

PFRS 9 Financial Instruments—Derecognition of lease liabilities

The amendments add a cross-reference to PFRS 9:3.3.3 in PFRS 9.2.1(b)(ii) to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply PFRS 9:3.3.3 and therefore recognized any resulting gain or loss in profit or loss.

PFRS 9 Financial Instruments—Transaction price

The amendments replace 'their transaction price (as defined in PFRS 15)' in PFRS 9.5.1.3 with 'the amount determined by applying PFRS 15' to address inconsistency between PFRS 9.5.1.3 and the requirements of PFRS 15 which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognized as revenue. Additionally, the reference to 'transaction price' (as defined in PFRS 15) is deleted from Appendix A of PFRS 9.

PFRS 10 Consolidated Financial Statements—Determination of a 'de facto agent'

The amendments address concerns that the requirements in PFRS 10:B73-B74 might, in some situations, be contradictory. PFRS 10:B73 refers to 'de facto agents' as parties acting on the investor's behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of PFRS 10:B74 includes more conclusive language and states that a party is a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The amendments update PFRS 10:B74 to use less conclusive language and to clarify that the relationship described in PFRS 10:B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.

PAS 7 Statement of Cash Flows—Cost method

The amendment replaces the term 'cost method' with 'at cost' in PAS 7:37 in line with the removal of the definition of 'cost method' from the PFRS Accounting Standards.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted. An entity is required to apply the amendments to PFRS 9:2.1(b) (ii) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. No specific transition provisions are provided in respect of the other amendments.

The amendments are effective for annual periods beginning on or after January 1, 2026.

- ***Amendments to PFRS 9 and PFRS 7 – Contracts Referencing Nature-dependent Electricity Amendments to PFRS 9 Financial Instruments***

  The following requirements of PFRS 9 are affected by the amendments:

  - The own-use requirements in PFRS 9 are amended to include the factors an entity is required to consider when applying PFRS 9:2.4 to contracts to buy and take delivery of renewable electricity for which the source of production of electricity is nature-dependent; and

  - The hedge accounting requirements in PFRS 9 are amended to permit an entity using a contract of nature-dependent renewable electricity with specified characteristics as a hedging instrument:
    - to designate a variable volume of forecast electricity transactions as the hedged item if specified criteria are met; and
    - to measure the hedged item using the same volume assumptions as those used for hedging instrument.

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

  PFRS 7 and PFRS 19 were amended to introduce disclosure requirements about contracts for nature-dependent electricity with specified characteristics. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

  The amendments to the own use exemption are required to be applied retrospectively in accordance with IAS 8 using the facts and circumstances at the date of initial application.

  The amendments to the hedge accounting requirements are to be applied prospectively to new hedging relationships designated on or after the date of initial application.

- ***PFRS 18 Presentation and Disclosures in Financial Statements***

  PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some paragraphs from IAS 1 have been moved to PAS 8 and PFRS 7. Furthermore, the IASB has made minor amendments to PAS 7 and PAS 33 Earnings per Share.

  PFRS 18 introduces new requirements to:
  - present specified categories and defined subtotals in the statement of profit or loss
  - provide disclosures on management-defined performance measures (MPMs) in the notes
  - to the financial statements

  improve aggregation and disaggregation.

  An entity is required to apply PFRS 18 for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

- ***PFRS 19 Subsidiaries without Public Accountability: Disclosures***

  PFRS 19 permits an eligible subsidiary (defined as a subsidiary that does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with PFRS Accounting Standards) to provide reduced disclosures when applying PFRS Accounting Standards in its financial statements.

  The new standard is effective for reporting periods beginning on or after January 1, 2027 with earlier application permitted.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards, with modifications as required by the Manual of Regulations for Banks (MORB), issued by the Bangko Sentral ng Pilipinas (BSP).

3.02 Basis of Accounting

The financial statements are prepared on a going concern basis under the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account 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 share-based payment transactions that are within the scope of PFRS 2 *Share-based Payment*, 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 net realizable value in PAS 2 *Inventories* or 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.

3.03 Presentation and Functional Currency

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

The Bank chose to present its financial statements using its functional currency.

3.04 Use of Judgments and Estimates

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

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

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

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

3.05 Going Concern Assumption

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

4. MATERIAL ACCOUNTING POLICIES

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

4.01 Fair Value Measurement

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.

When measuring fair value the Bank takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.
A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Bank considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- 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.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement
The Bank shall recognize a financial asset in its statement of financial condition when, and only when, the Bank becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank shall measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

4.02.02 Classification
a. Financial Asset at Amortized Cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

The Bank's financial assets measured at amortized cost include due from BSP, due from other banks, loans and other receivables, and other financial assets at amortized cost.

i. Due from BSP and Other Banks

Due from BSP refers to the balance of the deposit account maintained with the BSP. Due from other banks pertain to cash deposits held at call with banks that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

ii. Loans and Other Receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes financial assets such as direct loans to customers.

Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

iii. Other Financial Assets at Amortized Cost

This pertains to treasury notes and retail treasury bonds which are fully guaranteed by the Philippine government. The contractual cash flow characteristics of this financial asset are solely for payments of principal and interest on the principal amount outstanding. While, the Bank's business model is to hold this financial asset in order to collect contractual cash flows. This is subsequently measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

b. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)

The Bank makes an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in FVOCI.

Financial assets at FVOCI pertain to unquoted equity securities representing ownership interests in golf club shares.

4.02.03 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 an 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.

4.02.04 Impairment

The Bank measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Bank adopted the following approaches in accounting for impairment.

a. *General Approach*

The Bank applies general approach to due from BSP, due from other banks, other financial assets at amortized cost, and other receivables. At each reporting date, the Bank measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Bank measures the loss allowance equal to 12-month expected credit losses.

The Bank compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, unemployment and inflation rates, interest rate, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

The Bank determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Bank does not apply the thirty (30) days past due rebuttable presumption because the Bank determines that there have been no significant increases in credit risk before contractual payments are more than thirty (30) days past due.

If the Bank has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Bank shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Bank recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Bank performs the assessment of significant increases in credit risk on collective basis for financial assets with collateral otherwise it is assessed on an individual basis.

The Bank does not apply the 90 days past due rebuttable presumption since based on the Bank's historical experience and aging schedules, past due amounts are still collectible even if over ninety (90) days.

The Bank determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

b. *Simplified Approach*

The Bank always measures the loss allowance at an amount equal to lifetime expected credit losses for loans receivables. The Bank determines that a customer is in default when it is already past due for 365 days and beyond.

This is consistent with their historical experience with their customers.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.02.05 Probability of Default (PD)

PD for the Bank's loan portfolio will be estimated through transition matrices using the borrower's days past due (DPD) information and movement. To have more granular and accurate estimation of PD, a borrower's monthly delinquency bucket movement will be traced, instead of annual delinquency bucket movement.

The delinquency bucket movement of the accounts must be properly traced in order to estimate the changes of a borrower to default. Account-level roll rates, also known as Markov chain model, use transition matrices to measure the movements in delinquency buckets in order to estimate PD.

Account-level roll rates predict the future outcome based on present state. The Markov transition or migration matrix is a square matrix that describe the probabilities of moving from one state to another in a dynamic system.

PFRS 9 requires that the ECL shall take into account all reasonable and supportable information such as historical experience, current conditions and forward-looking information. Management estimate overlay which includes quantitative overlay outside of the primary model and qualitative adjustments based on Management's evaluation of macro-level and portfolio-level factors shall be used by the Bank to adjust the historical data to reflect current expectations.

Macro-economic factors for overlay calculation may include any of the following:

1. Interest rate (short-term/average)
2. Foreign exchange rates (US dollar: Philippine Peso)
3. Unemployment
4. Inflation rate
5. GDP growth rate
6. Consumer Price Index

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

1. MSME
2. Housing

4.02.06 Loss Given Default (LGD)

LGD focuses on the written-off accounts, recoveries and cost incurred. For cost incurred during the recovery/workout period, these include, but not limited to, collection fees, legal fees and administrative costs. Net recovered amount (recoveries collected less cost incurred) shall be discounted in order to reflect the time value of money.

Appraised values of collaterals are determined by the Bank's internal and external appraisers acceptable by the BSP.

Cost to sell or recover pertains to the cost directly attributable to recover cash flows from defaulted loans.

Turn-around time is set at 5.7 years, 3 years and 0.5 years for loans with real estate mortgage, chattel mortgage and guarantee, respectively, as this represents the average estimated time that the Bank can resell/recover from such kind of collaterals after repossession at market price or appraised value as defined above.

4.02.07 Exposure at Default (EAD)

EAD pertains to the outstanding balance of the exposure including related accrued interests. EAD is extracted from the Bank's loan management system (LMS). From the LMS, the monthly contractual cash flows from reporting date until maximum period, are plotted to estimate and reflect the current and future month-end exposures the Bank expects to collect.

4.03 Bank Premises, Furniture, Fixtures, and Equipment

Bank premises, furniture, fixtures and equipment are initially measured at cost. 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 to initial recognition, bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation.

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

Building held for use in the production or supply of goods or services, or for administrative purposes, is stated in the statement of financial condition at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional appraisers, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of land is credited to revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such revalued assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of those assets.

Land is not depreciated. Depreciation is computed on the straight-line method, based on the estimated useful lives of the assets as follows:

Building	20 years
Transportation equipment	5 years
Furniture, fixtures, and equipment	3 years
IT equipment	3 years

Leasehold rights and improvements are depreciated over the shorter between the improvements' useful life of twenty (20) years or the lease term.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

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

4.04 Investment Properties

Investment properties pertain to Real and Other Properties Acquired (ROPA). Settlement of loans through foreclosure or dation in payment shall be booked under the ROPA account as follows:

(i) Upon entry of judgment in case of judicial foreclosure;
(ii) Upon execution of the sheriff's certificate of sale in case of extrajudicial foreclosure; and,
(iii) Upon notarization of the deed of dacion in case of dation in payment (dacion en pago)

If the carrying amount of ROPA exceeds ₱5,000,000, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

ROPA is recognized as investment property when the asset is yet to be classified as asset held-for-sale. Investment properties are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any impairment in value.

Investment properties are 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 properties acquired is measured at the carrying amount of asset given up.

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

Allowance for impairment losses is recognized for any anticipated losses based on appraisal reports, current negotiations and programs to dispose these properties and the provisioning requirement of the BSP. The BSP requires banks to set up allowance for impairment losses based primarily on the holding period of the assets. Land, building and other non-financial assets not held for sale are impaired in accordance with Note 4.05.

Investment properties are derecognized when they have either been disposed of or are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment properties are recognized in the statement of comprehensive income under 'gain or loss on sale of assets' in the year of retirement or disposal.

4.05 Impairment of Assets

At each reporting date, the Bank assesses whether there is any indication that any assets other than deferred tax assets, assets arising from employee benefits, and financial assets that are within the scope of PFRS 9, Financial Instruments, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.06 Financial Liabilities

4.06.01 Initial Recognition and Measurement
The Bank recognizes a financial liability in its statement of financial condition when, and only when, the Bank becomes party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial liability at its fair value minus transaction costs that are directly attributable to the acquisition or issue of the liability.

4.06.02 Classification
The Bank classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Bank's financial liabilities measured at amortized cost include deposit liabilities, bills payable, lease liabilities and other liabilities (except for withholding tax payable. and SSS, medicar and employee premium).

The Bank has no financial liabilities measured at fair value through profit or loss in both years.

4.06.03 Derecognition
The Bank removes a financial liability (or part of a financial liability) from its statement of financial condition when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expired).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.07 Equity Instruments

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

Ordinary shares are classified as equity.

4.08 Employee Benefits

4.08.01 Short-term Benefits
The Bank recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, employee benefits, directors' fee, and other benefits.

4.08.02 Post-employment Benefits
The Bank has funded and non-contributory retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses are recognized directly in other comprehensive income and is also presented under equity in the statement of financial condition.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The asset recognized in the statement of financial condition in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by using the PUCM. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The asset that resulted from this calculation is a result of over funding or when an actuarial gain arises. It is recognized since it is a resource which the Bank controls and is available in the form of reduction in future contributions.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at each reporting period.

4.09 Provisions and Contingent Liabilities

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

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

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

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

4.09.02 Contingent Liabilities
Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within the control of the Bank.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

4.10 Revenue Recognition

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

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

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

4.10.02 Rental Income
The Bank's policy for recognition of revenue from operating leases is described in Note 4.12.

4.10.03 Performance Obligations Satisfied at a Point in Time
If a performance obligation is not satisfied over time, the Bank satisfies the performance obligation at a point in time. The Bank considers indicators of the transfer of control, which include, but are not limited to, the following:

- The Bank has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Bank has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

Sale of goods encompasses the sale of investment properties.

4.10.04 Performance Obligations Satisfied Over Time
The Bank recognizes revenue over time, this is when the customers simultaneously receive and consume the benefits provided by the Bank's performance as the Bank performs.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Income from service charges are related to acquisition and origination of loan. These are amortized and recognized as income over the term of the loan.

4.11 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Bank.

The Bank recognizes expenses in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.12 Leases

4.12.01 The Bank as Lessee
The Bank considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Bank assesses whether the contract meets three key evaluations, which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.
- The Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Right-of-Use (ROU) Assets
At the commencement date, the Bank measures the ROU assets at cost, which comprises of:

- initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any incentives received;

- any initial direct costs incurred by the Bank; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Bank incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

ROU assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Bank depreciates the ROU assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU assets or the end of the lease term. The Bank also assesses the ROU assets for impairment when such indicators exist. The Bank has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing ROU assets and lease liabilities, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. ROU assets are presented as a separate line item on the statement of financial position.

Lease Liabilities
At the commencement date, the Bank measures the lease liabilities at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Bank uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liabilities comprise the following payments for the right to use the underlying assets during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Bank measures the lease liabilities by:

- increasing the carrying amount to reflect interest on the lease liabilities;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Bank recognizes the amount of remeasurement of the lease liabilities as an adjustment to the ROU assets. However, if the carrying amount of the ROU assets are reduced to zero and there is further reduction in the measurement of the lease liabilities, the Bank recognizes any remaining amount of the remeasurement in profit or loss.

Lease liabilities are presented as a separate line item on the statement of financial position.

4.12.02 The Bank as Lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.13 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Bank that is preparing its financial statements. A person or a close member of that person's family is related to Bank if that person has control or joint control over the Bank, has significant influence over the Bank, or is a member of the key management personnel of the Bank or of a parent of the Bank.

An entity is related to the Bank if any of the following conditions applies:

- The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to the Bank.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Bank and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

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

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

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

4.14 Taxation

Income tax expense represents the sum of the current and deferred taxes.

4.14.01 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.

4.14.02 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 taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (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, and does not give rise to equal taxable and deductible temporary differences, at the time of the transaction. 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 profits 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 reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Bank's investment property portfolios and concluded that none of the Bank's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to PAS 12 is not rebutted. As a result, the Bank has not recognized any deferred taxes on changes in fair value of the investment properties as the Bank is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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.

4.14.03 Current and Deferred Taxes for the Period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax-effect is included in the accounting for business combination.

4.14.04 Final Tax on Dividends

When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. Such an amount paid or payable to taxation authorities is charged to equity as part of the dividends.

4.15 Changes in Accounting Policies

The adoption of the new and revised standards and as disclosed in Note 2.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

4.16 Events After the Reporting Period

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 when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

5.01.01 Revenue Recognition
The Bank's revenue recognition policies require Management to make use of estimates and assumptions that may affect the reported amounts of revenue. The Bank's revenue is recognized when earned, except interest on loans receivables on past due accounts which are recognized when a collection is actually made as provided under existing BSP MORB.

5.01.02 Distinction Between Investment Properties, Assets Held for Sale and Bank Premises, Furniture, Fixtures and Equipment
The Bank determines whether a property qualifies as investment properties and assets held for sale. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by the entity. Owner occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process. Foreclosed land and building will be classified as asset held for sale should the Management had an active program to locate buyers and sell the properties within one (1) year, otherwise, it is classified as investment properties.

As at December 31, 2025 and 2024, certain foreclosed land and building amounting to ₱176,465,407 and ₱170,195,604, respectively, were classified as investment properties, as disclosed in Note 14, since Management had no active program to locate buyers and sell the properties within one (1) year.

Accordingly, a building is classified under bank premises, furniture, fixtures and equipment since it is primarily used in the bank's operations. The carrying amount of the building amounted to ₱20,246,416 and ₱20,933,373 as at December 31, 2025 and 2024, respectively, as disclosed in Note 12. The Bank recognized rental income amounting to ₱1,661,195 and ₱1,419,581 in 2025 and 2024, respectively, on portion of bank premises leased out under operating leases, as disclosed in Notes 12, 26 and 29.

5.01.03 Assessment of Contractual Terms of a Financial Asset
The Bank determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Bank considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets (excluding financial assets at fair value through other comprehensive income) are solely payments of principal and interest, and consistent with the basic lending arrangement. As at December 31, 2025 and 2024, the Bank's financial assets measured at amortized cost amounted to ₱1,304,836,118 and ₱1,209,056,579, respectively, as disclosed in Note 35.04.

5.01.04 Assessment of Timing of Satisfaction of Performance Obligations
The Bank satisfies a performance obligation by transferring control of a promised service to the customer, which could occur over time or at a point in time.

Performance obligation from sale of investment properties is satisfied at a point in time, this is when there is a present right to payment for the asset, the customer has legal title to the asset, transfer physical possession of the asset, the significant risks and rewards of ownership of the asset, and acceptance by the same of the customer.

In 2025 and 2024, gain on sale of investment properties amounted to ₱7,848,129 and ₱9,638,944, respectively, as disclosed in Notes 14 and 26.

Management assessed that the performance obligation is satisfied over time for service charges and fees, this is when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. In 2025 and 2024, income from service charges amounted to ₱8,083,254 and ₱9,009,891, respectively, as disclosed in Note 26.

5.01.05 Assessment of the Transaction Price and the Amounts Allocated to Performance Obligations

A performance obligation is a vendor's promise to transfer a service that is 'distinct' from other services identified in the contract.

Management assessed that the allocation of transaction price is not applicable since performance obligation when rendering of services is separate from sale of investment properties.

5.01.06 Assessment of Provision and Contingency

Judgment is exercised by Management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 4.09.

5.01.07 Determining Whether or Not a Contract Contains a Lease

In both years, Management assessed that various leasing arrangements disclosed in Note 29, qualified as leases since the contracts contain identified assets, the Bank has the right to obtain substantially all of the economic benefits, and the Bank has the right to direct the use of the identified assets throughout the period of use.

5.01.08 Assessment of Extension and Termination of Lease Terms

Lease term is the non-cancellable period for which the Bank has the right to use an underlying asset including optional periods when the Bank is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Bank considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Bank is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For lease contracts, as disclosed in Note 29, Management assessed that it is reasonably certain that it will exercise the extension option and not exercise the termination option and that the extension option is enforceable.

5.01.09 Assessment of Classification of Lease

The Bank determines whether a lease qualifies as an operating lease. In making its judgments, the Bank considers whether the risk and reward of the leased property will be transferred to the lessee. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

The Bank entered into a lease agreement as a lessor. The Management determined that it retains all significant risks and rewards of ownership of this property which are accounted for under operating lease. The rental income earned by the Bank from its properties, all of which is leased out under operating leases, amounted to ₱1,661,195 and ₱1,419,581 in 2025 and 2024, respectively, as disclosed in Notes 12, 26 and 29.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Reviewing Residual Values, Useful Lives and Depreciation Method of Bank Premises, Furniture, Fixtures and Equipment

The residual values, useful lives and depreciation method of the bank premises, furniture, fixtures and equipment are reviewed at least annually and adjusted prospectively. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on 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 and fixtures would increase the recognized operating expenses and decrease assets. The Bank uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits.

If there is an indication that there has been a significant change in the pattern used by which a Bank expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications that there has been a significant change in pattern used by the Bank to consume assets' future economic benefits. As at December 31, 2025 and 2024, the aggregate carrying amounts of the depreciable bank premises, furniture, fixtures and equipment amounted to ₱33,551,235 and ₱32,713,955, respectively, as disclosed in Note 12.

5.02.02 Asset Impairment

The Bank performs an impairment review when certain impairment indicators are present. Determining the fair value of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and other assets which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and other assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS Accounting Standards.

In both years, Management believes that there is no indication of impairment on its bank premises, furniture, fixtures and equipment, right-of-use assets and other assets, except for land presented under 'investment properties' on which the Bank had recognized allowance for impairment amounting to ₱761,011 as at December 31, 2025 and 2024, as disclosed in Note 14 and 16.

As at December 31, 2025 and 2024, the aggregate carrying amounts of the aforementioned assets amounted to ₱280,689,525 and ₱268,512,900, respectively, as disclosed in Note 33.

5.02.03 Estimating Allowance for Expected Credit Losses

The Bank measured expected credit losses of its financial assets using an unbiased and probability-weighted amount and reasonable and supportable assumption that is available without undue cost or effort. The Bank assessed the past events, current conditions, and forecast economic conditions that may affect the counterparties' capacity to settle its obligation. The Bank assessed the external credit ratings, industry performance, and available financial information of counterparties.

The Bank determined that counterparty banks have low credit risk. Hence, the probability of default is immaterial. In both years, no provision for expected credit loss was recognized for from due from BSP, due from other banks, other financial assets at amortized cost.

The Bank uses performance of macro-economic factors and economy's outlook to assess the expected credit losses on its loans and other receivables.

The carrying value of loans and receivables are ₱823,740,450 and ₱789,429,677, net of allowance for expected credit losses on loans and receivables amounting to ₱31,324,378 and ₱30,320,986 as at December 31, 2025 and 2024, respectively, as disclosed in Note 10.

In 2025 and 2024, the Bank recognized provisions for expected credit losses on loans and other receivables amounting to ₱1,504,370 and ₱1,882,560, respectively, as disclosed in Note 10 and 16.

As of December 31, 2025 and 2024, the Bank's financial assets measured at amortized cost amounted to ₱1,304,836,118 and ₱1,209,056,579 respectively, as disclosed in Note 35.04.

5.02.04 Deferred Tax Assets

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

In both years, Management believes that the Bank will be able to generate future taxable income against which the balances of deferred tax assets on effect of PFRS 16, allowance for expected credit losses and net retirement liabilities will be applied.

As at December 31, 2025 and 2024, the deferred tax assets recognized by the Bank amounted to ₱12,636,524 and ₱11,593,406, respectively, as disclosed in Note 32.

5.02.05 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions are recognized as remeasurements in other comprehensive income and therefore, generally affect recorded obligation. While the Bank believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

For the years ended December 31, 2025 and 2024, retirement benefits expense amounted to ₱1,488,356 and ₱1,300,000, respectively, as disclosed in Notes 28.

In 2025 and 2024, the Bank recognized remeasurement gains (losses) on retirement benefit obligation, net of related tax, amounting to ₱8,752,698 loss and ₱47,673 gain, respectively and forms part of profit or loss and other comprehensive income as disclosed in Note 28.02.

Accordingly, retirement benefits obligation amounted to ₱14,723,618 and ₱8,354,164, as at December 31, 2025 and 2024, respectively, as disclosed in Note 28.02.

As at December 31, 2025 and 2024, remeasurement losses on retirement liabilities, net of related tax amounted to ₱24,530,339 and ₱15,777,641, respectively, as disclosed in Note 28.02.

5.02.06 Estimating Fair Value of Land and Building Presented under Bank Premises, Furniture, Fixtures and Equipment and Investment Properties

The fair value of land and building have been arrived on the basis of a valuation carried out with reference to Philippine Valuation Standards. The valuation was determined by using Sales Comparison Approach.

As at December 31, 2025 and 2024, the fair value of land presented under bank premises, furniture, fixtures and equipment amounted to ₱40,192,457 and ₱32,192,457, respectively, as disclosed in Notes 12 and 34.02.

In 2025 and 2024, the aggregate fair value of land and building classified under investment properties amounted to ₱310,131,633 and 288,619,697, respectively, as disclosed in Notes 14 and 34.02.

5.02.07 Estimating the Appropriate Discount Rate to Use

The Bank measures the lease liabilities at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Bank uses the incremental borrowing rate.

Management used its incremental borrowing rate of 7.00% and 5.97% in 2025 and 2024, respectively, to measure the present value of its lease liabilities since the implicit rate was not readily available.

6. CASH AND OTHER CASH ITEMS

For the purpose of the statements of cash flows, cash include cash in-vault. Check and other cash items are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

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

		2025		2024
Cash in-vault	₱	**27,235,589**	₱	20,430,416
Check and other cash items		**5,036,640**		1,853,767
	₱	**32,272,229**	₱	22,284,183

7. DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)

This account represents the balance of the deposit account maintained with the Bangko Sentral ng Pilipinas (BSP) to satisfy reserve requirements and facilitate the clearing of interbank claims. The Bank's Due from BSP account does not earn interest.

Pursuant to Section 251 of the Manual of Regulations for Banks (MORB), as amended by BSP Circular No. 1201, series of 2024, and BSP Circular No. 1211, series of 20251175, series of 2025, the Bank is not required to maintain its statutory reserve requirements as at December 31, 2025 and 2024.

Furthermore, Section 252 of the MORB clarifies that such deposit accounts with the BSP do not function as regular current accounts. The BSP permits drawings from these accounts solely for the settlement of obligations with the BSP or for withdrawals to meet cash requirements.

Additionally, in accordance with Section 2, Paragraph (b) of Appendix 100, a zero allowance for exposures under Stage 1 shall be rare and expected only for exposures with a zero percent (0%) credit-risk weight under the Risk-Based Capital Adequacy Framework. Such exposures include Philippine peso-denominated obligations of the Philippine National Government and the BSP. Accordingly, the Bank's Due from BSP account is classified as having zero credit-risk exposure.

As at December 31, 2025, and 2024, the Bank's deposit account with the BSP amounted to ₱14,018,751 and ₱1,451,837, respectively, in compliance with BSP reserve requirements.

8. DUE FROM OTHER BANKS

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its working funds.

Details are as follows:

		2025		2024
Commercial banks				
Time deposit	**₱**	**30,000,000**	₱	21,762,867
Demand		**22,692,539**		14,085,340
Savings		**11,174,991**		7,347,436
	₱	**63,867,530**	₱	43,195,643
Government banks				
Demand	**₱**	**108,620,099**	₱	88,849,423
Savings		**16,315**		2,716,159
	₱	**108,636,414**	₱	91,565,582
	₱	**172,503,944**	₱	134,761,225

The balance of this account represents savings, time and demand deposit accounts with other local banks.

Annual interest rates on these deposits ranges from 0.05% to 5.25% and 0.05% to 5.625% in 2025 and 2024, respectively.

In 2025 and 2024, interest earned and received from other banks amounted to ₱390,099 and ₱1,226,526, respectively.

9. OTHER FINANCIAL ASSETS AT AMORTIZED COST

The composition of other financial assets at amortized cost as at December 31, 2025 and 2024 are as follows:

		2025		2024
Government securities	₱	**294,442,973**	₱	283,283,840
Corporate debt securities		**130,000**		130,000
	₱	**294,572,973**	₱	283,413,840

These securities are carried at amortized cost since the Bank intends to hold these securities to collect contractual cash flows.

The reconciliation of the carrying amounts of other financial assets at amortized cost are as follows:

		2025		2024
Balance at January 1	₱	**283,413,840**	₱	283,857,435
Additions		**147,000,000**		222,999,649
Maturities		**(135,840,867)**		(223,443,244)
Balance at December 31	₱	**294,572,973**	₱	283,413,840

Interest income generated from these investments amounted to ₱8,753,394 and ₱9,031,790 in 2025 and 2024, respectively. Interest rates on these investment financial assets ranges from 3.25% to 10.25% and 1.84% to 6.40% per annum in 2025 and 2024, respectively.

10. LOANS AND RECEIVABLES – net

This account is comprised of:

		2025		2024
Loans and discounts	₱	**826,433,860**	₱	796,671,086
Unearned service fees		**(158,911)**		(213,530)
Allowance for expected credit losses		**(27,275,592)**		(25,772,200)
	₱	**798,999,357**	₱	770,685,356
Other receivables				
Sales contract receivables	₱	**20,746,093**	₱	14,162,214
Accrued interest receivables		**4,940,011**		5,631,242
Accounts receivables		**3,103,775**		3,499,651
Allowance for expected credit losses		**(4,048,786)**		(4,548,786)
	₱	**24,741,093**	₱	18,744,321
	₱	**823,740,450**	₱	789,429,677

Sales contract receivables represent the balance of the selling price of assets owned or acquired under an agreement wherein the title to the said assets shall only be transferred to the buyer upon full payment. Additions to the sale contract receivable amounted to ₱12,294,489 and ₱352,279 which arose from the sale of repossessed assets on instalment in 2025 and 2024, respectively.

Annual interest earned for loans and sales contract receivables range from 8.00% to 14.00% and 6.06% to 20.00% in 2025 and 2024, respectively.

Accounts receivables are non-interest bearing, unsecured and are generally payable upon demand.

The total interest earned on loans and receivables amounted to ₱94,539,287 and ₱90,463,100 in 2025 and 2024, respectively.

All of the Bank's loans and receivables have been reviewed for impairment. Certain loans and other receivables were found to be impaired, and provisions have been recognized accordingly.

The breakdown of total loans and discounts, net of unearned service fees, as to secured and unsecured are as follows:

		2025		2024
Secured:				
Real estate mortgage	₱	**813,263,267**	₱	782,281,443
Hold-out-deposits		**3,617,027**		3,448,974
Chattel		**944,567**		1,013,144
	₱	**817,824,861**	₱	786,743,561
Unsecured		**8,608,999**		9,927,525
	₱	**826,433,860**	₱	796,671,086

A reconciliation of allowance for expected credit losses as at December 31, 2025 and 2024 are as follows:

	Note		2025		2024
Balance at January 1		₱	**30,320,986**	₱	30,757,055
Provisions during the year			**1,504,370**		1,882,560
Write-off			**(199,449)**		(1,304,240)
Adjustments	*16*		**(277,927)**		(930,448)
Reversals			**(23,602)**		(83,941)
Balance at December 31		₱	**31,324,378**	₱	30,320,986

Adjustments on allowance pertain to the transfer of allowance to investment properties as a result of foreclosures.

The breakdown of allowance for expected credit losses on loans and other receivables is shown below:

		2025		2024
Loans and discounts	₱	**27,275,592**	₱	25,772,200
Sales contract receivables		**2,835,776**		3,335,776
Accounts receivable		**1,213,010**		1,213,010
	₱	**31,324,378**	₱	30,320,986

Classification of allowance for expected credit losses of loans and discounts as follows:

		2025		2024
Specific	₱	**18,291,312**	₱	17,792,290
Collective		**8,984,280**		7,979,910
	₱	**27,275,592**	₱	25,772,200

Movements of loans and discounts during 2025 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balances, January 1, 2025	₱ **711,328,592**	₱ **15,569,652**	₱ **69,772,842**	₱ **796,671,086**
Transfers from stage 1 to stages 2 and 3	**2,834,900**	**(1,890,457)**	**(944,443)**	**-**
Transfers from stage 2 to stages 1 and 3	**41,716**	**13,597,337**	**(13,639,053)**	**-**
Transfers from stage 3 to stages 1 and 2	**2,547,676**	**2,135,087**	**(4,682,763)**	**-**
New assets originated or purchased	**188,363,874**	**-**	**-**	**188,363,874**
Assets derecognized or repaid	**(158,601,100)**	**-**	**-**	**(158,601,100)**
Balances, December 31, 2025	₱ **746,515,658**	₱ **29,411,619**	₱ **50,506,583**	₱ **826,433,860**

Movements of loans and discounts during 2024 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balances, January 1, 2024	₱ 598,071,463	₱ 38,051,844	₱ 73,485,993	₱ 709,609,299
Transfers from stage 1 to stages 2 and 3	3,318,739	-	(3,318,739)	-
Transfers from stage 2 to stages 1 and 3	20,865,042	(15,569,651)	(5,295,391)	-
Transfers from stage 3 to stages 1 and 2	2,011,561	(6,912,541)	4,900,980	-
New assets originated or purchased	403,070,787	-	-	403,070,787
Assets derecognized or repaid	(316,009,000)	-	-	(316,009,000)
Balances, December 31, 2024	₱ 711,328,592	₱ 15,569,652	₱ 69,772,842	₱ 796,671,086

Non-Performing Loans (NPLs) classified as secured and unsecured are as follows:

		2025		2024
Secured	₱	**39,033,243**	₱	67,438,806
Unsecured		**954,498**		1,024,963
	₱	**39,987,741**	₱	68,463,769

Breakdown of non-performing loans based on days outstanding are as follows:

		2025		2024
Past due accounts				
91 – 180 days	₱	**20,437,894**	₱	49,788,738
Over 180 days		**19,549,847**		18,675,031
	₱	**39,987,741**	₱	68,463,769

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

		2025		2024
Total non-performing loans	₱	**39,987,741**	₱	68,463,769
Non-performing loans covered by allowance for expected credit losses		**(18,092,523)**		(17,663,315)
	₱	**21,895,218**	₱	50,800,454

Information regarding the Bank's NPLs (based on Section 304 of the MORB) are as follows:

		2025		2024
Gross NPLs	₱	**39,987,741**	₱	68,463,769
Ratio of gross NPLs to gross TLP (%)		**4.84%**		8.59%
Net NPLs		**21,895,218**		50,800,454
Ratio of gross NPLs to gross TLP (%)		**2.65%**		6.38%
Ratio of total allowance for expected credit losses to gross NPLs (%)		**68.21%**		37.64%
Ratio of specific allowance for expected credit losses on gross TLP to gross NPLs (%)		**45.74%**		25.99%

Status of loans, net of unearned service fees, per product line for 2025 are as follows:

		Performing		Non-performing		Total
Gross carrying amount	₱	**775,768,366**	₱	**50,506,583**	₱	**826,274,949**
Allowance for expected credit losses		**(25,997,434)**		**(1,278,158)**		**(27,275,592)**
Net carrying amount	₱	**749,770,932**	₱	**49,228,425**	₱	**798,999,357**

Status of loans, net of unearned service fees, per product line for 2024 are as follows:

		Performing		Non-performing		Total
Gross carrying amount	₱	726,684,714	₱	69,772,842	₱	796,457,556
Allowance for expected credit losses		(22,904,261)		(2,867,939)		(25,772,200)
Net carrying amount	₱	703,780,453	₱	66,904,903	₱	770,685,356

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Financial asset at fair value through other comprehensive income (FVOCI) as at December 31, 2025 and 2024 consists of unquoted equity securities amounting to ₱80,000,000 and ₱85,000,000, respectively.

The Bank has designated the said financial asset as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. These unquoted equity securities pertain to golf club shares.

The investment consists of one (1) proprietary membership certificate issued by Wack Wack Golf and Country Club, Inc., registered in the name of Rural Bank of San Mateo, Inc. The membership certificate entitles the holder to the rights and privileges of club membership in accordance with the Club's by-laws and is classified as an unquoted equity instrument.

As at December 31, 2025 and 2024, the fair value of the proprietary membership certificate was determined based on the latest market quotations obtained from a leading broker specializing in proprietary golf club memberships in the Philippines.

The reconciliation of the carrying amounts of the Bank's financial assets at FVOCI for 2025 and 2024 are shown below:

	Note		**2025**		2024
Cost		₱	**6,700,000**	₱	6,700,000
Accumulated change in fair value					
Balance at the beginning of the year		₱	**78,300,000**	₱	68,300,000
Fair value gains (loss) - net			**(3,750,000)**		7,500,000
Deferred tax	*32*		**(1,250,000)**		2,500,000
Balance at December 31		₱	**73,300,000**	₱	78,300,000
		₱	**80,000,000**	₱	85,000,000

Fair value gains, net of tax, in the Bank's financial assets at FVOCI amounting to nil and ₱7,500,000, and the fair value loss amounted to ₱3,750,000 and nil as at December 31, 2025 and 2024, were recognized as an adjustment in other comprehensive income and presented in the statement of comprehensive income, under items that will not be reclassified subsequently to profit or loss. As at December 31, 2025 and 2024, net accumulated unrealized fair value gains on financial asset at FVOCI amounted to ₱54,975,000 and ₱58,725,000, respectively, as disclosed in Note 24.

12. BANK PREMISES, FURNITURE, FIXTURES, AND EQUIPMENT – net

The total carrying amounts and revalued amounts of the Bank's bank premises, furniture, fixtures, and equipment as at December 31, 2025 and 2024 are as follows:

		2025		2024
At revalued amount				
Land	₱	**40,192,457**	₱	32,192,457
At cost				
Building	₱	**20,246,416**	₱	20,933,373
Transportation equipment		**6,048,813**		4,867,837
Furniture, fixtures and equipment		**3,979,255**		4,517,728
Leasehold, rights and improvements		**3,276,751**		2,395,017
	₱	**33,551,235**	₱	32,713,955
	₱	**73,743,692**	₱	64,906,412

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

As at December 31, 2025 and 2024, the Bank has no outstanding contractual commitments to acquire certain bank premises, furniture, fixtures and equipment.

The Bank determined that there are no indication that an impairment loss has occurred on its bank premises, furniture, fixtures and equipment.

12.01 At Revalued Amount

The details of land carried at revalued amount are shown below:

		2025		2024
Revalued amount				
Cost	₱	**18,699,090**	₱	10,699,090
Accumulated change in fair value		**21,493,367**		21,493,367
	₱	**40,192,457**	₱	32,192,457

The valuation was determined by using Sales Comparison Approach. The effective date of the valuation is April 18, 2012. In both years, the Management determines that there is no decline in the value of the Bank's land.

12.02 At Cost

The carrying amounts of the Bank's bank premises, furniture, fixtures and equipment are as follows:

	Building	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold, Rights and Improvements	Total
Cost					
Balance, January 1, 2025	₱ 36,523,177	₱ 14,075,188	₱ 17,287,599	₱ 6,853,209	₱ 74,739,173
Additions	869,541	3,500,000	2,469,385	1,130,000	7,968,926
Disposals	-	(2,846,888)	(2,225,728)	-	(5,072,616)
Balance, December 31, 2025	**₱ 37,392,718**	**₱ 14,728,300**	**₱ 17,531,256**	**₱ 7,983,209**	**₱ 77,635,483**
Accumulated depreciation					
Balance, January 1, 2025	₱ 15,589,804	₱ 9,207,351	₱ 12,769,871	₱ 4,458,192	₱ 42,025,218
Depreciation	1,556,498	2,319,023	3,000,648	248,266	7,124,435
Disposals	-	(2,846,887)	(2,218,518)	-	(5,065,405)
Balance, December 31, 2025	**₱ 17,146,302**	**₱ 8,679,487**	**₱ 13,552,001**	**₱ 4,706,458**	**₱ 44,084,248**
Carrying Amounts	**₱ 20,246,416**	**₱ 6,048,813**	**₱ 3,979,255**	**₱ 3,276,751**	**₱ 33,551,235**

	Building	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold, Rights and Improvements	IT Equipment	Total
Cost						
Balance, January 1, 2024	₱ 34,520,677	₱ 11,677,188	₱ 17,542,418	₱ 6,646,884	₱ 791,516	₱ 71,178,683
Additions	2,002,500	2,398,000	5,184,615	1,518,334	-	11,103,449
Disposals	-	-	(5,439,434)	(1,312,009)	(791,516)	(7,542,959)
Balance, December 31, 2024	₱ 36,523,177	₱ 14,075,188	₱ 17,287,599	₱ 6,853,209	₱ -	₱ 74,739,173
Accumulated depreciation						
Balance, January 1, 2024	₱ 14,657,622	₱ 7,861,402	₱ 14,100,771	₱ 5,676,017	₱ 791,516	₱ 43,087,328
Depreciation	932,182	1,345,949	4,108,534	94,184	-	6,480,849
Disposals	-	-	(5,439,434)	(1,312,009)	(791,516)	(7,542,959)
Balance, December 31, 2024	₱ 15,589,804	₱ 9,207,351	₱ 12,769,871	₱ 4,458,192	₱ -	₱ 42,025,218
Carrying Amounts	₱ 20,933,373	₱ 4,867,837	₱ 4,517,728	₱ 2,395,017	₱ -	₱ 32,713,955

In both years, additions to bank premises, furniture, fixtures, and equipment were paid in cash. In 2025 and 2024, fully depreciated assets with acquisition cost of ₱8,821,175 and ₱13,370,406 are still being used in operations.

The Bank recognized rental income amounting to ₱1,661,195 and ₱1,419,581, in 2025 and 2024, respectively, on portion of bank premises leased out under operating leases, as disclosed in Notes 26 and 29.02.

In both years, the Bank has determined that there is no indication that an impairment has occurred on its bank premises, furniture, fixtures and equipment.

In 2025, the Bank disposed of certain bank premises, furniture, fixtures, and equipment with aggregate proceeds amounting to ₱750,000, resulting in a gain on sale of ₱742,788. In 2024, the bank did not recognize any proceeds from the disposal or sale of bank premises, furniture, fixtures, and equipment. Accordingly, no gain or loss on sale was recognized during the year.

13. RIGHT-OF-USE ASSETS – net

The carrying amounts of the Bank's right-of-use assets as at December 31, 2025 and 2024 are as follows:

	Note		2025		2024
Cost					
Balance, January 1	*39*	₱	**31,800,273**	₱	15,680,777
Addition			**-**		3,933,202
Adjustments			**-**		12,186,294
Balance, December 31		₱	**31,800,273**	₱	31,800,273
Accumulated Depreciation					
Balance, January 1	*39*	₱	**3,440,036**	₱	4,232,736
Depreciation			**2,668,424**		1,668,308
Adjustments			**-**		(2,461,008)
Balance, December 31		₱	**6,108,460**	₱	3,440,036
Carrying amount		₱	**25,691,813**	₱	28,360,237

Amounts recognized in profit or loss are as follows:

		2025		2024
Depreciation expense on right-of-use asset	₱	**2,668,424**	₱	1,668,308
Interest expense on lease liabilities		**2,060,746**		1,129,207
	₱	**4,729,170**	₱	2,797,515

The details of the lease contracts are disclosed in Note 29.

As at December 31, 2025 and 2024, lease liabilities related to ROU assets amounted to ₱28,573,748 and ₱29,862,978, respectively, as disclosed in Note 19.

In 2025 and 2024, the Bank did not write off ROU assets and accumulated depreciation related to expired lease contract. Accordingly, no gain or loss on write-off of ROU assets were recognized.

In both years, the Bank has determined that there is no indication that impairment has occurred on its right-of-use assets.

14. INVESTMENT PROPERTIES – net

The details of the Bank's investment properties as at December 31, 2025 and 2024 are shown below:

	Notes		Land		Building		Total
Cost							
Balances, January 1, 2025		₱	167,921,142	₱	3,182,949	₱	171,104,091
Additions			6,364,033		9,004,081		15,368,114
Disposal			(6,956,877)		(1,757,902)		(8,714,779)
Balances, December 31, 2025		**₱**	**167,328,298**	**₱**	**10,429,128**	**₱**	**177,757,426**
Accumulated depreciation							
Balances, January 1, 2025		₱	-	₱	147,476	₱	147,476
Depreciation	*30*		-		574,513		574,513
Disposal			-		(190,981)		(190,981)
Balances, December 31, 2025		**₱**	**-**	**₱**	**531,008**	**₱**	**531,008**
Accumulated impairment							
Balances, January 1 to December 31, 2025		**₱**	**761,011**	**₱**	**-**	**₱**	**761,011**
Carrying Amounts		**₱**	**166,567,287**	**₱**	**9,898,120**	**₱**	**176,465,407**

	Note		Land		Building		Total
Cost							
Balances, January 1, 2024		₱	172,837,895	₱	5,601,198	₱	178,439,093
Additions			6,607,108		3,759,058		10,366,166
Disposal			(11,523,861)		(6,177,307)		(17,701,168)
Balances, December 31, 2024		₱	167,921,142	₱	3,182,949	₱	171,104,091
Accumulated depreciation							
Balances, January 1, 2024		₱	-	₱	587,410	₱	587,410
Depreciation	*30*		-		281,234		281,234
Disposal			-		(721,168)		(721,168)
Balances, December 31, 2024		₱	-	₱	147,476	₱	147,476
Accumulated impairment							
Balances, January 1, 2024		₱	816,056	₱	-	₱	816,056
Reclassification		₱	(55,045)	₱	-	₱	(55,045)
Carrying Amounts			761,011		-		761,011
			167,160,131		3,035,473		170,195,604

As at December 31, 2025 and 2024, there were no foreclosed investment properties subject to redemption period by the borrowers.

Expense incurred in acquiring these investment properties amounted to ₱2,419,014 and ₱2,442,813 in 2025 and 2024, respectively, are recorded as acquired asset expense, as disclosed in Note 27.

In 2025, the Bank disposed certain investment properties resulting in a gain on sale of those properties amounted to ₱7,848,129, as disclosed in Note 26. Out of the total selling price, ₱16,371,927 was paid in cash and the remaining will be paid in instalment.

In 2024, the Bank disposed certain investment properties resulting in a gain on sale on those properties amounting to ₱9,638,944, as disclosed in Note 26. Out of the total selling price, ₱22,500,000 was paid in cash and the remaining will be paid in instalment.

The Bank has carried out a review of the recoverable amounts of its investment properties and determined that there is indication that an impairment loss has occurred on some its investment properties. The aggregate fair values of land and building classified under investment properties amounting to ₱310,131,633 and ₱288,619,697 as at December 31, 2025 and 2024, as disclosed in Note 34.02. These values were determined based on valuations conducted by both internal and external appraisers.

15. OTHER ASSETS – net

This account is comprised of the following:

	Note	2025	2024
Prepaid expenses		₱ **2,087,550**	₱ 2,698,540
Miscellaneous	*39*	**2,701,063**	2,352,107
		₱ **4,788,613**	₱ 5,050,647

Prepaid expenses comprise of prepayments for insurance, health care, uniforms and prepayments for real property taxes.

Miscellaneous include advance deposits, stationaries and supplies. Advance deposits include refundable deposits for the lease of various branches of the Bank from several parties.

16. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Changes in the allowance for credit and impairment losses are summarized as follows:

	Notes	Loans and receivables	Investment properties	Total
Balances, January 1, 2025		₱ **30,320,986**	₱ **761,011**	₱ **31,081,997**
Additions	*10*	**1,504,370**	-	**1,504,370**
Write-off	*10*	**(199,449)**	-	**(199,449)**
Adjustments	*10,14*	**(277,927)**	-	**(277,927)**
Reversal	*10*	**(23,602)**	-	**(23,602)**
Balances, December 31, 2025		₱ **31,324,378**	₱ **761,011**	₱ **32,085,389**

	Note	Loans and receivables	Investment properties	Total
Balances, January 1, 2024		₱ 30,757,055	₱ 816,056	₱ 31,573,111
Additions	*10*	1,882,560	-	1,882,560
Write-off	*10*	(1,304,240)	-	(1,304,240)
Adjustments	*10,14*	(930,448)	(55,045)	(985,493)
Reversal	*10*	(83,941)	-	(83,941)
Balances, December 31, 2024		₱ 30,320,986	₱ 761,011	₱ 31,081,997

17. DEPOSIT LIABILITIES

The components of deposit liabilities are as follows:

		2025		2024
Savings	₱	**792,051,364**	₱	801,293,589
Time		**391,355,075**		301,545,159
Demand		**131,382,138**		144,062,654
	₱	**1,314,788,577**	₱	1,246,901,402

Annual interest rates range from 0.025% to 4.5% and 0.06% to 4.50% in 2025 and 2024, respectively. Interest expense on deposit liabilities amounted to ₱7,759,197 and ₱6,404,406 in 2025 and 2024, respectively. Accrued interest expense amounted to ₱361,655 and ₱374,689 as at December 31, 2025 and 2024, respectively, as disclosed in Note 20.

Under BSP regulations, demand deposits, savings deposits and time deposits of the Bank are subject to statutory reserve, as disclosed in Note 7, equivalent to 0% in 2025 and 2024. As at December 31, 2025 and 2024, the Bank is in compliance with such regulations.

18. BILLS PAYABLE

Bills payable includes funds borrowed from Land Bank of the Philippines (LBP).

The movements in bills payable are as follows:

		2025		2024
Balance at the beginning of the year	₱	**10,600,000**	₱	-
Proceeds		**64,000,000**		10,600,000
Repayments		**(10,600,000)**		-
Balance at the end of the year	₱	**64,000,000**	₱	10,600,000

The Bank's bills payable represents short-term borrowings from LBP to finance working capital requirements and maintain desired liquidity position. The effective interest of bills payable for years ended December 31, 2025 and 2024 was 7.50%.

Interest expense from bills payable for the years ended December 31, 2025 and 2024 amounted to ₱1,665,491 and ₱102,688, respectively.

19. LEASE LIABILITIES

The Bank, as a lessee, entered into various leasing arrangements as disclosed in Note 29. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2025	2024	**2025**	2024
Not later than one (1) year	₱ **3,493,474**	₱ 3,349,975	₱ **1,530,717**	₱ 1,289,230
Later than one (1) year but not later than five (5) years	**17,662,201**	13,914,882	**9,710,725**	6,784,088
Later than five (5) years	**22,370,244**	29,611,036	**17,332,306**	21,789,661
	₱ **43,525,919**	₱ 46,875,893	₱ **28,573,748**	₱ 29,862,979
Discount	**(14,952,171)**	(17,012,914)	**-**	-
Present value of minimum lease payments	**28,573,748**	29,862,979	**28,573,748**	29,862,978
Less: Current lease liabilities	**(1,530,717)**	(1,289,230)	**(1,530,717)**	(1,289,230)
Non-current lease liabilities	₱ **27,043,031**	₱ 28,573,749	₱ **27,043,031**	₱ 28,573,749

Movements in the account are as follows:

	Note	2025	2024
Balance, January 1		₱ **29,862,978**	₱ 12,619,301
Additions		**-**	3,933,202
Finance cost incurred		**2,060,745**	1,129,206
Finance cost paid		**(2,060,745)**	(1,129,206)
Payments to lease liabilities		**(1,289,231)**	(1,257,611)
Adjustments	*39*	**-**	14,568,086
Balance, December 31		₱ **28,573,748**	₱ 29,862,978

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The effective interest rate contracted approximates 7% and 5.97% in 2025 and 2024, respectively.

The Bank is compliant with the terms and conditions of the lease contracts.

20. OTHER LIABILITIES

This account consists of:

	Note		2025		2024
Accounts payable		₱	**20,935,630**	₱	22,218,151
Accrued liabilities			**4,144,207**		4,051,320
Withholding taxes payable			**373,792**		325,296
Accrued interest expense	*17*		**361,655**		374,689
SSS, Medicare and employee premium			**156,904**		141,243
Miscellaneous			**2,810,168**		2,005,014
		₱	**28,782,356**	₱	29,115,713

Accounts payable include insurance payables and payables for real and other properties redemption.

Miscellaneous include overages and payable to Bayad Center. These are payments of customers for the bills using Bayad Center which will be remitted by the Bank to Bayad Center's account.

21. RELATED PARTY TRANSACTIONS

Nature of relationship of the Bank and its related parties are disclosed below:

Related Parties	Nature of Relationship
Stockholders	Directors, Officers, Stockholders and Related Interests
Directors	Directors, Officers, Stockholders and Related Interests
Officers	Directors, Officers, Stockholders and Related Interests

21.01 Loans to Directors, Officers, Stockholders and Related Interests

In the ordinary course of business, the Bank entered into loan and other transactions with its certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risk. Under current banking regulations, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of investments in the Bank. On the aggregate, loans to DOSRI should not exceed the Bank's total capital funds or 15% of the Bank's total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risks as defined in the regulations.

The movements of loans receivable from related parties are as follows:

		2025		2024
Balance, January 1	₱	**155,910**	₱	1,177,832
Loan issuances		**1,000,000**		126,005
Collections		**(86,662)**		(1,147,927)
	₱	**1,069,248**	₱	155,910

Interest income related to these loans in 2025 and 2024 are included as part of interest income presented in statement of comprehensive income. These loan receivables are interest-bearing with fixed interest rates of 8.00% to 10.00% payable in 120 days to 20 years.

Outstanding DOSRI loans pertain to loans receivables from various stockholders and officers.

The Bank has no unsecured, past due and non-accruing DOSRI loans as at December 31, 2025 and 2024. The DOSRI loans have been reviewed for impairment. No impairment loss was recognized on these loans in 2025 and 2024.

Section 342 of the MORB, provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such Bank as representative of the bank/quasi-bank. As at December 31, 2025 and 2024, the Bank is in compliance with these requirements.

21.02 Deposit Liabilities

Certain related parties have deposits with the Bank amounting to ₱28,645,730 and ₱61,966,030 as at December 31, 2025 and 2024, respectively. These are related to related parties with outstanding loan balances with the Bank, as discussed on Note 21.01. Interest expense from these deposit liabilities of related parties in 2025 and 2024 are included as part of the interest expense presented in the statement of comprehensive income.

21.03 Rentals

Certain branches of the Bank were leased from the Bank's stockholders which amounted to ₱3,943,702 and ₱3,060,411 in 2025 and 2024, respectively, as disclosed in Note 29.01.02.

21.04 Renumeration of Key Management Personnel

Key management personnel are those personnel of the Bank having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

The Bank provided remuneration to its key management personnel as part of short-term benefits, amounting to ₱3,718,700 and ₱5,929,042 in 2025 and 2024, respectively. The Bank also provided remuneration to director's amounting to ₱1,552,631 and ₱1,248,947 in 2025 and 2024, respectively, as disclosed in Note 28.

21.05 Revenue Regulation No. 34-2020

The Bank is not covered by the requirements and procedures for related transactions provided in RR No. 34-2020.

22. ISSUED CAPITAL

The issued capital of the Bank is as follows:

		2025		2024
Common stock	₱	**116,132,700**	₱	116,132,700
Preferred stock		**19,996,800**		19,996,800
	₱	**136,129,500**	₱	136,129,500

22.01 Common Stock

Shown below are the details of common stock:

	2025			2024		
	Shares		**Amount**	Shares		Amount
Authorized ₱100 par value per share	**1,300,000**	**₱**	**130,000,000**	1,300,000	₱	130,000,000
Issued and fully paid	**1,161,327**	**₱**	**116,132,700**	1,161,327	₱	116,132,700

Ordinary shares carry one (1) vote per share and a right to dividends.

22.02 Preferred Stock

Shown below are the details of preferred stock:

	2025			2024		
	Shares		**Amount**	Shares		Amount
Authorized ₱100 par value per share	**200,000**	**₱**	**20,000,000**	200,000	₱	20,000,000
Issued and fully paid	**199,968**	**₱**	**19,996,800**	199,968	₱	19,996,800

Preferred shares of the Bank are non-voting, non-cumulative, non-participating and redeemable at the option of the issuer.

23. SURPLUS RESERVES

Surplus reserves composed of the following:

		2025		2024
Appraisal increment	**₱**	**21,493,367**	₱	21,493,367
Regulatory		**2,004,149**		2,004,149
	₱	**23,497,516**	₱	23,497,516

23.01 Appraisal Increment Reserves

As at December 31, 2025 and 2024, the appraisal increment arises from the revaluation of land at revalued amount with carrying amount of ₱40,192,457 and ₱32,192,457, respectively. Had the land be measured on historical basis, the carrying amount would have been ₱18,699,090, as disclosed in Note 12. When the revalued land is sold, the portion of the appraisal increment that relates that asset, as is effectively realized, is transferred directly to retained earnings. The appraisal increment arising from the revalued land as at December 31, 2025 and 2024 amounted to ₱21,493,367, as disclosed in Note 12.

23.02 Regulatory Reserves

Pursuant to the requirements of the BSP under Circular No. 1011, the Bank shall recognize general loan loss provisions equivalent to one percent of all outstanding loans as at the end of the reporting period, except for the accounts considered as credit risk-free under the existing BSP regulations. In cases when the computed ECL on those exposures is less than the one percent general loan loss provisions required, the deficiency is recognized through appropriation from the Bank's available surplus. Regulatory reserve as at December 31, 2025 and 2024 amounted to ₱2,004,149.

24. REVALUATION RESERVES

Surplus reserves composed of the following:

	Notes		2025		2024
Net unrealized fair value gains on FA at FVOCI	11	₱	**54,975,000**	₱	58,725,000
Net remeasurement on retirement benefit obligation	28		**(24,530,339)**		(15,777,641)
		₱	**30,444,661**	₱	42,947,359

25. DIVIDENDS DECLARED

On January 6, 2025, the Board of Directors (BOD) approved the declaration of cash dividends of 9% per share for both common stock and preferred stock with a total dividend amounting to ₱12,251,655, to be distributed to stockholders of record as at December 31, 2024 in proportion to their stockholdings.

Additionally, on May 14, 2025, the BOD further approved the declaration of cash dividends of 9% for both common stock and preferred stock with a total dividend amounting to ₱12,251,655, likewise to be distributed to stockholders of record as at December 31, 2024 in proportion to their stockholdings.

On January 9, 2024, the BOD authorized the distribution of cash dividends equivalent to 10% for both common and preferred stocks, amounting to ₱13,612,950. The dividends were payable to stockholders on record as of December 31, 2023, based on their respective shareholdings.

On May 14, 2024, the BOD approved an additional cash dividend of 6% for both common and preferred stocks, totalling ₱8,167,770. The dividend was likewise payable to stockholders on record as of December 31, 2023, based on their respective shareholdings.

Cash dividend declaration amounted to ₱24,503,310 and ₱21,780,720 while dividend payments to stockholders amounted to ₱22,052,979 and ₱19,602,648, net of final tax of ₱2,450,331 and ₱2,178,072, in 2025 and 2024, respectively.

26. OTHER INCOME

Components of other income are as follows:

	Notes		2025		2024
Service charges		₱	**8,083,254**	₱	9,009,891
Gain on sale of investment properties	14		**7,848,129**		9,638,944
Rental	12,29		**1,661,195**		1,419,581
Grant from ADB			**-**		5,405,806
Gain on write-off of ROU assets and liability			**-**		151,941
Miscellaneous			**9,202,166**		9,184,860
		₱	**26,794,744**	₱	34,811,023

During 2024, the Bank received financial assistance from Asian Development Bank (ADB) amounting to ₱5,405,806. The financial assistance was intended to provide opportunities for financial institutions, starting with rural banks, to incorporate fintech solutions as a tool for greater financial inclusion of underserved and unbanked groups in the Philippines (the "FIT Program"). Pursuant to Article IX, Section 34(a) of the Agreement between the Asian Development Bank and the Government of the Republic of the Philippines regarding the Headquarters of the Asian Development Bank ("PH-ADB Agreement"), signed on December 22, 1966, ADB, including its property, operations, and transactions, is exempt from all forms of taxation, whether direct or indirect, national or local, as well as from any obligation to pay, withhold, or collect any tax.

Miscellaneous income composed of penalties and commissions from payments of life insurance. Gain on sale of bank premises, furniture, fixture and equipment amounted to ₱742,788 and nil in 2025 and 2024, respectively.

Details of Gain on write-off of ROU assets and liability are as follows:

	Notes		2025		2024
Gain on write-off of ROU assets	*14*	₱	**-**	₱	297,725
Loss on write-off of lease liability	*19*		**-**		(145,784)
		₱	**-**	₱	151,941

27. OPERATING EXPENSES

The account is composed of the following operating expenses:

	Notes		2025		2024
Employee benefits	*28*	₱	**39,466,835**	₱	38,434,664
Depreciation and amortization	*30*		**10,367,372**		8,430,391
Outside services			**4,026,286**		3,881,725
Rental	*29*		**3,943,702**		5,687,887
Insurance			**3,591,996**		3,474,521
Utilities			**3,507,118**		3,308,307
Information technology			**2,705,781**		4,220,910
Acquired asset expense	*12*		**2,419,014**		2,442,813
Repairs and maintenance			**2,260,773**		2,010,477
Professional fees			**1,837,417**		1,842,408
Taxes and licenses			**1,791,973**		1,818,663
Transportation and travel			**1,601,333**		1,870,345
Fuel and lubricants			**1,291,399**		1,513,938
Representation and entertainment			**1,135,346**		1,003,500
Supplies			**1,054,882**		1,548,104
Advertising and promotions			**467,795**		493,233
Membership and dues			**322,730**		563,524
Supervision and fees			**274,791**		248,134
Donations and charitable contributions			**263,876**		583,655
Fees and commission			**225,314**		185,877
Loss on disposal of asset			**7,211**		-
Miscellaneous			**361,778**		416,112
		₱	**82,924,722**	₱	83,979,188

Information technology pertains to software licenses, hardware acquisitions, and IT service subscriptions. The account significantly increased during the year primarily due to acquisition of new core banking system, upgrades to existing infrastructure, and implementation of new software.

Miscellaneous operating expense pertains to bank charges, security services and seminars.

28. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised:

		2025		2024
Short-term benefits	₱	**37,978,479**	₱	37,134,664
Retirement benefits		**1,488,356**		1,300,000
	₱	**39,466,835**	₱	38,434,664

28.01 Short-term Benefits

Breakdown of compensation and benefits are as follows:

		2025		2024
Salaries and wages	₱	**23,008,296**	₱	21,663,725
Fringe benefits		**8,995,832**		10,373,442
SSS, Medicare and other contributions		**3,111,457**		2,522,790
Director's fee		**1,552,631**		1,248,947
Medical, dental and hospitalization		**1,310,263**		1,325,760
	₱	**37,978,479**	₱	37,134,664

28.02 Retirement Benefits

The Bank has a single retirement plan under the regulatory framework of the Philippines. Under R.A. No. 7641, the Bank is legally obliged to provide a minimum retirement pay for qualified employees upon retirement. The framework, however, does not have a minimum funding requirement. The Bank's benefit plan is aligned with this framework.

The Bank has defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits equal to thirty (30) days pay per year of service on attainment of a normal retirement age of sixty (60). The payments for the unfunded benefits are borne by the Bank as it falls due. Plan assets held by trustee are governed by a trust agreement between the latter and the Bank.

The plan shall be administered by a trustee appointed by the Bank who shall be responsible for the general administration of the plan. The trustee may create a Retirement Committee or seek the advice of a counsel and may appoint an investment manager or managers to manage the fund, an independent accountant to audit the fund and an actuary to value the fund.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on December 24, 2025 by Actuarial Exponents, Inc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the PUCM.

In both years, there was no plan amendment and curtailment in the Bank's retirement plan.

The Bank is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Bank's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Bank to the Retirement Fund.

The principal assumptions used for purposes of the actuarial valuation were as follows:

	2025	2024
Discount rate	**4.00%**	4.00%
Salary increase rate	**5.00%**	5.00%

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

		2025		2024
Current service cost	₱	**1,418,883**	₱	767,389
Interest on:				
Defined benefit obligation		**994,193**		967,924
Fair value of plan assets		**(924,720)**		(435,313)
	₱	**1,488,356**	₱	1,300,000

The amounts included in the statement of financial condition arising from the Bank's obligation in respect of its defined benefit plans are as follows:

		2025		2024
Present value of defined benefit obligation	₱	**33,925,121**	₱	24,854,822
Less: Fair value of plan assets		**19,201,503**		16,500,658
	₱	**14,723,618**	₱	8,354,164

To conform with the provisions of PAS 19-R that the amount recognized as defined benefit obligation shall be net of the fair value of plan asset at the reporting dates.

Movements in the present value of the defined benefit obligation in the current period are as follows:

		2025		2024
Balance, January 1	₱	**24,854,822**	₱	24,198,092
Current service cost		**1,418,883**		767,389
Interest cost		**994,193**		967,924
Benefits paid from working capital		**(2,721,600)**		(1,078,583)
Benefits paid from plan assets		**-**		-
Remeasurement loss		**9,378,823**		-
	₱	**33,925,121**	₱	24,854,822

Movements in the remeasurement losses on retirement liabilities, net of deferred taxes, recognized in other comprehensive income (OCI):

		2025		2024
Cumulative loss in OCI, January 1	₱	**15,777,641**	₱	15,825,314
Remeasurement loss		**8,752,698**		(63,563)
Deferred tax		**-**		15,890
	₱	**24,530,339**	₱	15,777,641

Movements in the fair value of plan assets are as follows:

		2025		2024
Fair value of plan assets, January 1	₱	**16,500,658**	₱	10,882,827
Interest income		**924,720**		435,313
Remeasurement loss		**626,125**		-
Benefits paid through plan assets		**-**		-
Contribution		**1,150,000**		5,182,518
	₱	**19,201,503**	₱	16,500,658

Summary of movements in the net defined benefit liability:

		2025		2024
Balance, January 1	₱	**8,354,164**	₱	13,315,265
Remeasurement loss		**8,752,698**		-
Benefits paid from working capital		**(2,721,600)**		(1,078,583)
Retirement expense		**1,488,356**		1,300,000
Contribution to plan asset		**(1,150,000)**		(5,182,518)
	₱	**14,723,618**	₱	8,354,164

Funding Arrangements
The Bank is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Bank's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Bank to the Retirement Fund.

The Bank is exposed to a number of risks through its defined benefit plan. The most significant risks are detailed below:

Asset-Liability Matching Strategies to Manage Risks
The Bank ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the benefit schemes. Within this framework, the Bank's ALM objective is to match assets to the retirement obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Bank actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. The group has not changed the processes used to manage its risks from previous periods. The Bank does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in the current year consists of debt instrument. The group believes that debt instrument offers the best returns over the long term with an acceptable level of risk.

Volatility Risk
The plan liabilities are calculated using a discount rate based on the Bankers Association of the Philippines (BAP), PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) as at the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

As the plans mature, the Bank intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The assets are composed of debt instruments, domestic equities and cash equivalents. The government bonds represent investments in Philippine government securities only.

However, the Bank believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long-term strategy to manage the plans efficiently.

Investment Risk
Investment risk is the risk that investments on plan assets will result to a lower return than originally expected. This risk emanates on the premise that funded defined benefit plans should be arranged on the basis of Asset-Liabilities Matching principle.

Thus, plan assets and future contributions are invested in such a way that it will generate return to cover-up future payments of defined benefit obligations and interest costs. These plan activities expose the Bank to sensitivity in investment risks that would result to lower plan assets and higher defined benefit obligations should the performance of the investment portfolio falls below the inflation rate, interest rates and other economic conditions.

Investment risk is mitigated through proper investment planning and concentration of investments. Plan assets as at December 31, 2025 and 2024 are concentrated primarily in government securities, which account for 97.61% and 64% of the total plan assets, respectively.

29. LEASE AGREEMENTS

29.01 The Bank as a Lessee

The Bank has the following leases. Except for short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use assets and lease liabilities.

29.01.01 Lease payments not recognized as a liability
Right-of-use assets, as disclosed in Note 13, are detailed as follows:

		2025		2024
City Government of Pasig – Pasig Branch	₱	**15,325,689**	₱	16,460,925
Goldiland Incorporated – Rosario Branch		**5,024,522**		5,778,201
Mr. and Ms. Ely Macaya – Antipolo Branch		**4,338,622**		4,672,362
Pasig Retail Rotunda Corp. – Pasig Blu Branch		**1,002,980**		1,448,749
	₱	**25,691,813**	₱	28,360,237

Lease liabilities, as disclosed in Note 16, are detailed as follows:

		2025		2024
City Government of Pasig – Pasig Branch	₱	**16,638,195**	₱	16,846,498
Goldiland Incorporated – Rosario Branch		**6,069,233**		6,580,235
Spouses Ely and Florida Macaya – Antipolo Branch		**4,695,422**		4,841,159
Pasig Retail Rotunda Corp. – Pasig Blu Branch		**1,170,898**		1,595,087
	₱	**28,573,748**	₱	29,862,979

City Government of Pasig
In July 2024, the Bank entered into a renewal lease agreement with the City of Pasig for the lease of a commercial building located in front of the Public Market of Pasig City. This agreement serves as a renewal of the previous lease entered into in January 2021. The renewed lease commenced in July 2024 with a required monthly rental payment of ₱113,139, exclusive of taxes. An automatic annual escalation rate of 5% shall be applied to the monthly rental payment.

Pasig Rotunda Retail Corporation
In 2023, the Bank entered into a lease agreement with Pasig Rotunda Retail Corporation for the lease of commercial building known as Pasig Rotunda Building located at Pasig Boulevard Extension, C. Raymundo Avenue, Caniogan, Pasig City. The lease term is five (5) year commencing on April 1, 2023 to March 31, 2028 with monthly rental of ₱42,079, exclusive of VAT and withholding tax. An escalation rate of 5% shall be applied every year. The lease agreement may be renewed by giving the lessor a written notice of its intent to renew within 60 days prior to the expiry date of the lease term.

The Bank shall pay an advance rental equivalent to three (3) months amounting to P126,237 and shall be applied on the first three (3) months. Security deposit equivalent to three months rent shall also be paid to the lessor. The security deposit shall be returned to the Bank within 60 days after completing the lease period, provided that the bank has settled all the obligations with the lessor.

Spouses Ely Macaya and Florida C. Macaya
In 2024, the Bank entered into a lease agreement with spouses Ely Macaya and Florida C. Macaya for the lease of two (2) ground floor apartment doors with Mezzanine for commercial purposes. The lease term is ten (10) years starting from January 1, 2024 to December 31, 2034 with monthly rental of ₱40,000, net of withholding tax.

Goldiland Incorporated
In September 2022, the Bank entered into a lease agreement with Goldiland Incorporated. The lease is for a period of ten (10) years commencing upon the acquisition of the occupancy permit. The monthly rental is ₱73,121 for the first two (2) years, exclusive of VAT, with 5% annual escalation rate applied thereafter. The Bank paid a security deposit amounting to ₱149,226, which shall be refunded within sixty (60) days after the termination of the contract.

29.01.02 Lease payments not recognized as a liability
The Bank has elected not to recognize lease liabilities for short term leases (leases of expected term of twelve (12) months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liabilities is as follows:

Rent expense, as disclosed in Note 27, are detailed as follows:

		2025		2024
Related parties	₱	**3,943,702**	₱	3,060,411
Third parties		**-**		2,627,476
	₱	**3,943,702**	₱	5,687,887

29.02 The Bank as a Lessor

Operating leases relate to bank premises with average lease term of one (1) year. The property rental income earned, by the Bank from its properties, all of which is leased out under operating leases, amounted to ₱1,661,195 and ₱1,419,581 for the years ended 2025 and 2024 respectively, as disclosed in Notes 12 and 26.

30. DEPRECIATION AND AMORTIZATION

Breakdown of depreciation and amortization, as disclosed in Note 27, is as follow:

	Notes		2025		2024
Bank premises, furniture, fixtures and equipment	*12*	₱	**7,124,435**	₱	6,480,849
Right-of-use assets	*13*		**2,668,424**		1,668,308
Investment properties	*14*		**574,513**		281,234
		₱	**10,367,372**	₱	8,430,391

31. INCOME TAXES

Income Tax Recognized in Profit

Components of income tax expense are as follows:

		2025		2024
Current tax expense	₱	**(5,626,113)**	₱	(7,513,266)
Final tax expense at 20%		**(2,426,491)**		(3,037,085)
Deferred tax expense		**1,043,117**		628,668
	₱	**(7,009,487)**	₱	(9,921,683)

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

		2025		2024
Accounting profit	₱	**34,562,999**	₱	42,034,391
Tax expense at 25%	₱	**(8,640,751)**	₱	(10,508,598)
Adjustment for income subject to lower tax rates		**-**		(472,505)
Tax effects of the following:				
Gain on sale of investment subject to CGT		**1,962,032**		-
Non-deductible interest expense		**(457,175)**		(641,144)
Non-taxable income – interest income from loans to HCG		**270,200**		318,641
Interest income subjected from 20% final tax		**(140,618)**		-
Non-deductible fines and penalties expense		**(3,175)**		(7,513)
Non-taxable income (Article IX, Section 34)		**-**		1,351,451
Non-taxable gain on write-off of ROU assets and lease liability		**-**		37,985
	₱	**(7,009,487)**	₱	(9,921,683)

Total Income Tax Payable

The details of income tax payable during the year are as follows:

		2025
Income tax due	₱	**5,626,112**
Less: Tax credit		
Prior years	₱	-
Tax payments from previous quarter		345,990
Tax payments from previous quarter under MCIT		-
Creditable withholding tax 1st to 3rd quarter		-
Creditable withholding tax 4th quarter		-
Total tax credit	₱	345,990
Total amount payable	₱	**5,280,122**

32. DEFERRED TAXES – net

Below is the offsetting of deferred tax assets and deferred tax liabilities:

	2025	2024
Deferred tax assets	₱ **12,636,524**	₱ 11,593,406
Deferred tax liabilities	**(18,325,000)**	(19,575,000)
	₱ **(5,688,476)**	₱ (7,981,594)

32.01 Deferred Tax Assets (DTA)

The component of the Bank's deferred tax assets with respective movement are as follows:

	Effects of PFRS 16	**Allowance for Expected Credit Losses**	**Retirement Benefit Obligation** - net	**Total**
Balance at January 1, 2024	₱ 292,816	₱ 7,386,011	₱ 3,328,816	₱ 11,007,643
Recognized in profit or loss	102,674	470,640	55,354	628,668
Recognized in other comprehensive income	-	-	(15,890)	(15,890)
Adjustment	-	(27,015)	-	(27,015)
Balance at December 31, 2024	₱ 395,490	₱ 7,829,636	₱ 3,368,280	₱ 11,593,406
Recognized in profit or loss	344,798	376,093	372,089	1,092,980
Write-offs	-	(49,862)	-	(49,862)
Balance at December 31, 2025	₱ **740,288**	₱ **8,155,867**	₱ **3,740,369**	₱ **12,636,524**

32.02 Deferred Tax Liability (DTL)

Deferred tax liabilities arise from unrealized fair value gains on financial assets at FVOCI. In 2025 and 2024, deferred tax recognized in other comprehensive income amounted to ₱1,250,000 and ₱2,500,000, respectively, as disclosed in Note 11. As at December 31, 2025 and 2024, deferred tax liability amounted to ₱18,325,000 and ₱19,575,000, respectively.

33. MATURITY PROFILE OF ASSETS AND LIABILITIES

The following tables present the assets and liabilities by contractual maturity and settlement dates as at December 31, 2025 and 2024:

	2025		
	Due Within One (1) Year	Due Beyond One (1) Year	Total
Financial Assets:			
Cash and other cash items	₱ 32,272,229	₱ -	₱ 32,272,229
Due from BSP	14,018,751	-	14,018,751
Due from other banks	172,503,944	-	172,503,944
Other financial assets at amortized cost	136,990,024	157,582,949	294,572,973
Loans and other receivables – net	19,956,693	803,705,517	823,662,210
Financial assets at FVOCI	-	80,000,000	80,000,000
	₱ 375,741,641	₱ 1,041,288,466	₱ 1,417,030,107
Non-financial Assets:			
Bank premises, furniture, fixtures and equipment – net	₱ -	₱ 73,743,692	₱ 73,743,692
Right-of-use assets – net	-	25,691,813	25,691,813
Investment properties – net	-	176,465,407	176,465,407
Other assets	4,788,613	-	4,788,613
	₱ 4,788,613	₱ 275,900,912	₱ 280,689,525
Total Assets	₱ 380,530,254	₱ 1,317,189,378	₱ 1,697,719,632
Financial Liabilities:			
Deposit Liabilities	₱ 1,245,679,284	₱ 69,271,293	₱ 1,314,950,577
Bills payable	64,000,000	-	64,000,000
Lease liabilities	1,530,717	27,043,031	28,573,748
Other liabilities	28,251,660	-	28,251,660
	₱ 1,339,461,661	₱ 96,314,324	₱ 1,435,775,985
Non-financial Liabilities:			
Income tax payable	₱ 5,280,122	₱ -	₱ 5,280,122
Retirement liabilities – net	-	14,723,618	14,723,618
Deferred taxes – net	-	5,688,476	5,688,476
Other liabilities	530,696	-	530,696
	₱ 5,810,818	₱ 20,412,094	₱ 26,222,912
Total Liabilities	₱ 1,345,272,479	₱ 116,726,418	₱ 1,461,998,897

	2024		
	Due Within One (1) Year	Due Beyond One (1) Year	Total
Financial Assets:			
Cash and other cash items	₱ 22,284,183	₱ -	₱ 22,284,183
Due from BSP	1,451,837	-	1,451,837
Due from other banks	134,761,225	-	134,761,225
Other financial assets at amortized cost	136,990,024	146,423,816	283,413,840
Loans and other receivables – net	15,374,094	774,055,583	789,429,677
Financial assets at FVOCI	-	85,000,000	85,000,000
	₱ 310,861,363	₱ 1,005,479,399	₱ 1,316,340,762
Non-financial Assets:			
Bank premises, furniture, fixtures and equipment – net	₱ -	₱ 64,906,412	₱ 64,906,412
Right-of-use assets – net	-	28,360,237	28,360,237
Investment properties – net	-	170,195,604	170,195,604
Other assets	5,050,647	-	5,050,647
	₱ 5,050,647	₱ 263,462,253	₱ 268,512,900
Total Assets	₱ 315,912,010	₱ 1,268,941,652	₱ 1,584,853,662
Financial Liabilities:			
Deposit Liabilities	₱ 1,175,129,617	₱ 71,771,785	₱ 1,246,901,402
Bills payable	10,600,000	-	10,600,000
Lease liabilities	1,289,230	28,573,749	29,862,979
Other liabilities	28,649,174	-	28,649,174
	₱ 1,215,668,021	₱ 100,345,534	₱ 1,316,013,555
Non-financial Liabilities:			
Income tax payable	₱ 6,624,339	₱ -	₱ 6,624,339
Retirement liabilities – net	-	8,354,164	8,354,164
Deferred taxes – net	-	7,981,594	7,981,594
Other liabilities	466,539	-	466,539
	₱ 7,090,878	₱ 16,335,758	₱ 23,426,636
Total Liabilities	₱ 1,222,758,899	₱ 116,681,292	₱ 1,339,440,191

34. FAIR VALUE MEASUREMENTS

34.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Bank's financial assets and finance liabilities as at December 31, 2025 and 2024 are presented below:

		2025			2024		
		Carrying Amount	**Fair Values**		Carrying Amounts		Fair Values
Financial Assets:							
Cash and other cash items	₱	**32,272,229**	**32,272,229**	₱	22,284,183	₱	22,284,183
Due from BSP		**14,018,751**	**14,018,751**		1,451,837		1,451,837
Due from other banks		**172,503,944**	**172,503,944**		134,761,225		134,761,225
Other financial assets at amortized cost		**294,572,973**	**294,572,973**		283,413,840		283,413,840
Loans and other receivables – net		**823,740,450**	**823,740,450**		789,429,677		789,429,677
Financial assets at FVOCI		**80,000,000**	**80,000,000**		85,000,000		85,000,000
	₱	**1,417,108,347**	**1,417,108,347**	₱	1,316,340,762	₱	1,316,340,762
Financial Liabilities:							
Deposit liabilities	₱	**1,314,788,577**	**1,314,788,577**	₱	1,246,901,402	₱	1,246,901,402
Bills payable		**64,000,000**	**64,000,000**		10,600,000		10,600,000
Lease liabilities		**28,573,748**	**28,573,748**		29,862,979		29,862,979
Other liabilities		**28,251,660**	**28,251,660**		28,649,174		28,649,174
	₱	**1,435,613,985**	**1,435,613,985**	₱	1,316,013,555	₱	1,316,013,555

The following methods and assumptions used by the Bank in estimating the fair value of financial instruments are:

- Due to either short-term or demand feature of financial assets and financial liabilities other than the loans and other receivables, financial assets at FVOCI and deposit liabilities, Management believes that carrying values approximate the fair values.
- Financial assets at FVOCI is an equity security measured based on the latest club share quotes from the leading and largest broker of proprietary golf club shares in the Country.
- Loans and other receivables – fair values of the Bank's loans and other receivables are estimated using the effective interest method less any allowance for impairment and principal repayment or reduction and using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate their fair values.
- Due to demand nature of deposits liabilities, Management believes that the carrying amounts approximate their fair values.
- Management believes that the carrying amount of lease liabilities approximates its fair value since this was discounted using the Bank's incremental borrowing rate at the date of initial application.

34.02 Fair Value Determinations of Assets

The following provides an analysis of assets and liabilities that are measured at fair value on a non-recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which inputs to valuation techniques are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within the 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.

34.02.01 Fair Value Hierarchy
Shown below are the fair values of assets:

Recurring Fair Value Measurements

		Level 1		Level 2		Level 3		Total
2025								
Land	₱	-	₱	-	₱	**40,192,457**	₱	**40,192,457**
2024								
Land	₱	-	₱	-	₱	32,192,457	₱	32,192,457

Fair Value Disclosure

		Level 1		Level 2		Level 3		Total
2025								
Investment properties	₱	-	₱	-	₱	**310,131,633**	₱	**310,131,633**
2024								
Investment properties	₱	-	₱	-	₱	288,619,697	₱	288,619,697

34.02.02 Valuation Technique used to Derive Level 3 Fair Value
Land

The fair values are carried out with reference to Philippine Valuation Standards. Sales comparison approach is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

Investment Properties

The fair value was derived using the market comparison approach. Market comparison approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets. Under market comparison approach, the most significant input into this valuation is the price per square meter.

34.02.03 Highest and Best Use
The Bank's non-financial assets are composed of land and building under 'bank premises, furniture, fixtures and equipment' and 'investment properties' being idle and held for capital appreciation and land and building held for use in the production or supply of goods or services, or for administrative purposes. However, as at December 31, 2025 and 2024, the Bank assessed the highest and best use of the foregoing assets from the perspective of market participants. The land and building could be sold. On the other hand, land and building under 'investment properties' are held to be sold in the future. Management is currently assessing probable options by which it can derive best benefits from the property.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.01 Risk Management System

All financial institutions assume some amount of risk as part of normal operations. It is the policy of the Bank to manage and control the amount of risk it assumes. The primary objectives of the Bank's asset/liability management process include consistent earnings-to-growth plan and Net Worth to Assets within acceptable and controllable levels of the following main risks:

- Interest Rate Risk (IRR) – is identified on mismatches on maturities. It measures interest rate risk by identifying gaps between repricing dates of assets and liabilities.
- Liquidity Risk – current and prospective risk to earnings or capital arising from Bank's inability to meet its obligations when they come due without incurring unacceptable losses.
- Credit Risk – involves the possible financial losses of the Bank resulting from default of its borrowers or from the depreciation in value of the assets acquired by the Bank in settlement of loans.

Other risks are measured from time to time. Their importance is also a key to the Bank's continued successful operations. The Management reviews these risks at least annually, and more often as conditions may warrant.

- Market risk – risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements.
- Operations Risk – arises from the failure and inefficiency of the Bank's internal policies, system failure and human error that result in unexpected loss to the Bank, inadequacy in management reporting system, weakness in organization set up and poor management oversight.
- Legal risk – the potential loss due to non-existent, incomplete, incorrect and unenforceable documentation that the Bank use to protect and enforces right under the law on obligations and contracts.
- Compliance Risk – the risk to earnings or capital arising from violations of, or non-conformity with laws, rules, regulations, prescribed practices, internal policies, and procedures.
- Reputation Risk – occurs when the Bank is seen or perceived to be poorly prepared to deal with its operational difficulties or when it seems to lack the ability to operate normally and efficiently during crises.

Technology Risk – arises from the inefficiency and insufficiency of the Bank's electronic or computerized systems and its existing technology in use to process its transactions.

35.02 Liquidity and Funds Management

35.02.01 Liquidity

Liquidity is measured in terms of having sufficient funds available at all times, to meet fully and promptly, the legitimate demands for money made on the bank arising from deposit withdrawal, presentation of cheques, maturing investments, draws under committed loan facilities, and other financial commitments. The Bank needs to assure depositors that they can withdraw their funds when desired, borrowers of the availability of funds to meet legitimate demands for credit expansion, and employees of the Bank stability and longevity. It must be remembered however that too much liquidity will have a negative impact on profitability, while too little liquidity will increase the risk of insolvency. The Bank is deemed to have adequate liquidity when it can obtain sufficient cash promptly and at a reasonable rate (cost). The determination of the adequacy of the Bank's liquidity position depends upon an analysis of the Bank's position relative to the following factors: (i) historical funding requirements; (ii) current liquidity position; (iii) anticipated future funding needs; (iv) present and anticipated asset quality; (v) present and future earnings capacity; and (vi) sources of funds.

35.02.02 Funding

Forecasting future events is essential to adequate liquidity planning. Sound financial management can help buffer negative changes in the Bank's economic climate and accentuate positive ones. Forecasting of future events is very subjective and fraught with potential error. Management must therefore develop contingency plans in case its projections are wrong. Effective contingency planning involves identifying minimum and maximum liability needs and weighing the alternative courses of action designed to meet the needs. Monthly cash flow projections will be sought from large customers.

The following are alternative ways the Bank can meet its liquidity needs: (i) increase core (retail) deposits; (ii) acquire interbank deposits; (iii) sell large time or notice deposits in domestic money market; (iv) borrow from lender of last resort (BSP); (v) borrow the Inter-Bank Market; (vi) lengthen the average life of the bank's liabilities portfolio; (vii) maintain unused lines of credit with other financial institutions; and (viii) loan participations.

The Management reviews annually, as part of the annual budget preparation, or as often as necessary, the Bank's deposit structure in relation to volume and trend of various types of deposits, maturity distribution of time deposits and rates paid compared to rates offered by competitors.

35.02.03 Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below shows the maturity profile of Bank's financial liabilities as at December 31, 2025 and 2024 based on contractual undiscounted repayment obligations:

		2025		
	On Demand	**Within One (1) Year**	**Beyond One (1) Year**	**Total**
Deposit liabilities				
Savings	₱ **792,051,364**	**-**	**-**	**792,051,364**
Time	**-**	**391,355,075**	**-**	**391,355,075**
Demand	**131,382,138**	**-**	**-**	**131,382,138**
Bills payable	**-**	**64,000,000**	**-**	**64,000,000**
Lease liabilities	**-**	**1,530,717**	**27,043,031**	**28,573,748**
Other liabilities	**-**	**28,251,660**	**-**	**28,251,660**
	₱ **923,433,502**	**485,137,452**	**27,043,031**	**1,435,613,985**

		2024		
	On Demand	Within One (1) Year	Beyond One (1) Year	Total
Deposit liabilities				
Savings	₱ 801,293,589	₱ -	₱ -	₱ 801,293,589
Time	-	301,545,159	-	301,545,159
Demand	144,062,654	-	-	144,062,654
Bills payable	-	10,600,000	-	10,600,000
Lease liabilities	-	1,289,230	28,573,749	29,862,979
Other liabilities	-	28,649,174	-	28,649,174
	₱ 945,356,243	₱ 342,083,563	₱ 28,573,749	₱ 1,316,013,555

35.02.04 Expected Maturity of Financial Asset
The following table details the Bank's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Bank's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	On Demand	Within one (1) Year	More than one (1) year to five (5) years	Total
December 31, 2025					
Cash and other cash items	-	₱ 32,272,229	₱ -	₱ -	₱ 32,272,229
Due from BSP	-	14,018,751	-	-	14,018,751
Due from other banks	0.05% to 5.25%	142,503,944	-	30,000,000	172,503,944
Other financial asset at amortized cost	3.25% to 10.25%	-	152,161,572	142,411,401	294,572,973
Loans and other receivables – net	8.00% to 14.00%	-	19,956,693	803,705,517	823,740,450
Financial asset at FVOCI	-	-	-	80,000,000	80,000,000
		₱ 188,794,924	₱ 172,118,265	₱ 1,056,116,918	₱ 1,417,030,107

	Weighted Average Effective Interest Rate	On Demand	Within one (1) Year	More than one (1) year to five (5) years	Total
December 31, 2024					
Cash and other cash items	-	₱ 22,284,183	₱ -	₱ -	₱ 22,284,183
Due from BSP	-	1,451,837	-	-	1,451,837
Due from other banks	0.05% to 3.75%	112,998,358	-	21,762,867	134,761,225
Other financial asset at amortized cost	1.84% to 6.40%	-	138,005,358	145,408,482	283,413,840
Loans and other receivables – net	6.06% to 25.00%	-	15,374,094	774,055,583	789,429,677
Financial asset at FVOCI	-	-	-	85,000,000	85,000,000
		₱ 136,734,378	₱ 153,379,452	₱ 1,026,226,932	₱ 1,316,340,762

35.03 Market Risk Management

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, exchange rates, market prices and volatilities. The Bank assumes market risk from consumer and corporate loans, position taking, and trading and investment activities.

The strategy for controlling market risk shall involve: (i) stringent control and limits; (ii) regular reporting of positions; and (iii) regular review of all control and limits.

35.03.01 Interest Rate Risk Management
Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustments within a specified period. The most important source of interest rate risk is the Bank's lending, funding and investments activities, where fluctuations in interest rates are reflected in interest margins and earnings.

35.03.01.01 Asset Allocation Strategies
Interest rate risk is managed through (1) investments (2) loan pricing, and (3) deposit pricing. Asset/Liability policies and strategies is formulated upon the examination of how interest rate risk affect overall business risk, i.e., capital risk, and liquidity risk, credit risk, interest rate risk. After review of the current situation, the Board of Directors devised various strategies to minimize risk while maximizing earnings and net worth. The following methods for managing the asset/liability mix are reviewed: (i) buying and selling assets; (ii) changing liability structure and mix; (iii) balance sheet growth, structure, and maturity; and (iv) hedging.

The proper strategy depends on the current level of risk, the time frame, and the current interest rate environment. If the Bank determines that there is a good chance that interest rates will increase, an attempt is made to extend fixed-rate liabilities to longer maturities while purchasing variable rate assets in order to widen the net interest margin. If it is perceived that interest rates will decline, an attempt is made to shorten fixed rate liabilities while securing longer-term fixed-rate assets in order to increase the net interest margin. Asset maturities will be managed as a result of the liability structure to maintain compliance within the ranges detailed.

35.03.01.02 Sensitivity Analysis
The sensitivity analyses have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the financial assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 10% increase is used when reporting interest rate risk internally to key management personnel and this represents Management's assessment of the reasonably possible change in interest rates. There is no material impact of changes in interest rates on equity for the years ended December 31, 2025 and 2024.

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its working funds. Deposits earn interest for these deposits from 0.05% to 5.25% and 0.05% to 3.75% as at December 31, 2025 and 2024, respectively.

35.04 Credit Risk Management

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation. The Bank is exposed to credit risks from due from BSP, due from other banks, other financial assets at amortized cost, and loans and other receivables.

The Bank's credit risk shall be consistent with separate written policies and procedures. The credit policies include the Bank's credit structure, target markets, credit evaluation, administration and monitoring and collection guidelines. Moreover, the Bank continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Bank's policy is to deal only with creditworthy counterparties. In addition, for certain type of loans, collateral and required to mitigate credit risk.

Financial assets measured at amortized cost are as follows:

	2025	2024
Due from BSP	₱ **14,018,751**	₱ 1,451,837
Due from other banks	**172,503,944**	134,761,225
Other financial assets at amortized costs	**294,572,973**	283,413,840
Loans and other receivables – net	**823,740,450**	789,429,677
	₱ **1,304,836,118**	₱ 1,209,056,579

The Bank's assessment of expected credit loss on due from BSP and due from other banks is detailed as follows:

	December 31, 2025		December 31, 2024	
	Gross Carrying Amount	**Estimated credit losses**	Gross Carrying Amount	Estimated credit losses
Due from BSP	₱ **14,018,751**	₱ **-**	₱ 1,451,837	₱ -
Due from other banks				-
Commercial	**63,867,530**	**-**	43,195,643	-
Government	**108,636,414**	**-**	91,565,582	-
	₱ **186,522,695**	₱ **-**	₱ 136,213,062	₱ -

The Bank believes that the assessed amount of ECL above is immaterial. As at December 31, 2025 and 2024, there was no expected credit losses on due from BSP and due from other banks.

35.04.01 Loan Portfolio – Expected Credit Loss
The calculation of allowance for expected credit losses of Loan Portfolio is currently based on the methodologies provided in the PFRS 9.

35.04.02 Probability of Default
The probability of default is measured over either 12-month or the lifetime of a financial instrument.

35.04.03 Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements
An analysis of the maximum exposure to credit risk without taking into account any collateral held or other credit enhancements is shown below:

	2025	2024
Due from BSP	₱ **14,018,751**	₱ 1,451,837
Due from other banks	**172,503,944**	134,761,225
Other financial assets at amortized costs	**294,572,973**	283,413,840
Loans and other receivables - net	**823,740,450**	789,429,677
	₱ **1,304,836,118**	₱ 1,209,056,579

35.04.04 Concentration by Industry
The table below show the industry sector analysis of the Bank's financial assets in gross amounts before and after taking into account the fair value of the loan collateral held or other credit enhancements:

	2025	2024
Consumption	₱ **28,080,987**	₱ 24,435,037
Micro, small and medium enterprise	**371,162,807**	346,024,840
Agricultural	**15,677,694**	25,259,535
Housing purposes	**395,471,582**	391,564,602
Other loans	**16,040,790**	9,387,072
	826,433,860	796,671,086
Less: Allowance for expected credit losses	**27,275,592**	25,772,200
	₱ **799,158,268**	₱ 770,898,886

35.04.05 Collateral and Other Credit Enhancements
The Bank holds collateral against loans and other receivables in the form of real estate. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired. Generally, collateral is held over loans and advances to the Bank. Collateral is usually not held against investment securities, and

no such collateral was held as at December 31, 2025. The Bank is not permitted to sell or repledge the collateral held in the absence of default by the owner of the collateral.

35.04.06 Credit Quality per Class of Financial Assets

Loans, receivables and other financial assets are either classified as High Grade, Standard Grade and Substandard Grade depending on the inherent risks or weaknesses noted on the accounts during credit evaluation periodically conducted following the credit classification criteria of the BSP.

High Grade credits are those accounts that do not have greater than normal risk or do not have potential weaknesses. Lumped under this category are credits covered by hold-out on deposits and sovereign guarantees, following the Bank's Internal Credit Risk Rating System.

Standard Grade credits represent accounts that are current in status and not impaired with risk rating of 4 to 5.

Substandard Grade credits represent accounts that display potential weaknesses, by the occurrence of limited or random delinquency/default, which when left unattended, may affect the repayment of the loan and increase credit risk to the Bank.

The Bank's borrower's risk rating system considers the combination of application data, internal as well as external data. Presented below are the characteristics of each of the Bank's risk rating/grade:

1 - Excellent. Borrower pays as agreed, no history of delinquencies. Payment source is sustainable, with strong trends in operation. The borrower meets earnings and payment expectations. There are no disruptions from external factors. Management shows competence under the present business model.

2 - Strong. Borrower pays as agreed, no history of delinquencies. Strong liquidity, borrower meets earnings and payment expectations. There are no disruptions from external factors. Management shows competence under the present business model.

3 - Good. Borrower pays as agreed, no history of default in the last 12 months. The borrowing base/payment source fully supports the line of credit. Account meets expectations, with no disruptions from external factors. Management shows competence under the present business model.

4 - Satisfactory. Borrower pays as agreed. Liquidity is adequate to marginal. Expectations are generally met. There are known sources of external disruptions but effects can be anticipated. There may be recent departures or lack of key personnel.

5 - Acceptable. Liquidity may be marginal or, certain operating trends could show a decline but neither would seriously jeopardize repayment. Expectations not always met. The business model may change with new external factors. There are uncertainties in business environment. Turnover and unfilled management positions may be chronic.

6 - Watchlisted. May occasionally turn past due for 30-60 days but will likely revert to current. Liquidity is marginal. Earnings and payment expectations are not met. Some defaults occur. There are identified external factors that have a negative effect on operations. The Bank changes its business model with negative implications (for both shareholders and lenders).

7 - Especially Mentioned. There is evidence of weakness in financial condition and credit worthiness. Credit evaluation should show a negative risk rating. Financial difficulties are expected and credit exposure is at risk. Negative external factors are affecting the business. The borrower's ability or willingness to service the debt is in doubt.

8 - Sub-standard. Credit evaluation estimates up to 50% probability of default. Collection of principal and/or interest becomes questionable. The operation cannot support the present debt burden. Second way out (collateral) is weak or insufficient. Managerial record is unfavorable or characteristically weak.

9 - Doubtful. The extent of loss to creditors still cannot be quantified but is likely to be significant. The borrower is unable or unwilling to service the debt even over an extended period. Loss is unavoidable despite efforts by both borrower and creditor. Managerial record is unfavorable or characteristically weak.

10 - Loss. The prospect of re-establishment of credit-worthiness is remote. Debt servicing is remote. The lender is taking steps to foreclose on available collateral. 100% loss is set for unsecured loans. Loss may not be easily determined but is not practical to defer a write-off. The borrower and/or his co-makers are insolvent.

	2025					
	Neither Past Due nor Specifically Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Due from BSP	₱ 14,018,751	-	-	-	-	14,018,751
Due from other banks	172,503,944	-	-	-	-	172,503,944
Other financial assets at amortized cost	294,572,973	-	-	-	-	294,572,973
Loans and other receivables	746,515,658	-	-	29,411,618	50,506,584	826,433,860
	₱ 1,227,611,326	-	-	29,411,618	50,506,584	1,307,529,528

	2024					
	Neither Past Due nor Specifically Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Due from BSP	₱ 1,451,837	₱ -	₱ -	₱ -	₱ -	₱ 1,451,837
Due from other banks	134,761,225	-	-	-	-	134,761,225
Other financial assets at amortized cost	283,413,840	-	-	-	-	283,413,840
Loans and other receivables	711,328,592	-	-	15,569,652	69,772,842	796,671,086
	₱ 1,130,955,494	₱ -	₱ -	₱ 15,569,652	₱ 69,772,842	₱ 1,216,297,988

The table below shows the aging analysis of past due but not impaired loans and other receivables per class that the Bank held as at December 31, 2025 and 2024. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2025			2024		
	90-180 days	**Over 180 days**	**Total**	90-180 days	Over 180 days	Total
Loans and discounts	**₱ 4,081,877**	**4,041,522**	**8,123,399**	₱ 20,681,493	₱ 27,403,374	₱ 48,084,867

The banks restructured loans amounted to ₱70,569,853 and ₱76,940,065 as at December 31, 2025 and 2024, respectively.

36. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Bank manages its capital to ensure that the Bank will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Bank consists of equity of the Bank (comprising capital stock, additional paid-in capital, revaluation surplus, remeasurement losses on retirement liabilities and surplus free).

Based on Manual of Regulations for Banks under Section 121, as amended by BSP Circular 1151 series of 2022, Amendments to the Minimum Capitalization of Rural Banks, the Bank is required to meet the capital requirement amounting to ₱120,000,000.

As at December 31, 2025 and 2024 the Bank's total capital stock is ₱136,129,500. As at December 31, 2025 and 2024, the bank is in compliance with such regulation. The Bank's Board of Directors reviews the capital structure of the Bank on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The Bank's capital structure is as follows:

	2025	2024
Common stock	₱ **136,129,500**	₱ 136,129,500
Surplus reserves	**23,497,516**	23,497,516
Revaluation reserves	**30,444,661**	42,947,359
Surplus free	**45,889,298**	42,839,096
	₱ **235,960,975**	₱ 245,413,471

Under Section 34 of R.A. No. 8791/Section 125 of the MORB, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

In addition, in compliance with the risk-based capital ratio, the Bank, shall maintain a minimum adjusted risk-based CAR covering combined credit risk and market risk of ten percent (10%) calculated on solo and on consolidated basis which is expressed as a percentage of qualifying capital to risk-weighted assets which includes credit risk and market risk-weighted assets. The components of this calculation are as follows:

- Market risk-weighted assets are the sum of the capital charges for all market risk categories calculated using either the standardized approach or the internal models approach [multiplied by 125% for those calculated using the standardized methodology to be consistent with the higher capital charge for credit risk, i.e., ten percent (10%) as opposed to BIS recommended eight percent (8%) multiplied by 10. (The multiplier 10 is the reciprocal of the BSP required minimum capital adequacy ratio for credit risk of ten percent (10%). The effect is to convert the sum of the market risk capital charges into a risk-weighted assets equivalent which can then be directly added to the total credit risk-weighted assets).

- Credit risk-weighted assets are the total risk weighted assets calculated in accordance with Appendix to Section 125, less the part calculated for on-balance sheet debt securities and equities in the trading book. (The credit risk-weighted assets for on-balance sheet debt securities and equities are deducted because they represent an element now covered by the market risk capital charge).

- Operational risk-weighted assets are risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Operational risk capital charge is calculated as the three (3)-year average of the simple summation of the regulatory capital charges across each of the business lines in each year. In any given year, negative capital charges (resulting from negative gross income) in any business line may offset positive capita l charges in other business lines without limit. However, where the aggregate capital charge across all business lines within a given year is negative, then figures for that year shall be excluded from both the numerator and denominator. The resultant operational risk capital charge is to be multiplied by 125% before multiplying by ten (10) [i.e., the reciprocal of the minimum capital ratio of ten percent (10%)].

- Qualifying capital consist of Tier 1 capital which comprised of paid-up common stock, surplus and surplus reserves and Tier 2 capital elements in which upper. Tier 2 capital is composed of net unrealized gains on available for sale equity securities and general loan loss provision.

The Bank deducted from the total of Tier 1 capital the total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI; unsecured loans and deferred income tax.

The Bank did not deduct any from Tier 2 capital.

36.01 Capital Management

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

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

Under the current banking regulations, the qualifying capital accounts of the Bank should not be less than an amount equal to ten percent (10%) of its risk-weighted assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets is total capital funds excluding:
(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to DOSRI;
(c) deferred tax asset;
(d) goodwill, if any;
(e) sinking fund for redemption of redeemable preferred stock; and
(f) other regulatory deductions.

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

As at December 31, 2025 and 2024, the Bank is in compliance with the current banking regulation.

The regulatory capital is analyzed into two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the total of Tier 1 and Tier 2 capital.

Tier 1 Capital and Tier 2 of the Bank are defined as follows:
a. Tier 1 Capital includes the following:
   i. paid up common stock,
   ii. additional paid-up capital
   iii. surplus,
   iv. surplus reserves, and
   v. undivided profits (for domestic banks only).

Subject to deductions for:
   i. deferred income tax.
  b. Tier 2 Capital includes:
     i. perpetual cumulative preferred stock,
     ii. appraisal increment reserve – bank premises
     iii. general loan loss provision.

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

Information regarding the Bank's "unimpaired capital" as at December 31, 2025 and 2024 is shown below:

		2025		2024
Tier 1 Capital	₱	**214,173,552**	₱	221,740,843
Common Equity Tier 1 (CET) Capital		**194,176,752**		201,744,043
CET 1 ratio		**13.60%**		15.07%
Total Qualifying Capital	₱	**244,651,199**	₱	251,214,121

Risk Weighted Assets	₱	**1,427,706,337**	₱	1,338,989,712
Tier 1 Capital Ratio		**15.00%**		16.56%
Minimum Liquidity Ratio		**34.87%**		32.95%
Return on average equity		**11.45%**		13.55%
Return on average asset		**1.68%**		2.10%
Net interest margin		**7.38%**		7.85%
Capital Adequacy Ratio (CAR)		**17.14%**		18.76%

The breakdown of the Bank's risk-weighted assets as at December 31, 2025 and 2024 are as follows:

		2025		2024
Credit risk-weighted assets	₱	**1,272,976,596**	₱	1,201,496,900
Operational risk-weighted assets		**154,729,741**		137,492,812
	₱	**1,427,706,337**	₱	1,338,989,712

As at December 31, 2025 and 2024, the Bank's capital adequacy ratio (CAR) and capital is in compliance with the regulatory requirements.

The Bank's policy is to maintain a strong capital base to maintain stockholders, creditors and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

There have been no material changes in the Bank's management of capital during those years.

The BSP sets also another measure of Bank's liquidity by minimum liquidity ratio. Under the existing BSP regulations, the Bank's minimum liquidity ratio is expressed as a percentage of eligible stock of liquid assets to its total qualifying liabilities.
  a. The stock of liquid assets shall consist of:
     i. cash on hand,
     ii. eligible debt securities,
     iii. deposits in other banks, and

iv. interbank loans receivables with contractual maturity dates that fall within the next 30 calendar days.

b. The qualifying liabilities shall consist of the following:

- Total liabilities, where the following obligations are subject to the conversion factors as stated below:
  i. Retail current and regular savings deposits with outstanding balance per account of P500,000 and below subject to 50% conversion factor,
  ii. deposits where the account holder has no contractual or legal discretion to withdraw said deposit or pre-terminate the account within the next 30 calendar days, borrowings that are non-callable in, or have contractual maturity dates beyond, the next calendar days, and
  iii. obligations arising from operation expenses.

- Irrevocable obligations under off-balance sheet items, such as:
  i. guarantees issued,
  ii. trade related guarantees,
  iii. letters of credit, and
  iv. other committed credit lines.

Information regarding the Bank's "minimum liquidity ratio" as of December 31, 2025 and 2024 is shown below (amounts in thousands except for MLR figure):

		2025		2024
Stock of liquid assets	₱	**508,331,257**	₱	440,057,318
Qualifying liabilities		**1,457,785,577**		1,335,388,871
Minimum Liquidity ratio	₱	**34.87%**	₱	32.95%

As of December 31, 2025 and 2024, the Bank's minimum liquidity ratio is in compliance with the regulatory requirements.

37. NON-CASH TRANSACTIONS

The Bank entered into the following non-cash investing and financing activities which are not reflected in the statements of cash flows:

		2025		2024
Additions to investment properties	₱	**-**	₱	10,366,166
Additions to ROU assets		**-**		3,933,202
Additions to lease liabilities		**-**		3,933,202
Sale of investment properties through sale contract receivable		**-**		352,279

38. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities are as follows:

		2025		2024
Balance, January 1	₱	**15,294,892**	₱	12,619,301
Changes from financing cash flows Dividend declarations		**24,503,310**		21,780,720
Additions to lease liabilities		**-**		3,933,202
Finance cost incurred on lease liabilities		**2,060,745**		1,129,206
Finance cost paid on lease liabilities		**(2,060,745)**		(1,129,206)
Final tax on dividends		**(2,450,331)**		(2,178,072)
Payment to lease liabilities		**(1,289,231)**		(1,257,611)
Dividends paid		**(22,052,979)**		(19,602,648)
	₱	**14,005,661**	₱	15,294,892

39. CORRECTION OF PRIOR PERIOD ERRORS

The financial statements of the Bank were restated at the end of 2024 to reflect the adjustments resulting from accounts reconciliation performed by the Bank during the year to correct error on its accounts. The corresponding adjustments on the following accounts are made as follows:

		December 31, 2024 as previously stated		Prior period errors		December 31, 2024 as restated
Surplus free	₱	(43,778,125)	₱	939,029	₱	(42,839,096)
Right-of-use asset		18,546,326		13,253,947		31,800,273
Accumulated Depreciation - ROUA		(4,535,666)		1,095,630		(3,440,036)
Other assets		5,834,227		(783,580)		5,050,647
Lease liabilities		(15,440,676)		(14,422,303)		(29,862,979)
Other liabilities		(29,032,990)		(82,723)		(29,115,713)
	₱	**(68,406,904)**	₱	-	₱	**(68,406,904)**

Specifically, the nature of the error lies within the computation of the ROUA and lease liability. The drastic changes to these balances were traced to the improper recognition of the Pasig Government lease contract that commenced in 2024.

The Bank determined that the correction of errors during the year was necessary to state the balances to their correct amounts.

40. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under the Manual of Regulations for Banks (MORB), to be disclosed as part of the notes to financial statements based on BSP Circular 1074, Amendments to Regulations on Financial Audit of Banks.

40.01 Basic Quantitative Indicators of Financial Performance

The key financial performance indicators of the Bank are shown below (in %):

	2025	2024
Return on average equity	**11.45%**	13.55%
Return on average assets	**1.68%**	2.10%
Net interest margin	**7.38%**	7.85%
TIER 1 Capital ratio	**15.00%**	16.56%
Capital adequacy ratio	**17.14%**	18.76%
Minimum liquidity ratio	**34.87%**	32.95%

40.02 Capital Instruments Issued

The Bank has no capital instruments issued in both years.

40.03 Significant Credit Exposures

As at December 31, 2025 and 2024, information on the concentration of credit as to industry or economic sector is as follows:

	2025	%	2024	%
Real estate activities	₱ **510,778,079**	**61.82%**	₱ 490,020,918	61.51%
Construction	**119,069,145**	**14.41%**	106,468,048	13.36%
Wholesale and retail trade, repair of motor vehicles and motorcycles	**60,575,829**	**7.33%**	62,589,277	7.86%
Agriculture, forestry and fishing	**15,669,144**	**1.90%**	25,259,535	3.17%
Undifferentiated Production Activities of Private Households	**-**	**0.00%**	22,036,329	2.77%
Education	**28,270,129**	**3.42%**	20,841,231	2.62%
Transportation and storage	**13,165,213**	**1.59%**	18,733,982	2.35%
Manufacturing	**8,495,738**	**1.03%**	9,538,947	1.20%
Primarily for personal consumption	**28,078,670**	**3.40%**	2,398,709	0.30%
Accommodation and food service activities	**18,180,746**	**2.20%**	21,824,789	2.74%
Human health and social work activities	**5,482,008**	**0.66%**	6,020,777	0.76%
Administrative and support services activities	**614,132**	**0.07%**	1,214,653	0.15%
Arts, entertainment and recreation	**342,800**	**0.04%**	324,293	0.04%
Electricity, gas, steam and air conditioning supply	**12,527**	**0.00%**	12,526	0.00%
Water supply, sewerage, waste management and remediation activities	**1,500,000**	**0.18%**	-	0.00%
Financial and insurance activities	**-**	**0.00%**	-	0.00%
Other service activities	**16,040,790**	**1.94%**	9,387,072	1.18%
	₱ **826,274,949**	**100.00%**	₱ 796,671,086	100.00%

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry on economic sector exceeds 30% of the total loan portfolio. During 2025 and 2024, concentration of credit exists to real estate activities.

40.04 Breakdown of Total Loans as to Security and Status

The table below shows the breakdown of loans and discounts as to secured and unsecured and as to the type of security as at December 31, 2025 and 2024:

	2025	%	2024	%
Loan secured by:				
Real estate	₱ **813,263,267**	**98.41%**	₱ 782,281,443	98.19%
Deposit hold-out	**3,617,027**	**0.44%**	3,448,974	0.43%
Chattel	**944,567**	**0.11%**	1,013,144	0.13%
Secured	**817,824,861**	**98.96%**	786,743,561	98.75%
Unsecured	**8,608,999**	**1.04%**	9,927,525	1.25%
	₱ **826,433,860**	**100.00%**	₱ 796,671,086	100.00%

40.05 Information on Related Party Loans

In the ordinary course of business, the Bank entered into loan and other transactions with its certain directors, officers, stockholders and related interests (DOSRI). Under the Bank’s policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risk. Under current banking regulations, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of investments in the Bank. On the aggregate, loans to DOSRI should not exceed the Bank’s total capital funds or 15% of the Bank’s total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risks as defined in the regulations.

The following table shows information relating to DOSRI accounts of the Bank:

Particulars	DOSRI Loans		Related party loans (inclusive of DOSRI Loans)	
	2025	2024	**2025**	2024
Outstanding Loans	**₱ 1,069,248**	₱ 155,910	**₱ 1,069,248**	₱ 155,910
Percent of DOSRI/ Related Party loans to total loan Portfolio	**0.13%**	0.02%	**0.13%**	0.02%
Percent of unsecured DOSRI/ Related Party Loans to total DOSRI/ Related Party Loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of past due DOSRI/Related Party loans to total DOSRI/ Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of non-performing DOSRI/ Related Party loans to total DOSRI/ Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%

40.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

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

40.07 Commitments and Contingent Liabilities

As at December 31, 2025 and 2024, the Bank has no contingencies and commitments arising from off-balance sheet items, transaction-related contingencies, short-term self-liquidating trade-related contingencies arising from movement of goods, sale and repurchase agreements not recognized in the statement of financial condition; interest and foreign exchange-rate related items; and other commitments.

41. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15 – 2010

The Bureau of Internal Revenue (BIR) has released a new revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

41.01 Taxes, Duties and Licenses Paid or Accrued

The details of the Bank's taxes and licenses fees paid or accrued in 2025 are as follows:

41.01.01 Documentary Stamp Tax
The Bank's documentary stamp tax paid during the year amounted to ₱642,124 arising from time deposits and lease agreements in pursuant to new documentary stamp tax rates under RA 10963 or the TRAIN Law of 2017.

41.01.02 Other Taxes and Licenses
An analysis on the Bank's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Permits	₱	833,466
Real estate tax		161,383
Gross receipts tax		44,567
Registration		20,250
Other taxes and licenses		132,909
	₱	**1,192,577**

Taxes and licenses were charged directly to operating expenses.

41.01.03 Withholding Taxes
An analysis on the Bank's withholding taxes paid or accrued during the year is as follows:

Expanded withholding taxes	₱	814,332
Final withholding taxes – dividends		1,361,295
Final withholding taxes – interest payments		886,306
Withholding tax on compensation and benefits		765,639
Final withholding tax – fringe benefits		16,046
	₱	**3,843,618**

The interest expense paid to peso savings deposit, time deposit and deposit substitutes were subjected to final withholding tax of 20%.

41.01.04 Tax Assessments
As at December 31, 2025, the Bank has no outstanding cases in any court or bodies outside of the BIR.

42. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19 – 2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said Regulation:

42.01 Revenue

The Bank's revenue for the taxable year pertain to interest income from loans and other receivables amounted to ₱94,539,287.

42.02 Interest Expense

The Bank's interest expense from deposit liabilities and borrowed funds are as follows:

Interest expense	₱	9,424,688
BIR limit		(1,828,699)
	₱	**7,595,989**

42.03 Taxable Other Income

The Bank's other income for the taxable year is as follows:

Service charges	₱	8,083,254
Rental		1,661,195
Miscellaneous		9,202,166
	₱	**18,946,615**

42.04 Itemized Deductions

Employee benefits	₱	37,978,479
Depreciation and amortization		10,367,372
Outside services		4,026,286
Insurance		3,591,996
Utilities		3,507,118
Information technology		2,705,781
Rental		2,564,508
Acquired asset expense		2,419,014
Repairs and maintenance		2,260,773
Professional fees		1,837,417
Taxes and licenses		1,779,273
Transportation and travel		1,601,333
Fuel and lubricants		1,291,399
Representation and entertainment		1,135,346
Supplies		1,054,882
Advertising and promotions		467,795
Membership and dues		322,730
Supervision and fees		274,791
Donations and charitable contributions		263,876
Fees and commission		225,314
Loss on disposal of asset		7,211
Miscellaneous		561,227
	₱	**80,243,921**

42.05 Reconciliation on Effect of PFRS 16

		Per PFRS		Effect of Adoption of PFRS 16		Per Tax Code
Depreciation and amortization	₱	2,668,424	₱	(2,668,424)	₱	**-**
Interest expense		2,060,745		(2,060,745)		**-**
Rental		4,523,704		(1,379,194)		**3,144,510**

43. OTHER MATTERS

a. Anti-Money Laundering Act (AMLA)

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

b. As at December 31, 2025, all of the Bank's Board of Directors had undergone the requirements for corporate governance training as confirmed by the Monetary Board as mandated by MORB Section 911.

PDAC
PAGUIO, DUMAYAS & ASSOCIATES, CPAS
PrimeGlobal The Association of Advisory and Accounting Firms
3rd Floor Elizabeth Center Building, National Road., Brgy. Putatan, Muntinlupa City, Philippines
(02) 700 156 47
www.pdacgroup.com/pdac

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Stockholders and the Board of Directors
MVSM BANK (A RURAL BANK SINCE 1953) INC.
389 J.P. Rizal Street
Sto. Niño, Marikina City

We have audited the financial statements **MVSM BANK (A RURAL BANK SINCE 1953) INC.** for the year ended **December 31, 2025**, on which we have rendered the attached report dated June 25, 2026.

In compliance with Revenue Regulation V-20, we are stating that we are not related by consanguinity or affinity to the president, manager, or principal stockholders of the Bank.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Bank has a total number of twelve (12) stockholders owning one hundred (100) or more shares each.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)
Tax Identification Number 008-662-265-000
BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 5614-SEC (Group C), valid for 2023 financial statements audit and extended to cover 2025 financial statements per SEC Notice dated April 4, 2025
BOA Accreditation No. 5614, March 1, 2026 valid until February 28, 2029
BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit
CDA Accreditation No. 124-AF, January 15, 2025 valid until January 14, 2030

For the Firm:
Floyd C. Paguio
FLOYD C. PAGUIO
Senior Partner
CPA Certificate No. 115664
Tax Identification Number 243-676-418-000
BIR Accreditation No. 08-800011-001-2025, February 3, 2025, valid until February 2, 2028
BOA Accreditation No. 5614/P-002, March 1, 2026, valid until February 28, 2029
BSP Accreditation No. 115664-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. IC-EA-2025-0086-R (Group A), valid for 2025 to 2027 financial statements audit
PTR No. 5087827, issued on January 14, 2026, Muntinlupa City

June 25, 2026
Muntinlupa City, Metro Manila

PAGUIO, DUMAYAS & ASSOCIATES, CPAs

NOT VALID WITHOUT SEAL

MVSM BANK (A RURAL BANK SINCE 1953) INC.
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
For the Years Ended December 31, 2025 and 2024

	2025	2024
Total Audit Fees	**187,000**	**125,000**
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total Audit and Non-audit Fees	**187,000**	**125,000**

Audit and Non-audit fees of other related entities

	2025	2024
Audit fees	-	
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total Audit and Non-audit Fees of other related entities	-	-

Fee dependency
For the years ended December 31, 2024 and 2023, the total fees received by the [external auditor/PDAC] from the [covered company] represent more than 15% of the total fees received by the [external auditor/PDAC]. This first arose in YYYY. A pre-issuance review, consistent with the objective of an engagement quality review, performed by a professional accountant [other than the external auditor/ who is not a member of the (audit firm)] expressing the auditors' opinion on the financial statements, was performed prior to the issuance of the auditor's opinion.