GMBANK
The Good Money Bank™

THE 2025 GOOD MONEY REPORT

the annual report of
GM Bank of Luzon, Inc.
(A Rural Bank)

52 GOOD YEARS
of Good Money Banking

ABOUT THE COVER

The cover of GMBank's 2025 Good Money Report captures the Bank's continuing journey of empowering communities through purposeful and inclusive banking.

Designed around the bold numeral "25," representing the year 2025, the cover visually bridges GMBank's heritage and future aspirations. Within the design are images of rural communities alongside the Bank's employees—symbolizing the connection between the people GMBank serves and the people who continue to champion its mission of "Good Money Banking."

The individuals gazing upward reflect hope, resilience, and optimism for the future. The rural imagery honors the Bank's deep roots in countryside development and community empowerment, while the presence of modern banking professionals highlights GMBank's commitment to innovation, service excellence, and digital transformation in an evolving financial landscape.

The use of open skies and cool blue tones conveys trust, stability, growth, and opportunity—core values that have guided the Bank for 52 years. Together, the elements of the cover portray a shared vision of progress: one where communities rise, opportunities expand, and banking remains socially relevant and accessible to every Filipino.

More than a visual identity for the annual report, the cover represents GMBank's enduring promise to move forward with integrity, innovation, and purpose—continuing to build stronger communities through generations of Good Money Banking.

Harvesting Progress Together

The cover of GMBank's 2025 Good Money Report reflects the Bank's enduring commitment to the countryside communities it has proudly served since its establishment. Rooted in nearly five decades of rural banking, this year's cover symbolizes the fruitful harvest shared between GMBank and its clients—celebrating the success, resilience, and contributions of farmers and rural communities to both the agricultural and banking sectors. More than a tribute to progress, the cover embodies the Bank's shared mission with its clients to help strengthen food and financial security in the Philippines, fostering more sustainable and empowered communities for future generations of Filipinos.

Growing Beyond Boundaries

Committed towards community building, GMBank has always been true to its core of providing quality products and services to the community by reaching out to the far flung areas of the region. GMBank with its celebration of being in the service for 50 years, we are featuring on the cover a enthusiastic lady farmer holding the crop that was earned through hardwork.

The arrow representing the colors of GMBank and Gold that symbolizes a continuous growth, and moving across all directions to touch more lives, to build more communities.

Growing with Communities

The cover of the 2024 Good Money Report reflects GMBank's enduring commitment to service, trust, and community building through the story of the people it serves. Centered on the warm smile of a rural farmer symbolizing hope, resilience, and progress, the cover also highlights families, thriving small business owners, and older adults finding security through accessible banking. More than a celebration of financial growth, it captures the human side of banking and the meaningful connections that define GMBank's 51 years of delivering "Good Money" to communities.

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What differentiates GMBank™ from the rest?

With its rich history of mergers and consolidations, GMBank™ was able to establish its presence for 52 years of serving the countryside communities.

OUR PAST

GMBank™ was established in 1973 and has its roots in the consolidation of several rural banks based in Central Luzon. These included Community Rural Bank, Inc. (CRBI), Small and Medium Enterprise Bank, Inc. (SMEBI), Munoz Rural Bank, Inc. (MRBI), and Bangko Luzon, Inc. (BLI). These strategic mergers and consolidations took place in the early 2000s to strengthen rural banking services in the region.

The most recent merger was approved on November 1, 2021, when the Rural Bank of Limay, Inc. officially merged with GM Bank of Luzon, Inc. Over the past 51 years, GMBank has grown from a modest community bank in San Isidro, Nueva Ecija into one of the largest rural banks in Luzon. Today, it proudly operates 43 branches, continuing its mission to provide accessible and inclusive financial services to communities across the region.

OUR PRESENT

GMBank™ provides banking and financial services and products through 43 branches in 9 provinces- Aurora, Bataan, Bulacan, Nueva Ecija, Nueva Vizcaya, Pampanga, Pangasinan, Tarlac and Zambales.

OUR FUTURE

GMBank™ will be the standard of rural banking and the bank that countryside communities rely on.

THE GOOD MONEY ANNUAL REPORT

Committed towards upholding our core values, we are publishing our annual report on the basis of integrity, our commitment to social responsibility, our drive for innovation and continuous excellence across the bank's operations.

Scope of the Report

The annual report of the GMBank™ (GM Bank of Luzon, Inc. - a rural bank) for 2025 covers the reporting period of January 1 to December 31, 2025 that includes both the bank's financial and non-financial aspects.

Compliance to Reporting Standards

This report is in compliance to the minimum disclosure requirements of the Bangko Sentral ng Pilipinas (BSP) from the Manual of Regulations of Banks (MORB).

OUR MISSION

To make a positive difference in largely countryside communities by providing easy access to innovative, socially relevant, and sustainable financial services.

OUR VISION

By 2027, GMBank™ will be the leading bank provider of innovative and socially relevant financial services in largely countryside communities in Luzon.

CORE VALUES

- **Integrity** | We do the right things in all our dealings, at all times, even when no one is watching.
- **Social Responsibility** | We advocate improving the quality of life in the communities we serve.
- **Innovation** | We build our capacity to translate ideas into possibilities that create value for our stakeholders.
- **Excellence** | We thrive to be the best in everything we do.

PRODUCTS AND SERVICES

Throughout GMBank's existence it has developed a product mix that specifically targets the need of financial services across the Region I, II and III. Through this, GMBank™ was able to extend its reach in the rural banking industry;

Deposits

- **Good Savings Account**

Be involved in community banking and invest in a deposit product with minimal opening and maintaining balance requirement that will ensure security of your Good Money

- **Regular Savings Account**

Save up for the future through the Regular Savings Account. There is nothing better than securing you and your family's future through a trusted savings account. Turn your GOOD MONEY to GOOD FUTURE.

- **Silver Savings Account**

If you have the funds and is willing to invest your Good Money in a savings account with competitive interest earning rates, then GMBank's Silver Savings Account is the one for you.

- **Regular Checking Account**

Make sure that you are safe wherever you'll go with our your very own checking account. GMBank is offering you a secured way of making your personal or business transactions anytime, anywhere.

- **Combo Checking Account**

A savings account and a checking account in one? We got you covered! GMBank offers a variety of checking account options that are tailor-fitted to your banking needs.

- **Time Deposit Account**

GMBank™ offers competitive interest rates in the market for our Time Deposit Account. If you have funds that are not intended for daily consumption, better save them up through GMBank's Time Deposit Account offering.

- **Gold Checking Account**

If you are looking for the best checking account deals, our Gold Checking Account is the one for you. High interest bearing checking account with one-day clearing features are few of the features of this product.

- **Agri-Production Loan**

This loan program is specifically crafted to cater to the needs of farmers and farm owners in region. This program aims to aid farmers in support of their farm productions and operations, or for investment on farm land acquisition or establishment of post-harvest facilities

- **Agri-Machinery Loan**

This loan product aims to finance all brand and type of agricultural machineries for farmers to increase farm production and furthermore, to provide ease of producing agricultural products with the help of advanced technology.

- **Poultry and Livestock Loan**

This loan product aims to finance all brand and type of agricultural machineries for farmers to increase farm production and furthermore, to provide ease of producing agricultural products with the help of advanced technology.

- **Business Loan**

Short-term or Long-term loans provided to businessman or entrepreneurs with flexible terms and conditions for the purpose of additional working capital, acquisition of equipment and machineries and project/ construction financing. This shall be available on a one-time financing, revolving credit line, direct payment of acquired fixed asset, or credit line during a construction/ renovation period.

- **Multi-Purpose Loan**

This loan program shall cater to those other loan types that are not covered by our business loan. This is in line with GMBank's support to the Small and Medium Enterprises to ensure continuous profit to serve the community better.

- **Motor-Vehicle Loan**

This loan program aims to mobilize your business needs, or simple improve mode of transportation of business products, services or for perosnal use. This loan program is applicable for brand new cars, used cars (local) that are 2000 models and above, reconditioned trucks (2002 model and above), and assembled XLT, Jitneys (2000 model and above)

- **Housing Loan**

With the goal of making families' lives better, our Housing Loan program offers a wide variety of investment programs for your homes. Our housing loan may be applied for purchase of a house and lot, townhouse, condominium units; purchase of lot and. construction of a new house; purchase of a lot; or major repair, improvements or expansion of an existing house.

OUR BUSINESS MODEL

The basic business model of the bank is to generate revenues from loan assets in local and largely countryside communities where the bank has a presence. We are in the interest differential business - generating deposits from local communities and funds from commercial banks to invest in loans at a higher rate to cover financial and operating expenses, and profit margins. Non-interest revenues related to payments, remittance, microinsurance, ATM acquiring services, and gains from sale of acquired assets supplement revenues from loan assets.

Community banking is largely personal and benefits from local presence, local knowledge, and owners who are rooted in the communities. Our market focuses on Small and Medium Enterprises, Farmers, Agricultural Value Chain Participants, and Microenterprises.

joint message to the

GOODCommuintties

from the office of the president and chairman of the board

Dear Shareholders,

The year 2025 was a difficult but necessary period of reassessment for GMBank. After returning to profitability in 2024, the Bank recorded a net loss of PhP 18.82 million in 2025, compared with net income of PhP 16.10 million in the preceding year. The reversal reflected lower interest income, reduced gains from asset sales, continuing asset-quality pressures, and limited capital. We recognize that these results fell below the standards expected by our shareholders, depositors, customers, regulators, and communities.

Despite these challenges, the Bank demonstrated important areas of resilience. Deposit liabilities grew by 9.3% to PhP 2.85 billion, the highest level in the Bank's history, reflecting the continued trust of the communities we serve. Bills payable declined substantially to PhP 142.60 million from PhP 425.38 million in 2024, reducing dependence on external borrowings. Liquid assets also increased to PhP 630.58 million, while the Bank maintained capital adequacy above the applicable minimum regulatory requirement.

The year also confirmed the need for sharper discipline in credit, capital, and cost management. Loan growth remained constrained as the Bank adopted a more conservative lending posture and intensified collection efforts. Net loans and receivables declined to PhP 2.29 billion, while asset-quality pressures continued to affect earnings and capital.

We continued to improve the Bank's operating model. Operating expenses declined by 7.6% to PhP 387.36 million, while headcount was streamlined to 655 from 672 in 2024. Investments in our core banking system and related technology now provide a stronger platform to simplify workflows, strengthen controls, centralize appropriate functions, and improve management information and customer service.

For 2026 and beyond, our priorities are clear: restore balance-sheet strength through asset recovery and capital preservation; improve credit discipline by strengthening underwriting, monitoring, and collections; simplify the product portfolio and focus on better risk-adjusted returns; optimize the branch network and organization; and fully leverage technology to improve efficiency, control, and service delivery.

The Bank's recovery will require sustained execution. We must improve asset quality, protect capital, rebuild sustainable revenue, and ensure that our people, processes, and technology operate as one integrated system.

We thank our shareholders for their continued confidence; our depositors and customers for their trust; the Bangko Sentral ng Pilipinas and other regulators for their guidance; and our employees, officers, directors, and community partners for their commitment.

GMBank has served its communities for more than five decades. We move forward with a clear understanding of the work required and a firm commitment to restore sustainable value for all stakeholders.

Thank you.

TOMAS S. GOMEZ, IV
President/ CEO

ABELARDO P. SAMSON, SR.
Chairman

FINANCIAL HIGHLIGHTS

Results of Operations for the Year Ended 31 December 2025

GMBank registered a net loss of P18.82 million for the year ended 31 December 2025, compared to net income of P16.10 million in 2024. The decline in profitability was mainly attributable to lower interest income and decrease in other income during the year.

Net interest income ended at P254.99 million, 9.13% lower than 2024 balance of P280.60 million. Other income amounted to P116.70 million, lower than P160.57 million recorded in the previous year primarily due to lower gains from sale of properties and other assets.

Operating expenses totaled P387.36 million, 7.62% lower than 2024 operating expenses of P419.31 million. Cost management initiatives and operational efficiencies contributed to the reduction in expenses.

Total comprehensive loss for 2025 amounted to P22.31 million, compared to total comprehensive income of P10.54 million in 2024. The decline was primarily due to actuarial losses and lower operating performance during the year.

Return on Equity (ROE) and Return on Assets (ROA) ended at -4.94% and -0.51%, respectively, reflecting the Bank's overall operating performance for 2025.

KEY FINANCIAL RATIOS

Financial Position as of 31 December 2025

GMBank's total assets ended at P3.63 billion, P62.32 million or 1.69% lower than 31 December 2024 balance of P3.69 billion. The decrease in total assets was primarily driven by the reduction in loans and receivables and bills payable settlements during the year.

Liquid assets ended at P630.58 million, 4.64% higher than 2024 balance of P602.61 million, mainly due to improved liquidity management and increase in investment securities, and increase in investment properties.

Loans and receivables, net of allowance for credit losses, ended at P2.29 billion, P131.40 million or 5.42% lower compared to 2024 balance of P2.42 billion. The decline was attributable to repayments, conservative lending activities, and continued collection efforts on past due accounts.

Investment securities increased to P168.15 million, 83.00% higher than 2024 balance of P91.89 million. Investment properties also increased to P423.79 million from P383.61 million due to additional foreclosed properties acquired during the year. This reflects the shift of funding source from bills payable to deposits.

Bank premises, furniture, fixtures, and equipment decreased to P41.74 million from P46.05 million following depreciation and disposal of certain fixed assets.

Total deposit liabilities ended at P2.85 billion, 9.30% higher than 2024 balance of P2.61 billion. Bills payable decreased significantly to P142.60 million from P425.38 million due to settlement of borrowings during the year.

Total capital funds ended at P369.77 million, 5.69% lower than 2024 balance of P392.08 million. Capital adequacy ratio (CAR) based on Basel 1.5 framework ended at 10.28%, still above the BSP minimum regulatory requirement of 10.00%.

Particulars	Dec 2025	Dec 2024
Capital Adequacy Ratio	10.28%	10.36%
Tier 1 Ratio	7.68%	7.71%
Liquidity	23.03%	23.78%
Past Due & Items in Litigation (PDI)	25.32%	22.90%
Non-performing assets to total assets	27.35%	30.65%
Loan Loss Provisioning (LLP)	20.47%	19.30%
Loans to Deposits	84.30%	90.16%
Loans to Deposits & Bills Payable	79.93%	77.52%
Fixed Assets	15.95%	17.59%
Return on Equity	-4.94%	4.21%
Return on Assets	-0.51%	0.44%
Net Interest Margin	8.59%	9.56%
Debt to Equity Ratio	8.81	8.41

FINANCIAL AND OPERATING HIGHLIGHTS

as of 31 December 2025

Balance Sheet

	2025	2024
Total Resources	**3,626,815,824.00**	**3,689,139,833.00**
Cash And Other Cash Items	130,998,520.00	120,655,293.00
Due From Bangko Sentral Ng Pilipinas	61,016,788.00	50,230,790.00
Due From Other Banks	270,409,812.00	329,839,110.00
Investment Securities At Amortized Cost - Net	168,153,944.00	91,888,175.00
Loans And Receivables - Net	2,292,691,960.00	2,424,093,993.00
Assets Held For Sale	14,979,520.00	9,255,728.00
Bank Premises, Furniture, Fixtures	41,741,670.00	46,045,220.00
Right-Of-Use Assets - Net	50,666,138.00	56,504,863.00
Investment Properties - Net	423,793,331.00	383,612,652.00
Other Resources - Net	172,364,141.00	177,014,009.00
Total Liabilities And Capital Funds	**3,626,815,824.00**	**3,689,139,833.00**
Deposit Liabilities	2,852,259,049.00	2,609,630,732.00
Bills Payable	142,601,150.00	425,375,831.00
Accrued Expenses And Other Liabilities	262,185,790.00	262,054,643.00
Capital Funds	369,769,835.00	392,078,627.00

Income Statement

	2025	2024
TOTAL INTEREST INCOME	**371,782,611.00**	**399,188,165.00**
INTEREST INCOME ON:		
Loans and receivables	363,294,915.00	392,845,205.00
Investment securities at amortized cost	8,324,643.00	5,482,731.00
Due from other banks	163,053.00	860,229.00
TOTAL INTEREST EXPENSE	**116,795,502.00**	**118,584,939.00**
INTEREST EXPENSE ON:		
Deposit liabilities	86,385,881.00	65,699,175.00
Bills Payable	14,771,383.00	39,201,702.00
Others	15,638,238.00	13,684,062.00
NET INTEREST INCOME	**254,987,109.00**	**280,603,226.00**
IMPAIRMENT LOSSES - Net	(1,042,796.00)	(10,546.00)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	**256,029,905.00**	**280,613,772.00**
OTHER INCOME	116,697,196.00	160,567,795.00
OTHER EXPENSES	387,364,277.00	419,313,632.00
PROFIT/(LOSS) BEFORE TAX	**(14,637,176.00)**	**21,867,935.00**
TAX EXPENSE (INCOME)	(4,186,177.00)	(5,769,533.00)
NET PROFIT	**(18,823,353.00)**	**16,098,402.00**
OTHER COMPREHENSIVE INCOME / (LOSS)	(3,485,438.00)	(5,562,487.00)
TOTAL COMPREHENSIVE INCOME	**(22,308,791.00)**	**10,535,915.00**

FINANCIAL SUMMARY

Results of Operations as of 31 December 2025

Profitability

	2025	2024
Total Net Interest Income	254,987,109.00	280,603,226.00
Total Non-Interest Income	116,697,196.00	160,567,795.00
Total Non-Interest Expenses	387,364,277.00	419,313,632.00
Pre-Provision Profit/(Loss)	**(15,679,972.00)**	**21,857,389.00**
Allowance for Credit Losses	(1,042,796.00)	(10,546.00)
Net Income/(Loss)	(18,823,353.00)	16,098,402.00
	2025	**2024**
Liquid Assets	630,579,064.00	602,613,368.00
Gross Loans	2,199,790,178.77	2,356,324,703.00
Total Assets	3,626,815,824.00	3,689,139,833.00
Deposits	2,852,259,049.00	2,609,630,732.00
Total Equity	369,769,835.00	392,078,627.00

Other Relevant Data

Selected Ratios	2025	2024
Cash Dividends Declared	-	-
Head Count	655	672
Officers	57	89
Staff	598	583

ANNUAL REPORT DISCLOSURES

as of 31 December 2025

	2025	2024
Core Tier 1 Capital		
Paid up common stock	310,669,390.00	310,669,390.00
Paid-up perpetual and non-cumulative preferred stock	100,000.00	100,000.00
Additional paid-in capital	50,148,068.06	50,148,068.06
Retained earnings	(13,347,990.00)	(29,446,392.00)
Undivided profits	(16,383,004.31)	8,565,108.85
Other comprehensive income	(14,344,070.69)	(8,781,583.69)
Sub-total	**316,842,393.06**	**331,254,591.22**
Deductions from Core Tier 1 Capital		
Common stock treasury shares (for consolidated basis)		
Unbooked valuation reserves	-	-
Deferred tax asset, net of deferred tax liability	91,591,792.02	89,102,560.02
Goodwill, net of allowance for losses	4,001,149.00	4,001,149.00
Other intangible assets, net	516,792.46	5,215,035.2
Sub-total	**96,109,733.48**	**98,318,744.22**
Hybrid Tier 1 Capital		
Perpetual unsecured subordinated debt	50,000,000.00	50,000,000.00
TOTAL TIER 1 CAPITAL	**270,732,659.58**	**282,935,847.00**
Tier 2 Capital and Breakdown of its components		
Tier 2 (Supplementary) Capital		
Upper Tier 2 Capital		
Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption	5,750,000.00	5,750,000.00
Appraisal increment reserve – bank premises, as authorized by the Monetary Board	8,853,229.42	8,853,229.42
General loan loss provision	18,884,659.00	24,342,738.08
Sub-total	**33,487,888.42**	**38,945,967.50**
Lower Tier 2 Capital		
Unsecured subordinated debt with a minimum original maturity of at least 5 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)	58,060,000.00	58,060,000.00
Deductions from Lower Tier 2		
TOTAL TIER 2 CAPITAL	**91,547,888.42**	**97,005,967.50**
TOTAL QUALIFYING CAPITAL	**362,280,548.00**	**379,941,814.50**

ANNUAL REPORT DISCLOSURES

as of 31 December 2025

	2025	2024
Capital Requirement for Credit Risk		
Total Credit Risk-Weighted Assets	2,975,352,748	3,132,432,510.01
Rate	10%	10%
Capital Requirement for Credit Risk	**292,544,165.40**	**313,243,251.00**
Capital Requirement for Operational Risk		
Total Operational Risk-Weighted Assets	549,044,529.94	559,369,460.40
Rate	10%	10%
Capital Requirement for Operational Risk	**54,904,452.99**	**55,936,946.04**
Capital Requirement for Market Risk		
The bank has no required capital for Market Risk as it has no Market risk-weighted assets as of December 31, 2025, and December 31, 2024		

bringing services for GOOD Causes

making financial services accessible to the rural communities

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GMBANK WELCOMES "GOOD MONEY, GOOD PESO" ACTIVITY IN COLLABORATION WITH BSP PISO CARAVAN

GMBank continues to strengthen its commitment to financial wellness as it partners with the Bangko Sentral ng Pilipinas (BSP) for the pilot launch of the "GOOD Money, GOOD Peso" activity, in line with BSP's Piso Caravan initiative. The event was held at the GMBank Business Center, Head Office in Cabanatuan City, Nueva Ecija this July morning.

The Piso Caravan aims to encourage the circulation of idle coins and assist in the withdrawal of unfit and mutilated currency. These efforts are part of the BSP's broader Coin Recirculation Program, which seeks to improve coin availability, and maintain the overall quality of Philippine currency.

During the program, Ms. Marie Aimee S. Maramba, Head of GMBank's Operations Group, welcomed the participants and expressed the significance of the partnership.

"This initiative goes beyond currency exchange. It highlights our commitment to financial inclusion and public service," Ms. Maramba said.

Atty. Olivia B. Cornejo-Mallari, Area Director of BSP Cabanatuan Branch, also delivered her message of recognition and appreciation for GMBank's dedication to the program.

"GMBank, among local banks with an established Head Office here in Nueva Ecija, has committed the most number of branches to be considered as Currency Exchange Centers under the BSP initiative," she noted. The Area Director also added that kind of participation shows true leadership in public financial service. Attorney Cornejo-Mallari gave her insights with the intimidation of the fellow Filipinos who were unbanked, and this Corporate Social Responsibility (CSR) can be vital to each one's success.

Before the ceremonial signing, Ms. Chona Y. Co, Head of GMBank's Branch Banking and Microfinance Group, acknowledged the team behind the scenes who worked to make the partnership successful.

"We commend the efforts of our GMBank officers and staff who made this collaboration possible. Our shared responsibility with BSP aligns with our mission to promote financial safety and literacy." said Ms. Co.

To formally seal the partnership, Ms. Co, Ms. Maramba, and Atty. Cornejo-Mallari signed the agreement and pledge of commitment, reinforcing their joint mission to carry out the objectives of the Piso Caravan and coin recirculation.

With this collaboration, GMBank positions itself as an advocate for accessible and inclusive financial programs. The bank's role in the Caravan underscores its dedication to serving not only as a financial institution, but also as a partner GOOD Community.

The Piso Caravan will be available every Thursday across all 43 GMBank branches in North and Central Luzon, providing the public with a convenient way to exchange loose coins and unfit bills while participating in a broader cause for national economic efficiency.

GMBANK NAMED SOLE BANKING INSTITUTION HONORED AT 3RD KADUGO AWARDS FOR BLOOD DONATION EFFORTS IN CENTRAL LUZON

CLARK, PAMPANGA – In a gathering that recognized hundreds of institutions across Central Luzon for their life-saving contributions, GMBank emerged as the only banking institution honored at the 3rd Kadugo Awards organized by the Philippine Red Cross (PRC), highlighting its growing role in community-centered humanitarian service.

Held on November 28 at Hilton Hotels & Resorts Clark, the ceremony carried the theme "Give Blood, Give Hope, Save Lives" and brought together 314 awardees composed of government agencies, civic organizations, volunteer groups, and private institutions that actively supported regional blood donation programs. Among these, GMBank stood out as the sole recipient from the banking sector in Central Luzon, underscoring its sustained commitment to blood donation advocacy and community engagement.

The event opened with a message from Gov. Edward Thomas F. Joson, PRC Board of Governors member and Chairman of the Nueva Ecija Chapter, who emphasized the importance of recognizing institutions that continuously support the region's blood supply system. He also shared a personal experience involving the Red Cross during his family's medical emergency, underscoring the critical role of blood availability in saving lives.

PRC Secretary General Dr. Gwendolyn T. Pang, speaking on behalf of the national organization, reinforced the significance of every blood donation, describing each bag as a symbol of hope and life. She also reported that Central Luzon recorded 53.4 thousand bags of blood collected in the previous year, benefiting more than 30,000 patients nationwide, and acknowledged Zambales as the top contributing province in the region.

The recognition also reflected the alignment between GMBank's corporate values and the Philippine Red Cross' guiding principles, including humanity, voluntary service, and unity. Through its Corporate Social Responsibility programs, GMBank has consistently supported blood donation drives across its branches, integrating community service into its institutional operations.

Bank representatives highlighted that its participation in blood donation initiatives reflects core values of integrity, social responsibility, innovation, and excellence in delivering community-focused programs beyond traditional banking services.

GMBank's recognition at the Kadugo Awards serves as a reaffirmation of its continuing commitment to humanitarian initiatives. The bank stated its intent to further strengthen partnerships with the Philippine Red Cross and sustain programs that contribute to saving lives and supporting community health needs in the region.

GMBANK BLOOD DONATION DRIVE YIELDS 48 BAGS OF BLOOD ACROSS 3 NUEVA ECIJA BRANCHES

What began as a simple call for volunteers turned into a province-wide expression of solidarity, as GMBank employees, clients, and community members collectively donated 48 bags of blood across three branches in Nueva Ecija.

Under its Corporate Social Responsibility initiative titled "Save and Celebrate a Good Life: A Blood Donation Initiative," GMBank, in partnership with the Philippine Red Cross – Nueva Ecija Chapter, conducted a three-part bloodletting activity held in San Isidro, Muñoz, and at the Corporate Head Office in Cabanatuan City. The campaign ran over three consecutive weeks in September and October 2025, bringing together donors from different sectors of the community in a coordinated effort to support local hospitals and patients in need of blood supply.

The first leg was held at the GMBank San Isidro (Old) Branch on September 19, where employees and clients actively participated in the initiative. The activity highlighted the role of financial institutions in extending support beyond banking services and into community health and welfare.

The second phase followed at the GMBank Muñoz Branch on September 25, building on the momentum of the initial activity. The turnout reflected growing engagement from employees, clients, and nearby residents who volunteered to donate blood as part of the shared advocacy. According to Microfinance Region I Head Celso U. Mangalindan Jr., the initiative continues to strengthen both community support and institutional commitment, noting that the bank aimed to increase its collection target from 20 bags in the previous year to 30 bags this year.

The final leg was conducted at the GMBank Head Office in Cabanatuan City despite heavy rainfall, underscoring continued participation and commitment from donors and organizers. Across all three sites, GMBank recorded a total of 48 bags of blood collected, with 18 bags from San Isidro, 19 from Muñoz, and 11 from the Head Office.

Senior Communications Officer Mariel P. Perez of the GMBank Social Media and Corporate Communications Unit emphasized that the activity reflects the bank's sustained commitment to community engagement. She noted that in coordination with the Philippine Red Cross – Nueva Ecija Chapter, each leg of the blood donation drive was properly facilitated and successfully implemented through the cooperation of employees, volunteers, and community members.

The initiative forms part of GMBank's continuing CSR efforts, reinforcing the importance of collective action in addressing healthcare needs and promoting a culture of volunteerism within its service areas.


at your service,
GOOD Community
behind the services we offer are
dedicated individuals who genuinely care
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GMBANK CAPS 2025 WITH ‘70S CLASSICS-THEMED YEAR-END CELEBRATION HONORING EMPLOYEES AND MILESTONES

CABANATUAN CITY, NUEVA ECIJA – Nostalgia and celebration filled the La Benue Center of Events as GMBank marked its 2025 Year-End Party on December 19 with a vibrant “GM KNB? The ’70s Classics” theme, highlighting both the institution’s legacy and the people behind its continued growth.

The event brought employees from various departments and branches together for a night of games, performances, and recognition, blending entertainment with institutional appreciation. Classic game show-inspired activities such as Family Feud, Pera o Bayong, and 1 vs 100 energized the program, strengthening camaraderie and teamwork among participants while reflecting the playful spirit of the 1970s theme.

New employees also took part in special performances that recreated iconic commercial advertisements, creatively linking nostalgic concepts with GMBank's financial products and services. The segment added a lighthearted touch to the program while showcasing the creativity and engagement of the workforce.

In his message, GMBank President and Chief Executive Officer Tomas Gomez IV emphasized that the Filipino Christmas spirit extends beyond December and continues into the early months of the year. He also underscored that employees remain the bank's greatest asset, highlighting their role in sustaining the institution's performance and culture.

A key highlight of the celebration was the recognition of 10 Loyalty Awardees who have served the bank for 20 to 30 years. The awards were presented by Operations Group Head Marie Aimee S. Maramba, who expressed gratitude for their long-standing dedication and contributions to the institution's stability and service quality.

GMBank Chairman Abelardo P. Samson Sr. also shared his appreciation for the opportunity to join and engage with employees during the annual gathering, noting the strong sense of unity within the organization and the continued enthusiasm he observes across generations of staff.

The year-end celebration served as both a culmination of the year's achievements and a reaffirmation of GMBank's culture of unity, gratitude, and shared purpose, anchored on its long-standing commitment to employee recognition and organizational strength.

services dedicated to our

GOOD Partners

collaborative spirit and shared vision drives us to achieve greater heights

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PAGDIRIWANG sa pamayanan

A TRIBUTE TO OUR COMMUNITY PARTNERS

COMMUNITY CELEBRATION BRINGS SMILES AND JOY TO THE GMBANK MICROFINANCE ANNUAL PARTY

The clients of GMBank Microfinance Regions 1 and 2 were filled with joy and energy during the Pagdiriwang sa Pamayanan: A Tribute to Our Community Partners Annual Party held in January and February 2025. Pagdiriwang sa Pamayanan is an annual celebration of the GMBank Microfinance Department held as a gesture of gratitude to clients who continue to support and patronize the Bank's products and services. It serves as a simple tribute to the members of the GOOD Community who have become the Bank's partners in improving their livelihoods.

GMBank Microfinance Region 1, led by Mr. Celso U. Mangalindan, covers the Bank's branches in three major areas: Nueva Vizcaya, Pangasinan, and the northern part of Nueva Ecija. Meanwhile, GMBank Microfinance Region 2 is under the management of Mr. Angelito J. Mallari and covers the southern part of Nueva Ecija, Tarlac, Bulacan, Pampanga, and Zambales.

The first part of the celebration was held in Iba, Zambales, led by Mr. Richard M. Lopez of GMBank Microfinance Area 7. This was followed by a celebration in Sta. Rosa, Nueva Ecija, headed by Mr. Gerald J. Mendoza of Microfinance Area 4. Microfinance Area 6, under the management of Mr. Victor M. Ramos, also held its gathering in Concepcion, Tarlac in January.

Meanwhile, GMBank Microfinance Area 1 organized a large gathering in Umingan, Pangasinan, where all of its clients within the area were introduced. During the opening of the program, Mr. Mangalindan, together with his Area Managers—Mr. Elpidio B. Herrera, Jr. of Area 1, Mr. Roderick G. Palad of Area 2, and Mr. Emmanuel E. Saturno of Area 3—extended their heartfelt gratitude to the clients, emphasizing their vital role in strengthening the community and supporting the continued growth of GMBank. They also expressed appreciation to the long-standing clients who have remained part of the GOOD Community and continue to take part in the annual celebration.

Aside from the joyful gathering, various games and contests entertained the attendees, ncluding "Pera o Kahon," "GMBank Got Talent," a singing contest, and an impersonation performance by "Miggy-Migz", a well-known comedian. The much-awaited raffle draw was also held, with grocery packages, gadgets, appliances, and motorcycles given away to lucky clients.

The Microfinance Department's annual celebration is traditionally held every December, but it was moved to February to allow more clients to participate and experience the spirit of togetherness and gratitude.

our community leaders

corporate governance

leading the GOOD Community lowards success

Corporate Governance is the system and process by which a corporation is directed and controlled by its Board of Directors, acting collegially.

Board of Directors

The corporate powers of a bank shall be exercised, its business conducted, and all its property controlled and held by its Board of Directors. The powers of the Board, as conferred by law, are original and cannot be revoked by the stockholders. The Directors are charged with the duty of exercising sound and objective judgment for the best interest of the Bank. The Board works with management through the Chief Executive Officer (CEO) of the Bank.

Duties and Responsibilities

The Board bears the primary responsibility for creating and enhancing long-term shareholder value, and generating reasonable and sustainable returns by:

- Establishing a sound corporate governance framework by defining, reviewing, and approving the Bank's mission, vision, strategies, objectives, budgets, and policies; approving and reviewing Board working protocols, and Board management succession and retirement policies;
- Defining and institutionalizing the Bank's culture, values, codes of conduct and ethical standards, including whistleblowing and reporting policies.
- Appointing and selecting of the CEO, key members of senior management and heads of control functions;
- Monitoring and assessing their performance, and approving sound remuneration and incentives policy for officers and employees;
- Approving and overseeing implementation of the Bank's risk governance framework including its risk appetite.

Chairman of the Board

The Chairman is a Non-Executive Director of the Board and has not served as CEO of the bank within the past three years. The Chairman and the President/CEO positions are currently held by two individuals who are related to each other and have defined roles and responsibilities that are separate and distinct. Under the leadership of the Chairman, the Board creates the framework within which the Bank's executive team, headed by the President and CEO, steers the business. The Chairman:

a) Provides leadership to create an environment for the Board's and individual Director's effectiveness by encouraging and promoting critical discussions, including dissenting views, within a sound decision-making process.
b) Ensures that strategic issues are discussed by the Board in a timely manner including risks appetite and key governance concerns.
c) Promotes the Board's active participation in the development and determination of the Bank's strategies and policies, and that Board decisions are made in the Bank's best interests and fairly reflect Board's consensus.
d) Forges a positive and constructive working relationship between the Board and Management; and
e) Establishes good corporate governance practices and promotes high standards of integrity in the Bank and particularly at the Board level.

Chief Executive Officer

The CEO reports directly, and is accountable, to the Board of Directors for the performance of the Bank. The CEO:

a) Leads the development and execution of short and long-term strategies.
b) Communicates on behalf of the Bank with shareholders, regulators, and the public.
c) Evaluates the work of other executive leaders within the Bank.
d) Implements the Bank's vision, mission, and values; and
e) Ensures that management's reports to the

Corporate Governance

Board provide relevant, accurate, timely, and clear information necessary for the Board to fulfill its duties.

Board Snapshot

Gender Diversity, Independence and Age of the Board

Executive Directors: 3
27.27%

Non-Executive Directors: 5
45.45%

Independent Directors: 3
27.27%

Male: 7
63.64%

Female: 4
36.36%

40-49 Years old: 1
9.09 %

50-59 Years old: 3
27.27%

60-69 Years Old: 4
36.36%

70-79 Years Old: 2
18.18%

90-99 Years Old: 1
9.09%

Board Composition and Director Qualification

The GMBank Board of Directors has 11 members, including three (3) Independent Directors in compliance with Sec. 132 of the MORB. The size of the Board is deemed appropriate given the complexity of the operations of the Bank, its risk appetite, the geographical spread of the business, and the time demands placed on the directors.

Board membership was strengthened during the Bank's Board Meeting last May 30, 2025, with the election of one (1) new member of the Board of Directors. As a financial institution imbued with public interest, qualifications for membership in the Board are guided by our Amended By-Laws, the Revised Corporation Code, and relevant regulations of the BSP and the SEC, particularly with respect to IDs. Directors comply with all fit and proper qualifications and requirements of the BSP and SEC and remain qualified throughout the one-year term. The Risk Oversight and Corporate Governance (ROCG) committee of the Bank is tasked with the responsibility to accept, assess, and recommend director nominees/candidates based on the competency requirements needed by the bank and ensuring compliance with relevant BSP and SEC regulations. In support of an annual review of Board succession planning, a three-year projection of Board vacancies based on retirement age and maximum tenure policy is presented to the committee.

The ROCG committee encourages nominations, for planned and unplanned vacancies, from shareholders, directors, and with entities such as the Institute of Corporate Directors.

Board and Officer Remuneration

Executive Directors, as they are involved in Management are given salaries, allowances and other benefits enjoyed by an employee plus a fixed per diem for attendance to Board meetings. The Non-Executive Chairman of the Board is given a fixed monthly non-salary compensation plus a fixed per diem for attendance to Board meetings. Non-Executive Directors are given a fixed per diem for attendance to board meetings.

1. The levels of remuneration of the Bank shall be sufficient to attract and retain the directors and officers needed to run the Bank successfully. A portion of Executive remuneration may be structured to link rewards to corporate and individual performance as executive officers of the Bank, subject to Board approval. A portion of Director remuneration may be structured to link rewards to corporate performance, subject to shareholder approval.
2. Executive management remuneration, both fixed and performance-based is approved by the Board of Directors. Board of Directors (both Non-Executive and Executive)

BOARD LEVEL COMMITTEES

Audit Committee Composition

EDWARD JOHN T. REYES
Chairperson (ID)

ROBERT A. SALAPANTAN
Member (ID)

MICHELE CECILIA F. GO-PELAYO
Member (NED)

Risk Oversight and Corporate Governance Committee Composition

ERMILANDO D. NAPA
Chairperson (ID)

SIMEONA S. GUEVARRA
Member (NED)

EDWARD JOHN T. REYES
Member (ID)

OTHER COMMITTEES

- Credit Committee (CreCom)
- Sub-Credit Committee (SubCreCom)
- Asset and Liability Committee (ALCO)
- Information Technology Steering Committee (ITSC)
- Consumer Protection Steering Committee (CPSC)
- Personnel Discipline Committee (PDCom)
- Business Continuity Team (BCT)
- Business and Product Development Steering Committee (BPDSC)

remuneration including, but not limited to, meeting per diems, allowances, and performance-linked compensation require approval by the stockholders during an annual or special stockholders meeting.

3. During the Annual Stockholders meeting on April 26, 2024, the shareholders approved changes to the compensation structure of Board Directors as follows:

- Attendance requirement for entitlement to full per diem.
- Increasing per diem rates for Directors but eliminating fixed year-end bonuses unrelated to bank performance.
- Establishing per diem rates for Independent Directors at a higher level than for non-Independent Directors.
- Reducing the per diem rate for the CEO for attending board meetings at a level of 50% of the per diem for non-Independent directors.

Retirement Age of Directors

The Mandatory retirement age for all directors is 80 years old. Director candidates are ineligible for election when they reach 80 years old prior to the annual stockholders meeting and/or at the time of election. The mandatory retirement age of 80 does not apply to the incumbent Chairman and Founder, whose retirement age is 90 years. Upon the election of a new Chair, the retirement age for all directors applies.

Term Limit of Board of Directors

Independent Directors can serve only a maximum of nine (9) years as required by the MORB. An Independent Director, however, may continue to serve as a Non-Executive Director after the end of his/her tenure.

Board Committees

The Board has established two (2) Committees to improve the efficiency and effectiveness of the Board in discharging its functions related to oversight of internal control, risk management, and corporate governance framework. The BOD committees enhance the objectivity and independence of the Board's judgment, insulating it from undue influence of management and major shareholders. BOD Committee chairs provide leadership to their committees. They work with the Corporate Secretary, management and senior board staff in the conduct of committee meetings.

Audit Committee

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Monitor, review, and recommend policies regarding the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.
- Monitor and review the qualifications, independence and performance of the Bank's independent auditors and its internal audit department.
- Provide an avenue of communication among the independent auditors, management, the Internal Audit Department (IAD), and the Board of Directors.

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- Monitor, review, and recommend policies regarding the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.

Composition:
The Audit Committee shall be composed of at least three (3) members of the Board of Directors, excluding executive directors, at least two (2) of whom shall be independent directors, including its Chair (based on the revised Charter, effective 28 May 2021). The committee members will elect the Committee Chair from among themselves. Each committee member should have an adequate understanding and competence of the Bank's financial reporting systems and internal control framework. The Committee should have at least one financial expert. No committee member should simultaneously serve on the audit committee of another private entity. The committee meets at least four times a year.

Risk Oversight and Corporate Governance Committee

The Risk Oversight and Corporate Governance (ROCG) Committee is appointed by the Board of Directors to assist the Board in its functions related to risk management and corporate governance. The Committee's primary duties and responsibilities are to:

- Monitor, review, and recommend approval of appropriate risk policies and associated practices of the bank consistent with bank strategy and risk appetite including, but not limited to, Credit Risk, Liquidity & Market Risks, Operational Risk, Reputational Risk, and others.
- Monitor, review, and recommend for approval with respect to the Company's governance policies, procedures, practices, and basic governance documents such as the By-Laws and Committee Charters, Board and Management Succession and compensation Plan, Nomination and Selection of Board vacancies.
- The Head of Risk Management Department reports directly to the ROCG Committee.

Composition: The ROCG Committee shall be composed of at least three (3) members of the Board of Directors excluding, executive directors, at least two (2) of who shall be independent directors including its Chair (based on revised Charter effective 28 May 2021). The committee members will elect the Committee Chair from among themselves. Each committee member should have an adequate understanding and competence of the Bank's risk management and corporate governance framework.

Board & Board Committee Meetings and Attendance

Regular meetings of the Board of Directors are held at least once a month at such hours and on such days as shall be fixed either by the Chairman of the Board of Directors or the President of the Bank at least seven (7) working days before the date of the scheduled meeting. The Chairman of the Board of Directors or the President, or any four (4) Directors may call a special meeting of the Board of Directors. The Chairman of the Board or, in his absence or inability, the Vice Chairman presides at such meetings. A meeting notice is sent to each Director at least three (3) working days before the date hereof.

Board & Management Performance Appraisal

Members of the Board and Board committees are periodically assessed via the Performance Appraisal Program with the objective of identifying the overall strengths and specific areas for improvements. The results of assessment and feedback from the members collectively form part of the bank's overall strategy, performance and/or future directions or endeavors. All directors conduct an assessment of the entire Board as a body;

- his/her Director peers;
- the Chairman of the board; and the
- President/CEO.

The board level Audit Committee members evaluates the Audit Committee and the Head of Audit Department (part of Senior Management) while the board level Risk Oversight and Corporate Governance (ROCG) Committee members evaluates the board committee as a body, the Chief Compliance Officer and the Head of Risk Management Department. The administration of the Performance Appraisal is handled by the Corporate Secretary and is responsible for reporting results to the Board. The CEO evaluates performance of all Senior Management Officers with direct reporting responsibilities to the Office of the President. The performance appraisal tool incorporates scoring on work output, skill and competencies, and work attitude to arrive at an overall assessment. It also includes sections on specific strengths and areas for improvement. This process is initiated and administered by the Head of Human Resources.

Directors' Attendance at Board and Committee Meetings

To show the bank's commitment in attaining its goals, and long-term plan, the table below shows that for all board meetings, and committee meetings (Audit Committee and Risk Oversight & Corporate Governance Committee).

Directors	Meetings Attended	%
Abelardo P. Samson	14/14	100%
Tomas S. Gomez, IV	14/14	100%
Marie Aimee S. Maramba	14/14	100%
Michele Cecilia G. Pelayo	14/14	100%
Karen Lucia G. Dumpit	8/8	100%
Arnel M. Samson	14/14	100%
Abelardo M. Samson, Jr.	8/14	57%
Simeona S. Guevarra	14/14	100%
Edward John T. Reyes	14/14	100%
Ermilando D. Napa	13/14	93%
Robert A. Salapantan	14/14	100%

Audit Committee	Meetings Attended	%
Edward John T. Reyes	4/4	100%
Michele Cecilia G. Pelayo	3/4	75%
Robert A. Salapantan	4/4	100%

Risk Oversight and Corporate Governance Committee	Meetings Attended	%
Ermilando D. Napa	4/4	100%
Simeona S. Guevarra	3/4	75%
Edward John T. Reyes	4/4	100%

Board-level Committees Accomplishments

The Board of Directors and its committees are dedicated towards excellence and continuous innovation of the bank's processes which resulted to the following achievements for the year 2025.

Audit Committee

- Reviewed and approved the 2026 Internal Audit Plan and the corresponding Internal Audit Budget, including manpower support requirements, to help ensure adequate audit coverage and effective discharge of the internal audit function.
- Exercised continuing oversight over the Internal Audit Department through regular review of audit reports, audit accomplishments, audit ratings, engagements, and related updates during the year.
- Strengthened the Bank's internal audit governance framework by acknowledging, approving, and endorsing for Board approval the Internal Audit Charter and Internal Audit Manual.
- Monitored the Bank's compliance environment through regular receipt of the Chief Compliance Officer's compliance testing reports, including matters relating to the Bank's reply to AREF.
- Supported the integrity of the Bank's financial reporting process by acknowledging and endorsing for Board approval the 2024 Audited Financial Statements.
- Exercised oversight over the Bank's external audit arrangements through approval of the 2025 External Audit Engagement Fee and acknowledgment of the audit engagement sequence and related audit support requirements.
- Reviewed key risk, governance, legal, and disciplinary matters, including the Independent Review of the Business Recovery Plan, Risk Weight/Prioritization Criteria, and regular reports from the Personnel Discipline Committee Chair and Legal Counsel.
- Acted on important governance and control-related organizational matters, including the transfer of administrative supervision of the Internal Audit Department and officer movements relevant to oversight and control functions, while maintaining proper committee governance through regular approval of meeting agendas and minutes.

Risk Oversight and Corporate Governance Committee

- Exercised continuing oversight over the Bank's risk management framework through regular review of reports and updates from the Risk Management Head.
- Monitored the Bank's liquidity position and funding risk through periodic review of liquidity report updates presented by the Treasury/FATG Head.
- Oversaw the Bank's credit quality and asset risk profile through regular review of Portfolio/Past Due Assessment Reports.
- Monitored the Bank's compliance environment through confirmation and acknowledgment of compliance findings, responses, and updates, including AML-related matters.
- Strengthened oversight of technology and operational risk areas through review of the IT/Cybersecurity Risk Management Report Update.
- Contributed to the enhancement of the Bank's governance and consumer protection framework through approval of the Financial Consumer Protection Manual and action on other governance-related matters.
- Acted on important organizational and corporate governance matters, including officer movements, promotions for Board approval, senior officer employment actions, the appointment of a replacement director for endorsement to the Board, and other governance-related structural changes.
- Maintained proper committee governance and oversight processes through the regular approval of meeting agendas and minutes and continued review of reports relevant to risk, compliance, governance, and control functions.

Board of Directors Accomplishments

- Approved the Bank's 2025 Budget and exercised continuing oversight over the Bank's financial condition, budget assumptions, branch profitability, and periodic financial performance.
- Strengthened the Bank's governance, policy, and control environment through the approval and updating of key manuals, policies, and guidelines covering write-offs, credit, administration, safety and security, consumer protection, information technology, and data privacy.
- Enhanced the Bank's risk management, sustainability, and resilience framework by approving the Institutional Risk Assessment, Sustainable Finance Taxonomy Guidelines, Sustainable Finance Transition Plan, Risk Appetite Statement, recovery metrics, and business recovery plans.
- Exercised active regulatory and compliance oversight by approving responses to BSP examination findings and directives, the Letter of Commitment, transaction alert thresholds, and other regulatory compliance measures, while also strengthening the Compliance function and consumer protection governance.
- Provided prudent credit and lending oversight through the approval of loan applications, loan restructuring policies, delegated authority on interest rate deviations, and related lending accommodations.
- Advanced the Bank's asset recovery and balance sheet management efforts through the approval and confirmation of ROPA sales, including significant asset disposal transactions, and through regular monitoring of

remedial management, asset recovery targets, and reconciliation issues

- Approved key organizational, leadership, and governance actions, including officer appointments, promotions, confirmations, committee and reporting structure updates, designation of key officers, and succession-related actions.
- Approved significant operational, treasury, and administrative measures, including updates to bank signatories, lease and regulatory representatives, LBP credit line renewals, BDO trust account updates, BIR registration matters, and registration of the Computerized Books of Accounts.
- Oversaw the Bank's audit, reporting, and performance monitoring processes, including approval of the 2024 Audited Financial Statements, actions on the external auditors' Letter of Comments, and regular review of reports from Finance, Compliance, Branch Banking, Microfinance, and Remedial Management.
- Maintained close oversight over the Bank's technology, security, fraud, and incident management matters, including IT and information security measures, core banking system post-implementation review, and reports on fraud cases, branch security incidents, and other operational risk events.

Appointment of a New Member of the Board of Directors

In connection with the resignation of Director Coscolluela, effective May 30, 2025, the board approved Director Dumpit's election during the meeting on the same day. She attended her first meeting on June 27, 2025.

Appointment and Years of Service of Board of Directors

As of 31 December 2025

Director's Name	Type of Director	Date First Selected	Date Last Elected	Manner of Election	No. of Years as Director
Abelardo P. Samson, Sr.	NED	December 1, 2010	April 30, 2021	Annual Meeting	14.08
Tomas S. Gomez, IV	ED	December 1, 2010	April 30, 2021	Annual Meeting	14.08
Marie Aimee M. Samson-Maramba	ED	December 1, 2010	April 30, 2021	Annual Meeting	14.08
Michele Cecilia F. Go-Pelayo	NED	December 1, 2010	April 30, 2021	Annual Meeting	14.08
Karen Lucia G. Dumpit	NED	May 30, 2025	May 30, 2025	Regular Board Meeting	0.59
Arnel M. Samson	ED	November 1, 2024	November 1, 2024	Regular Board Meeting	1.6
Abelardo M. Samson, Jr.	NED	October 30, 2020	October 30, 2020	Regular Board Meeting	3.5
Simeona S. Guevarra	NED	April 30, 2021	April 30, 2021	Annual Meeting	3.67
Edward John T. Reyes	ID	April 30, 2021	April 30, 2021	Annual Meeting	3.67
Ermilando D. Napa	ID	April 30, 2021	April 30, 2021	Annual Meeting	3.67
Robert A. Salapantan	ID	April 30, 2021	April 30, 2021	Annual Meeting	3.67

List of Top 20 Stockholders

As of 31 December 2025

	Directors	% Shares
1	Abelardo P. Samson	14.58%
2	Marie Aimee S. Maramba	10.83%
3	Abelardo M. Samson, Jr.	10.68%
4	Agnes M. Samson-San Juan	10.14%
5	Olga M. Samson	9.09%
6	Arnel M. Samson	7.47%
7	Tomas S. Gomez IV	6.91%
8	Teresita S. Gomez	4.63%
9	Andalusia, Inc.	4.11%
10	Araceli F. Go	3.75%
11	Michele Cecilia F. Go-Pelayo	2.81%
12	Erwin Francis F. Go	2.36%
13	Karen Lucia G. Dumpit	2.26%
14	Teresa Ursula G. Coscolluela	1.83%
15	Paulino B. Dionisio	1.23%
16	Eduardo V. Lorenzo	0.82%
17	Renato V. Lorenzo	0.82%
18	Virginia V. Lorenzo	0.82%
19	Manuel M. Anupol	0.77%
20	Emilio M. Lorenzo, Jr.	0.65%

Security Ownership of Directors

As of 31 December 2025

Class of Share	Director's Name	Type of Director	No. of Shares	% of Shares	Nature of Ownership	Citizenship
Common	Abelardo P. Samson, Sr.	Chairman. NED	4,529,494	14.58%	Direct	Filipino
Common	Tomas S. Gomez, IV	ED	2,147,482	6.91%	Direct	Filipino
Common	Marie Aimee M. Samson-Maramba	ED	3,365,231	10.83%	Direct	Filipino
Common	Michele Cecilia F. Go-Pelayo	NED	871,864	2.80%	Direct	Filipino
Common	Karen Lucia G. Dumpit	NED	700,836	2.256%	Direct	Filipino
Common	Arnel M. Samson	ED	2,321,562	7.47%	Direct	Filipino
Common	Abelardo M. Samson, Jr.	NED	3,318,376	10.68%	Direct	Filipino
Common	Simeona S. Guevarra	NED	26	0.00%	Direct	Filipino
Common	Edward John T. Reyes	ID	1	0.00%	Direct	Filipino
Common	Ermilando D. Napa	ID	1	0.00%	Direct	Filipino
Common	Robert A. Salapantan	ID	23	0.00%	Direct	Filipino

our community leaders

management team

our community leaders

ABELARDO P. SAMSON
Chairman

CURRENT POSITIONS:
- Chairman, GMCycle, Inc.
- Vice Chairman, General de Jesus College, San Isidro
- Director, MB Philippines

PROFESSIONAL EXPERIENCE:
- Chairman, Bangko Luzon Inc.
- President, Rural Bankers Association of the Philippines
- President, Confederation of Central Luzon Rural Banks
- President, Nueva Ecija Federation of Rural Banks, Inc.

EDUCATION:
- B.S. Business Administration, University of the Philippines, Diliman

RECOGNITION:
- Most Outstanding Businessman for the Year, Nueva Ecija Chamber of Commerce & Industry

Age: 91 years old

TOMAS S. GOMEZ, IV
President/ CEO

CURRENT POSITIONS:
- President, GMCycle, Inc.
- Non-Executive Director, General de Jesus College, San Isidro
- Teaching Fellow, Institute of Corporate Directors

PROFESSIONAL EXPERIENCE:
- Chairman, FINEX Foundation for Entrepreneurship
- Governing Board Member, Agricultural Guarantee Fund Pool
- Director, Quedan and Rural Credit Guarantee Corporation
- President, Rural Bankers Association of the Philippines
- President, Confederation of Central Luzon Rural Banks
- President, Nueva Ecija Federation of Rural Banks, Inc.
- Vice President, Ayala Financial and Insurance Services, Inc.

EDUCATION:
- M.B.A., University of the Philippines, Diliman
- B.S. Business Administration and Economics, Notre Dame de Namur University, USA

Age: 61 years old

our community leaders

MARIE AIMEE M. SAMSON
Executive Director

CURRENT POSITIONS:
- Senior Vice President, GM Bank of Luzon, Inc.

PROFESSIONAL EXPERIENCE:
- President, Confederation of Central Luzon Rural Banks
- Vice President, CCLRB

EDUCATION:
- B.S. Commerce (Finance), St. Paul College, Manila

COURSES/ TRAININGS:
- Family Business Course, Ateneo de Manila University
- Family Business Governance Course, Institute of Corporate Directors

Age: 55 years old

KAREN LUCIA S. GOMEZ-DUMPIT
Non-Executive Director

CURRENT POSITIONS:
- Owner, Travel Essentials Trading

PROFESSIONAL EXPERIENCE:
- Commissioner, Commission on Human Rights of the Philippines (CHRP)
- Director, Government Linkages Office, Commission on Human Rights (CHR)
- Board Member, Centre for Civil and Political Rights (Geneva, Switzerland)
- Trustee, Decomgracy Insights Group (Philippines)
- Chairperson, Philippine Working Group for an ASEAN Human Rights Mechanism
- Vice President, World Coalition Against the Death Penalty (France)

EDUCATION:
- Master of Science in Human Rights (with Merit), London School of Economics and Political Science
- Master in Public Management (with Honors), Development Academy of the Philippines
- A.B. Communication Arts, De La Salle University

Age: 60 years old

our community leaders

MICHELE CECILIA F. GO-PELAYO

Non-Executive Director

CURRENT POSITIONS:
- Managing Director, Manila Consulting & Management Co, Inc.
- Director, GMCycle, Inc.

PROFESSIONAL EXPERIENCE:
- Director, Bangko Luzon, Inc.

EDUCATION:
- Certified Public Accountant
- M.S. Taxation, Manuel L. Quezon University
- B.S. Accounting, University of Santo Tomas

COURSES/ TRAININGS:
- Advance Corporate Governance Training, Institute of Corporate Directors Family Business Governance Course, Institute of Corporate Directors

Age: 56 years old

ABELARDO M. SAMSON, JR.

Non-Executive Director

CURRENT POSITIONS:
- Executive Creative Director, TBWA/SMP

PROFESSIONAL EXPERIENCE:
- Treasurer, Muñoz Rural Bank

EDUCATION:
- B.A. Fine Arts (Visual Communication and Editorial Design), University of the Philippines, Diliman
- Post Grad, Design and Visual Communication, Art Institute of Chicago, USA

COURSES/ TRAININGS:
- Corporate Governance and Risk Management, Development Finance Institute

Age: 52 years old

our community leaders

ARNEL M. SAMSON
Executive Director

CURRENT POSITIONS:
- Assistant Vice President, GM Bank of luzon, Inc.

PROFESSIONAL EXPERIENCE:
- Director, Andalusia, Inc.
- Director, GMCycle, Inc.

EDUCATION:
- B.S. Business Administration, Philippine School of Business Administration

COURSES/ TRAININGS:
- AMLA/Online Sexual Exploitation of Children
- BSP Supervisory Assessment Framework

Age: 46 years old

SIMEONA S. GUEVARRA
Non-Executive Director

PROFESSIONAL EXPERIENCE:
- President, Landbank Resources and Development Corporation SVP/Sector Head/EVP of Landbank of the Philippines Services Sector

EDUCATION:
- Certified Public Accountant
- M.B.A. (sans thesis), University of Santo Tomas
- B.S. Commerce (Accounting), University of Santo Tomas

Age: 77 years old

our community leaders

ROBERT A. SALAPANTAN
Independent Director

CURRENT POSITIONS:
- Senior Advisor for Public Affairs, Philippine Stratbase Consultancy, Inc.

PROFESSIONAL EXPERIENCE:
- Director, Rural Bank of Limay
- Director, Rural Bankers Association of the Philippines
- Senior Manager, Asia United Bank
- General Manager, Interlink Network Handel GMBH, Germany

EDUCATION:
- B.S. Political Science, University of the Philippines, Diliman

Age: 62 years old

EDWARD JOHN T. REYES
Independent Director

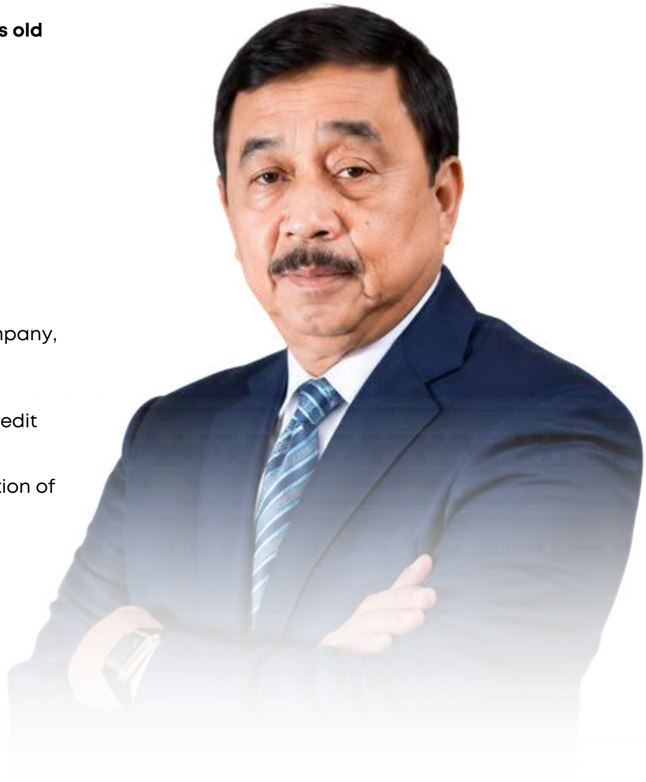
CURRENT POSITIONS:
- President/OIC, Landbank of the Philippines Leasing and Finance Corp.

PROFESSIONAL EXPERIENCE:
- Executive Vice President, Landbank of the Philippines
- HRD Training Officer, Dualtech Training Center

EDUCATION:
- B.S. Civil Engineering, University of the Philippines, Diliman

COURSES/ TRAININGS:
- Professional Directors Program, Institute of Corporate Directors
- Leadership and Management Development, Ateneo Graduate School of Business
- Strategic Business and Economics Program, University of Asia and the Pacific
- General Management Program, Maastrict School of Management, Netherlands

Age: 67 years old



ERMILANDO D. NAPA
Independent Director

CURRENT POSITIONS:
- Chairman and CEO, Manila Consulting and Management Company, Inc.
- Chairman and CEO, Century Woods Inc.
- CEO, Catanauan Resources and Development Corp.
- Vice Chairman, President and CEO, Philippine Export Import Credit Agency
- Board Member, House of Investments, Inc.
- Member, Governance Board, National Life Insurance Corporation of the Philippines

PROFESSIONAL EXPERIENCE:
- Director and Chairman of Audit Committee, Coconut Industry Investment Fund (CIIF)
- Partner, SGV & Co
- Senior Manager, Arthur Andersen New York

EDUCATION:
- Certified Public Accountant
- Master in Management, Asian Institute of Management
- B.S. Business Administration, Aquinas University

Age: 75 years old

our community leaders

The management and oversight team

JOSE A. REYES

SVP/ Head of Legal and Asset Management Group/ Corporate Secretary

REYNANTE D. RIVERA

SAVP/ Head of Treasury Department/ Corporate Treasurer

LORENA C. GASPAR

SAVP/ Chief Compliance Officer/Head ofCompliance, Risk and Internal Audit Group

our community leaders

The management & general operations team

MARIE AIMEE S. MARAMBA
SVP/ Head of Operations Group

CHONA Y. CO
SVP/ Head of Branch Banking and Microfinance Group

BONIFACIO F. TALAMPAS, JR.
SAVP/ Head of Technology and Digital Transformation Group

our community leaders

The management and branch support team

ARNOLD C. PAGADUAN
SAVP/ Head of Credit Group

NILO V. QUIROZ
SAVP/ Head of Asset Recovery, Foreclosure and Disposal Group

List of other bank officers

To support GMBank™ in achieving its overall objectives, mission, and vision, the following bank officers are equally committed to this shared goal:

Office of the President

- **Rolando C. Iniwan, Jr.**- Head of Social Media & Corporate Communications Unit

Branch Banking and Microfinance Group

- **Joel O. Velasco**- Head of Cluster I
- **Joey M. Gonzaga**- Head of Cluster II
- **Adriano Salvador L. Ulip** - Head of Cluster III
- **Ardina B. Tolentino** - Head of Cluster IV
- **Celso U. Mangalindan, Jr.** - Head of MF Region I
- **Angelito J. Mallari** - Head of MF Region II

Legal and Asset Management Group/ Office of the Corporate Secretary

- **Atty. Donnell P. Garcia**- Legal Cousel
- **Richard C. Eugenio** - Head of Safety and Security Unit, concurrent Security Officer
- **Alfredo F. Nagayo** - Head of Remedial Management Unit
- **Danilo A. Rabiza, Jr** - Deputy Head of Remedial Management Unit
- **Francisco I. Ganias** - Head of Remedial Management Documentation
- **Michael A. Agato** - Head of Collection Department
- **Emerson D. Torres** - Head of Head - Collection Unit - Area 1
- **Dino M. Delos Reyes** - Head of Head - Collection Unit - Area 2

Operations Group

- **Mary Joan R. Nicolas** - Head of Operations Department
- **Stellapie P. Sanchez** - Head of System Operations Unit
- **Charmane D. Eugenio** - Head of Recruitment and Selection Unit
- **Ferlyn M. San Jose** - Head of Compensation Administration Unit
- **Glenda P. Medina** - Head of Benefits Administration Unit
- **Mary Joice B. Reyes** - Head of Training and Development Unit

Information Technology Department

- **Gerry A. Gapasin** - Head of Network and Support Services Unit
- **Jestone Aris D. Canuel** - Head of Information Systems Management Unit
- **Argie M. Ignacio** - Head of IT Governance and Operations Unit

Credit Group

- **Gil C. Matias** - Head of Cabanatuan City Lending Center
- **Virgilio S. Marcos, Jr.** - Head of San Isidro Lending Center
- **Rommel B. Bondoc** - Head of Muñoz Lending Center
- **Arleen R. Nuguid** - Head of Tarlac Lending Center
- **Felimon C. Marin, Jr.** - Head of Lingayen Lending Center
- **Danzel B. Ignacio** - Head of Credit Evaluation Unit
- **Joyce A. Marcelo** - Head of Cabanatuan City Documentation Unit
- **Joemel R. Fernandez** - Head of Lingayen Documentation Unit
- **Gretelle C. Vallejo** - Head of Muñoz Documentation Unit
- **John Edmund I. Pelayo** - Head of San Isidro Documentation Unit
- **Adrian D. Danzalan** - Head of Tarlac City Documentation Unit

Finance, Accounting and Treasury Group

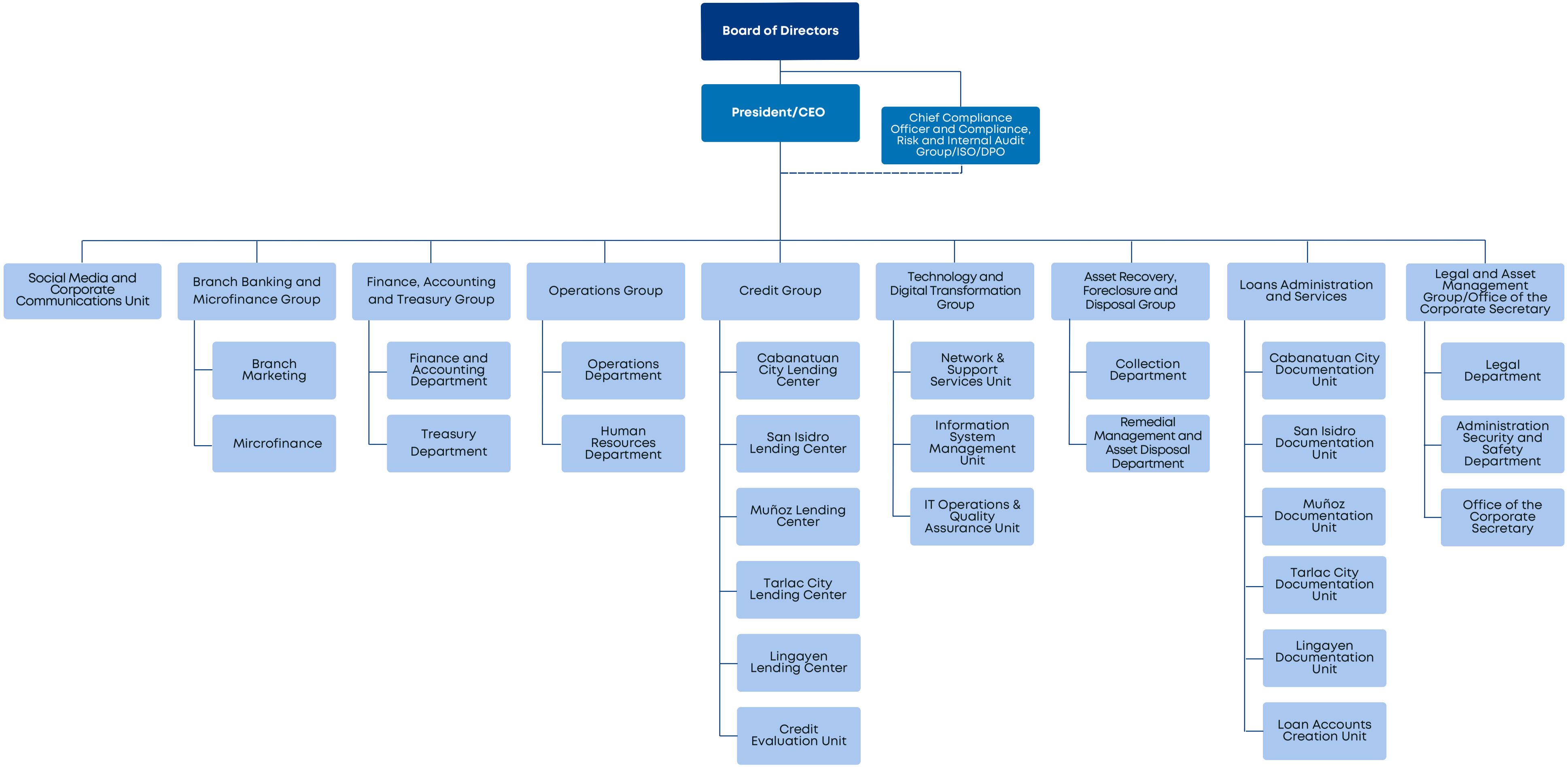
- **Maripen R. Cando** - Head of Operation and Investment Unit
- **Jennifer C. Dela Cruz** - Head of Financial Accounting and Reporting Unit
- **Jenny Lyn P. Mendoza** - Head of Management Accounting Unit
- **Jollivette D. Manuel** - Head of Financial Reconciliation Unit

Compliance, Risk and Internal Audit Group

- **Gilbert M. Jacinto** - Information Security/ Data Protection Officer
- **Eugene P. Ramos** - Head of Regulatory Compliance Unit
- **Ericson C. Celis** - Head - AML Compliance and Consumer Protection Unit
- **Charmaine A. Domingo** - Head of Risk Management Department
- **Harvey E. Onia** - Head of Microfinance Audit Unit
- **Gloria F. Dayao** - Head of Branch Operations and Executive Audit Unit
- **Winnie I. Gamido** - Head of Special Audit, Documentation, Training and Development Unit

Organizational Chart

as of December 31, 2025



Board and Management Discussions and Disclosures

Related Party Transactions

The Bank has an established Related Party Transaction (RPT) Policy as approved by the board in October 26, 2016 and the corresponding amendments to comply with BSP Circular 969. The objective of the RPT policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Bank and any of its related parties in the best interest of the Bank and its stakeholders. The policy covers the Duties and Responsibilities of the Board of Directors, definition of Related Party Transactions, definition of Related Interests, Definition of Material RPT, Review, Evaluation and Approval, Sanctions and the DOSRI-RPT Structure illustrated as follows:

Selection of Board and Senior Management

The Risk Oversight and Corporate Governance (ROCG) committee of the Bank is responsible for accepting, assessing, and recommending director nominees/candidates based on the competency requirements needed by the Bank and ensuring compliance with relevant BSP and SEC regulations. When a projected or unplanned Board vacancy materializes, the ROCG committee communicates the number of vacancies, the qualification requirements, and deadlines for nominations. Nominations are sourced from existing and former Directors, shareholders, and from organizations such as the Institute of Corporate Directors, Inc. ROCG committee recommendations are presented to the Board and/or to the Shareholders for approval. The Bank's Human Resources Department (HR) takes the lead role in the recruitment and selection process of management officers, seeking inputs and/or referrals from members of Senior Management, and occasionally Directors. Selection for AVPs and other higher-ranking officers requires interviews with at least one senior officer (outside of HR) and the President. Credit and background investigations are related process to ensure compliance with relevant BSP and SEC regulations are conducted. The Bank also uses its succession plan which is updated and reviewed every year. Hiring and promotion of officers to the rank of Assistant Vice President or higher require Board approval.

Succession Planning Policy for the Board and Management

The Bank's Board of Directors recognizes the importance of Succession Planning, for the Board and for Senior Management, as one of its key functions. Succession planning is an essential component to the survival and growth of any institution, a tool for effective performance through leadership continuity, and a process of identifying and developing potential successors for the CEO, senior executive positions, and members of the Board of Directors. At least once every calendar year the Risk Oversight & Corporate Governance Committee, in coordination with the Human Resources Department and the Office of the Corporate Secretary, shall:

- Review three (3) year projections on retirements and/or potential vacancies for members of the

Board of Directors, and senior management; and identify potential internal successors and/or establish a process for external successors.

- Determine the suitability of candidates based on education competence, and experience consistent with the needs of the Bank and related "fit and proper" regulations of the BSP.
- Require the CEO, with inputs from senior officers, to present a succession plan matrix covering the positions of CEO, and key senior management officers with the rank of at least Assistant Vice President.
- Present to the Board the results of its review including 3 year projected vacancies, management succession matrix, and recommendations to fill director and officer vacancies subject to the requisite approvals from the BSP.

Continuing Education for Directors and Management

Directors attend various trainings and seminars for continuous professional education and in compliance with BSP regulations. Directors and Officers participate in seminars provided by Bankers' Institute of the Philippines (BAIPHIL), the Association of Bank Compliance Officers of the Philippines (ABCOMP), the Institute of Corporate Directors (ICD), Information Security Officers Group (ISOG), Rural Bankers Research and Development Foundation, Inc. (RBRDFI), Bangko Sentral ng Pilipinas Institute, and other training providers.

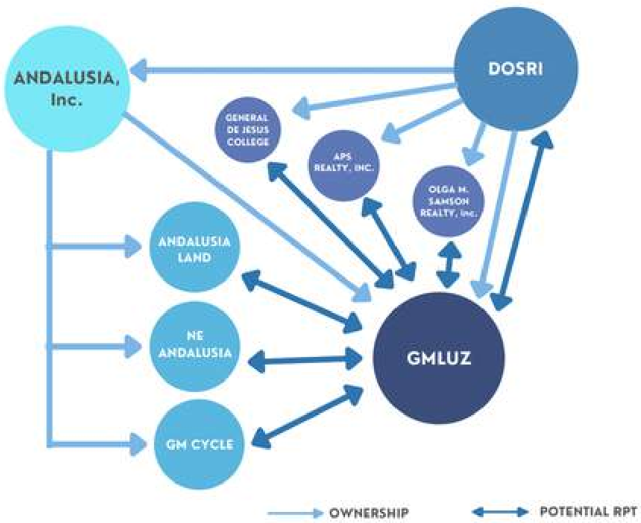
Retirement Age of BOD and Senior Officers

- **Optional Retirement**. In absence of an applicable agreement with the Bank, an employee or senior officer may retire upon reaching the age of sixty (60) years or more after having served for at least five (5) years with the Bank. The retirement plan further provides that an employee or senior officer who has served at least ten (10) years in the Bank and at the same time is at least fifty (50) years of age may apply for early retirement.
- Compulsory Retirement. In absence of an applicable agreement with the Bank, an employee or senior officer shall be retired upon reaching the age of sixty-five (65) years. Upon retirement, whether optional or compulsory, continued service may be allowed on a case to case basis upon mutual agreement with the Bank and the employee or officer, as approved by the Board of Directors
- Service Requirement. The minimum length of service in the Bank of at least five (5) years is required for entitlement to retirement pay and shall include authorized absences and vacations, regular holidays and mandatory fulfillment of a military or civic duty.

Dividend Policy

GMBank's shareholders have historically adopted a Residual Dividend Policy model. Under this model, the Bank retains maximum earnings as possible to strengthen its balance sheet, expand and support its operations, and invest in information technology. It is only when these initiatives are satisfied that "residual" earnings may be declared as cash dividends to stockholders. The Bank's Capital Adequacy ratio must be at least 12% after the distribution of cash dividends. Considering the continuing need to strengthen our balance sheet and invest in new technologies, the Residual Dividend Policy will be the norm for the next five (5) years.

*GM Bank Directors with shares in Andalusia, Inc.	
Director	**% shares**
Abelardo P. Samson	13.08%
Marie Aimee S. Maramba	13.20%
Abelardo M. Samson Jr.	13.20%
Tomas S. Gomez IV	7.51%
Teresa Ursula G. Coscolluela	2.40%



Self Assessment

The Board of Directors, through the Audit Committee, ensures that the Bank has an effective internal control, consistent in the implementation of policies and procedures, and compliant with relevant rules and regulations. The Audit Committee monitors and evaluates the adequacy and effectiveness of the internal control and compliance systems, and the functions of internal audit and compliance. The members convene at least once every quarter to monitor activities, discuss the internal controls and recommend decisions to the Board.

Internal Audit Function

The Internal Audit Function covers all the business units of the Bank. It adheres to the principles required by the ISPPIA (International Standard for the Professional Practice of Internal Auditing), COSO Internal Control - Integrated Framework, COBIT (Control Objectives for Information and Related Technology), and Code of Ethics. It provides assurance on . Alvin "Nicole"

Internal Audit provide value to senior management and governing bodies as objective source of independent advice. Internal Audit reports directly to the Audit Committee of the Board of Directors through the Internal Audit Head, seeking approval for the annual audit plan, providing updates on accomplishments, reporting results of audit conducted and tracking resolution of audit findings.

Compliance Function

The Compliance Office, thru the Chief Compliance Officer (CCO), oversees the design of the Bank's Compliance System, the overall compliance framework of the Bank executed thru a Compliance Program, and promotes their effective implementation. The Compliance Officer reports to and is under the direct supervision of the Risk Oversight and Corporate Governance Committee of the Board of Directors. It is responsible for overseeing, coordinating, monitoring and ensuring compliance of the Bank with existing laws, rules and regulations through the implementation of the overall compliance system and program in accordance with the requirements of the BSP and other regulatory agencies, including but not limited to the i dentification and control of compliance risks, prudential reporting obligations as well as compliance training. The Compliance System forms the processes, people, policies and other components that, as an integral unit, ultimately drive the Bank's initiatives to conform to industry laws, regulations and standards. In line with the Bank's initiatives is its commitment to ensure that activities of the bank and its personnel are conducted in accordance with all applicable banking laws and regulations and industry standards, and this commitment to compliance serves to protect the Bank and its stakeholders.

Consumer Protection

Consumer Assistance Management

The Bank maintains a Consumer Assistance Management System for the timely and transparent receipt, recording, evaluation, resolution, monitoring, and reporting of consumer complaints, requests, and feedback. Concerns may be received through authorized channels, logged with reference or ticket numbers, handled confidentially, and referred to the appropriate officers or units for action.

The Bank aims to resolve simple complaints within seven (7) calendar days, while complex concerns may be resolved within forty-five (45) calendar days. Complaints are reviewed by nature, urgency, gravity, aging, and trends to guide corrective actions, strengthen controls, and improve service delivery.

Consumer Protection Steering Committee

The Consumer Protection Program safeguards financial consumers and promotes fair, transparent, responsible, and ethical banking practices. Oversight is exercised by the Board of Directors and Senior Management, with support from the Consumer Protection Steering Committee as the governance and coordination body for consumer protection matters.

The Bank's Consumer Protection Risk Management System identifies, assesses, monitors, mitigates, and reports consumer protection risks across its products, services, channels, and operations, including disclosure, data protection, fair treatment, effective recourse, financial education, code of conduct, prevention of over-indebtedness, and customer service.

Consumer Protection Steering Committee Functions

The Consumer Protection Steering Committee reviews consumer feedback, complaint status, emerging issues, risk indicators, and assessment results, including gap analysis, self-assessment, and root-cause analysis, to identify corrective actions, control enhancements, and process improvements.

The Committee ensures that complaints and feedback are reported through the established process, from Consumer Assistance Officers to

ultimately, to the Board of Directors. Reports cover complaint categories, frequency, aging, delays, actions taken, recommendations, and annual consumer protection disclosure statistics.

Consumer Protection Steering Committee Meetings

Consumer Protection Steering Committee meetings provide a formal venue to discuss complaints, feedback trends, consumer protection risks, root causes, corrective actions, and implementation status. Significant matters and recommendations are documented and elevated to Senior Management and the Board of Directors, as appropriate.

Risk Management

Business activities lead to risk taking. Risks are addressed in a manner consistent with the risk appetite established by the Board. Risk appetite is the level or type of risk to accept, or to avoid, in pursuit of company objectives.

Acceptable Risks

- Accept a default rates (default rates net of allowance for credit losses, AGFP/HGC guarantees, and 40% of the market value of collateral securities) not exceeding 6 % of the total loan portfolio.
- Keep the operational losses below 0.5% of the annual operating income.
- Maintain a minimum liquidity ratio of 1-2% above regulatory requirements.
- Implement robust transaction monitoring systems and the prompt reporting of suspicious activities to relevant authorities.
- Asset growth consistent within the Board-approved capital management framework.

Non-Acceptable Risks

• Loan syndication, FCDU deposits/lending, derivatives, receivables financing, securities trading, trust activities, and asset-based (only) lending, SME loan pricing to compete with commercial banks, etc. • Products/Services that cannot be supported by core banking system/automation. • RB acquisitions of a size that is a challenge to digest – e.g. RBs in excess of 7 branches and/or with an asset size that exceeding 15% of GMBank. • Single provider of non-deposit funding (e.g. LBP as single source of rediscounting line) • Overall CAR below 11%, Liquidity below 20%.

The Board of Directors is tasked with establishing the risk appetite and overall risk strategy. It fulfills its risk management function through the Risk Oversight and Corporate Governance (ROCG) Committee. The Bank adheres to the "three lines of defense" model. This provides a clear set of principles in managing risk across the organization.

- First line of defense – Risk Management responsibilities for business units owning and managing risk.
- Second line of defense – Risk Management Department is responsible for the risk oversight function
- Third line of defense – independent assurance on the quality and effectiveness of internal controls and the risk management function.

The ROCG Committee's functional and operational arm is the bank's Risk Management Department (RMD). The RMD Head is independent from executive functions and business line responsibilities, and reports to the Board of Directors through the ROCG Committee. The RMD's responsibilities include development and review of policies and limits as well as the assessment, measurement, monitoring and reporting of the Bank's risk-taking and risk management activities.

GMBank™ identifies risks according to the following classifications:

- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Compliance Risk
- Reputational Risk
- Information Technology Risk
- Money Laundering and Terrorist Financing Risks.

Credit Risk

Credit risk refers to the possibility of a borrower defaulting on their obligations, such as failing to make required payments of principal or interest on the agreed date. The bank has established clear policies for extending credit to borrowers and monitoring credit risk. To manage credit risk effectively, the bank implements a comprehensive policy that includes setting exposure limits for each counterparty or group of counterparties, as well as geographic considerations and industry segments, collateral and guarantees

reporting and escalation of credit risk exposures and breaches, and monitoring compliance. Loan receivable balances are being monitored periodically to ensure the timely execution of necessary intervention efforts.

Market Risk

GMBank™ seeks to maintain a low market risk related to Its treasury/Investment assets and the bank liabilities.
·The bank aims to minimize market risk associated with its treasury/investment assets and bank liabilities.

Operational Risk

The risk of losses resulting from inadequate internal processes, systems, or human errors. The bank aims to keep operational losses below 0.5% of annual operating income.

Liquidity Risk

The risk of being unable to meet financial obligations as they come due. The bank maintains a minimum liquidity ratio of 1-2% above regulatory requirements.

Compliance Risk

Compliance Risk is the risk of potential financial penalties, legal actions, loss of reputation, and operational disruptions due to its failure to adhere to relevant laws, regulations, and industry standards.
GMBank is committed to adhering to all laws, regulations, and industry standards, with a zero-tolerance policy for non-compliance. They invest in compliance programs, conduct regular audits, and take immediate corrective action for issues.

Reputational Risk

The risk of damage to the bank's reputation resulting from negative public perception.
To manage reputational risk, the bank is committed to preventing actions that could significantly harm its reputation and will actively manage any potential reputational risks.
Reputational risk is a threat to the bank's good standing and the perception of stakeholders.

It can stem from a variety of sources, including:

- Non-compliance with Regulatory Standards
- Non-disclosure of key information and lack of transparency
- Conflict of Interest
- Fraud
- Misuse of consumers' assets
- Unauthorized transactions
- Breach of the security of Client Information
- Clients' over-indebtedness
- Unfair treatment
- Lack of effective recourse
- Improper maintenance of Client information

Information Technology Risk

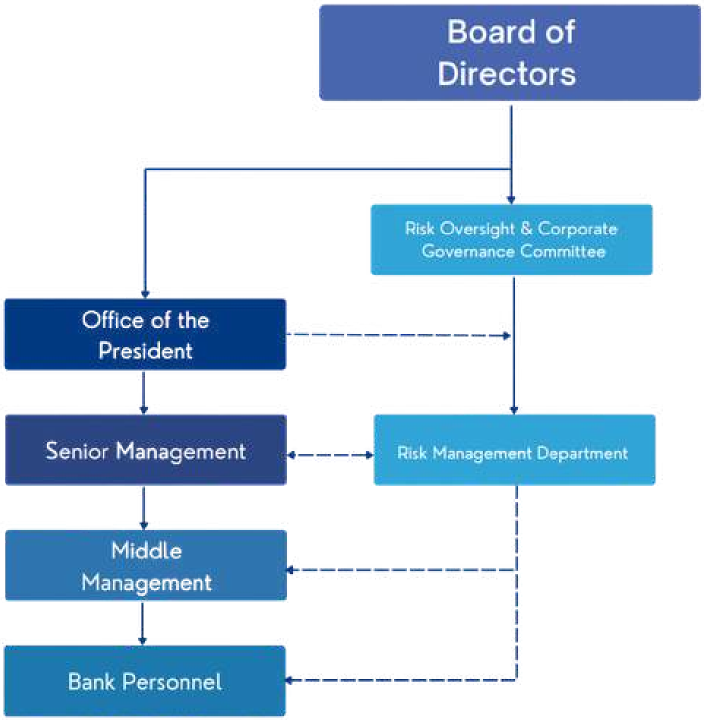
Information Technology Risk is the risk of potential threat or harm to information technology systems, infrastructure, and data assets.
GMBank has established specific risk tolerance limits across various areas:
For cybersecurity risk, it accepts incidents leading to financial losses up to a predefined limit, with a maximum of 10 occurrences per year.
In terms of data privacy risk, the bank permits breaches involving fewer than 100 individuals per incident, limited to 2 occurrences annually. The objective for system availability risk is to maintain 99.9% uptime for critical IT systems, allowing a maximum downtime of 8 hours per day. Regarding Technology Service Provider (TSP) risk, disruptions are acceptable for up to 8 hours; any longer is deemed unacceptable. The bank will not operate critical systems on operating systems that have reached their end-of-life. Lastly, third-party software must comply with application security and compliance policies, with any deviation considered unacceptable.

Money Laundering and Terrorist Financing Risk

Money Laundering and Terrorist Financing Risk is the risk of potential threat or exposure concerning involvement, either unintentional or unknowing, in the process of concealing origins of illegally obtained funds; and the potential danger of inadvertently providing financial support to terrorist organizations.

GMBank™ is dedicated to adhering to all applicable AML and CFT laws and standards, maintaining a zero-tolerance policy towards money laundering and terrorist financing. The bank emphasizes thorough Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) for high-risk individuals and transactions, alongside implementing robust transaction monitoring systems and reporting suspicious activities promptly to authorities. Furthermore, GMBank is committed to providing ongoing training and awareness programs for employees to ensure they are well-informed about AML and CFT risks and capable of identifying suspicious activities effectively.

RISK MANAGEMENT STRUCTURE



Risk Management Framework

The Bank's management practices and risk management framework are anchored on its mission to make a positive difference in countryside communities by providing accessible, innovative, socially relevant, and sustainable financial services. In pursuing this mandate, the Bank adopts a disciplined and development-oriented approach to risk-taking that balances growth, profitability, and social responsibility.

The Bank's risk management philosophy is to achieve its strategic objectives through prudent and well-informed risk-taking within Board-approved limits, while safeguarding depositor interests, maintaining financial stability, and upholding public trust. This philosophy underpins a strong risk management culture founded on integrity, accountability, transparency, and sound judgment across all levels of the organization.

Risk management is embedded in the Bank's day-to-day operations, with all personnel responsible for identifying, assessing, monitoring, and controlling risks within their respective areas of responsibility. This is supported by independent oversight functions that ensure objective evaluation and effective challenge of risk-taking activities.

The Bank adopts an enterprise-wide risk management framework consistent with the principles of Enterprise Risk Management (ERM) and in accordance with applicable Bangko Sentral ng Pilipinas (BSP) regulations. The framework covers all material risks, including credit, market, liquidity, operational, compliance, and information technology risks, and ensures that risk exposures are managed on a holistic and integrated basis.

Risk-taking activities are guided by Board-approved risk appetite and tolerance levels, which define the nature and extent of risks that the Bank is willing to assume in pursuit of its strategic objectives. These limits are regularly reviewed to ensure continued alignment with the Bank's business environment, financial condition, and strategic priorities.

The Board of Directors (Board) has ultimate responsibility for risk governance. It establishes the Bank's risk appetite, approves key risk management policies and principles, and ensures that risk-taking activities remain consistent with the Bank's mission and long-term objectives. The Board is supported by the Risk Oversight and Corporate Governance Committee (ROCG), which provides oversight of risk exposures and the effectiveness of the ERM framework, and the Audit Committee, which oversees the adequacy of internal controls, financial reporting, and audit functions.

Management is responsible or implementing the risk management framework and ensuring that appropriate policies, systems, and internal controls are effectively established and maintained. The Bank adopts the Three Lines of Defense model, whereby (i) business units serve as the first line of defense and are accountable for managing risks; (ii) the risk management and compliance functions provide independent oversight as the second line of defense; and (iii) internal audit provides independent assurance as the third line of defense.

The Bank's risk management policies and practices, as approved by the Board, are guided by the following core principles:

(i) prudent risk-taking within defined risk appetite and tolerance levels; (ii) strong governance, accountability, and segregation of duties; (iii) effective internal controls and risk monitoring systems; (iv)

compliance with applicable laws, rules, and regulations; and (v) alignment of risk management with the Bank's mission of promoting sustainable countryside development.

Through this framework, the Bank ensures that risk management remains an integral component of its governance and operational processes, enabling it to maintain financial soundness, protect stakeholder interests, and support sustainable and inclusive growth in the communities it serves.

SUSTAINABILITY STRATEGIC OBJECTIVES AND RISK APPTITE

Guided by its mission to make a positive difference in countryside communities, the Bank affirms its commitment to sustainable finance as a core component of its long-term strategy. In alignment with the principles of the Bangko Sentral ng Pilipinas (BSP), the Bank integrates environmental, social, and governance (ESG) considerations into its business operations, risk management practices, and decision-making processes.

The Bank's sustainability strategic objectives are anchored on three key pillars:

Environmental Responsibility

The Bank supports financing initiatives that contribute to climate change mitigation, environmental protection, and the efficient use of natural resources.

It seeks to promote responsible financing that minimizes environmental impact and supports long-term ecological sustainability.

Social Progress

Consistent with its developmental mandate, the Bank remains committed to expanding financial inclusion by providing accessible and relevant financial services to underserved communities. This includes supporting farmers through timely agricultural financing to enhance food security, as well as empowering micro-entrepreneurs and small businesses to promote job creation, improve livelihoods, and contribute to inclusive economic growth.

Governance Excellence

The Bank upholds the highest standards of transparency, accountability, and ethical conduct in all its operations. It continues to strengthen its governance framework and progressively align its practices with recognized sustainability standards, ensuring that its initiatives generate measurable and meaningful impact for stakeholders.

Complementing these objectives is the Bank's Environmental and Social Risk Appetite, which provides clear guidance on risk-taking activities and reinforces its commitment to responsible banking.

The Bank adopts a responsible financing approach, supporting activities that promote sustainability, inclusive growth, and community resilience, while avoiding those that may cause harm to people, the environment, or violate applicable laws and regulations. It maintains a balanced risk posture, allowing exposure to low to moderate environmental and social risks where appropriate safeguards are in place, and exercising heightened due diligence for higher-risk exposures.

The Bank strictly prohibits financing of activities that involve human rights violations, such as child or forced labor, illegal environmental practices, or projects that result in irreversible environmental damage or community displacement. It maintains a low tolerance for regulatory breaches, reputational risks, and harmful activities, while maintaining a positive risk appetite for sustainable

and inclusive sectors such as renewable energy, sustainable agriculture, MSMEs, and women-led enterprises.

The Board of Directors establishes and approves the Bank's sustainability direction and environmental and social risk appetite, while Senior Management ensures effective implementation across the organization. All employees are expected to uphold these principles and apply the Environmental and Social Risk Management (ESRM) framework in their daily operations.

Through this integrated approach, the Bank continues to advance its commitment to sustainable finance, strengthen resilience, and create lasting value for the communities it serves.

ENVIRONMENTAL AND SOCIAL RISK APPETITE STATEMENT

GM Bank of Luzon, Inc. recognizes that Environmental and Social (E&S) Risks affect the safety, sustainability, and reputation of the Bank and its stakeholders. To guide our decisions, we adopt the following:

1. **Responsible Banking**. We support financing that promotes inclusive growth, sustainability, and community resilience. We avoid activities that harm people, the environment, or violate laws and regulations.
2. **Acceptable Risk.** We will finance clients with **low to moderate E&S risks** if proper safeguards are in place. We may consider **high-risk clients** only if they show a strong commitment to managing their E&S impacts responsibly.
3. **Prohibited Activities**. We will not finance: Child labor, forced labor, or human rights violations; Illegal logging, wildlife trafficking, or unsustainable resource use; Businesses without required environmental permits; Projects causing irreversible environmental damage or displacement of communities.
4. **Risk Tolerance - Low tolerance** for regulatory breaches, reputational risks, or harmful activities. **Moderate tolerance** where risks can be reduced through monitoring and conditions. **Positive appetite** for green and inclusive sectors like renewable energy, sustainable farming, MSMEs, and women-led enterprises.
5. **Accountability - The Board** sets the E&S risk appetite. **Senior Management** ensures proper implementation. Employees apply the ESRM framework in daily operations.

BREAKDOWN OF E&S RISK EXPOSURE OF THE BANK PER INDUSTRY

The Bank's loan portfolio remains concentrated in Agriculture (32.66%) and Trade (26.18%), consistent with its mandate to support countryside development and MSMEs.

The Bank continues to meet regulatory requirements on agricultural lending (Agri-Agra Law), with exposure exceeding the minimum threshold. High E&S risk sectors (e.g., agriculture, construction, manufacturing, utilities) are subject to enhanced due diligence, monitoring, and safeguards under the ESRM framework.

Majority of exposures fall within low to moderate E&S risk categories, reflecting a balanced and prudent risk appetite aligned with sustainable finance objectives.

Breakdown of E&S Risk Exposure of the Bank per Industry (%of Loan Exposure)

As of 31 December 2025

Industry/Sector	% to Total Loan Portfolio	E&S Risk Level	Key Risk Considerations
Agriculture, Forestry and Fishing	32.66%	High	Climate risk, land use, pesticides, labor practices *(compliant with Agri-Agra requirement ≥25%)*
Wholesale & Retail Trade; Repair of Motor Vehicles	26.18%	Moderate	Supply chain practices, waste, product safety
Real Estate, Renting and Business Activities	14.63%	Moderate	Land use, zoning, environmental compliance
Other Community, Social and Personal Service Activities	9.18%	Low	Minimal environmental impact, service-related risks
Transport, Storage and Communication	4.79%	Moderate	Emissions, fuel use, road safety
Construction	4.31%	High	Environmental impact, waste, worker safety
Manufacturing	2.46%	High	Pollution, waste disposal, occupational safety
Electricity, Gas and Water Supply	1.27%	High	Emissions, environmental compliance
Auto Loans	1.01%	Low	Indirect emissions exposure
Health and Social Work	0.98%	Low	Regulatory compliance, patient safety
Accommodation and Food Service Activities	0.97%	Moderate	Waste management, food safety
Salary-Based General-Purpose Loans	0.82%	Low	Minimal E&S exposure
Financial and Insurance Activities	0.27%	Low	Governance and compliance risks
Education	0.26%	Low	Minimal environmental impact
Motorcycle Loans	0.20%	Low	Indirect emissions exposure

SUSTAINABLE FINANCE STATEMENT OF SUPPORT

GMBank commits to sustainable finance by aligning its initiatives with Environmental, Social, and Governance principles.

ESG Commitment Framework

Environmental Responsibility	Social Progress	Governance Excellence
Supports projects and initiatives that mitigate climate change and promote efficient use of natural resources.	Provides underserved communities with a safe place to save money and access essential financial services.	Upholds transparency, accountability, and ethical decision-making in all financial practices.
Encourages sustainable practices that help protect the environment and build long-term resilience.	Extends agricultural credit facilities to farmers to strengthen agribusiness linkages, support timely funding, and contribute to food security.	Promotes gradual alignment with globally recognized sustainability frameworks.
Mobilizes capital toward initiatives with measurable environmental benefits.	Empowers micro-entrepreneurs and small-scale business owners to grow their businesses, create jobs, improve livelihoods, and support poverty alleviation.	Mobilizes sustainable finance toward measurable, positive ESG impacts for stakeholders and communities.

SUMMARY OF E&S RISK EXPOSURE

1. Climate and Environmental Risks (Physical Risks)
   - Frequent typhoons, flooding, and drought affecting Central Luzon
   - Strong impact on agriculture-dominated provinces (Nueva Ecija, Tarlac, Pangasinan)
   - Risk of crop failure, reduced yields, and borrower income disruption
2. Environmental Compliance and Land Use Risks
   - Increasing regulatory requirements (e.g., permits, environmental compliance)
   - Risks in industrializing areas (Bulacan, Bataan, Pampanga)
   - Exposure to pollution, waste management, and land conversion issues
3. Social Risks
   - Borrower vulnerability due to income instability in rural/agricultural communities
   - Labor and community issues in construction, agriculture, and small enterprises
   - Financial inclusion gaps in underserved areas
4. Emerging Climate and Transition Risks
   - Shift toward sustainable and climate-resilient agriculture
   - Transition to cleaner energy and stricter environmental regulations
   - Increasing need for climate adaptation financing agriculture, and small enterprises
   - Financial inclusion gaps in underserved areas
4. Emerging Climate and Transition Risks
   - Shift toward sustainable and climate-resilient agriculture
   - Transition to cleaner energy and stricter environmental regulations
   - Increasing need for climate adaptation financing

Impact on the Bank

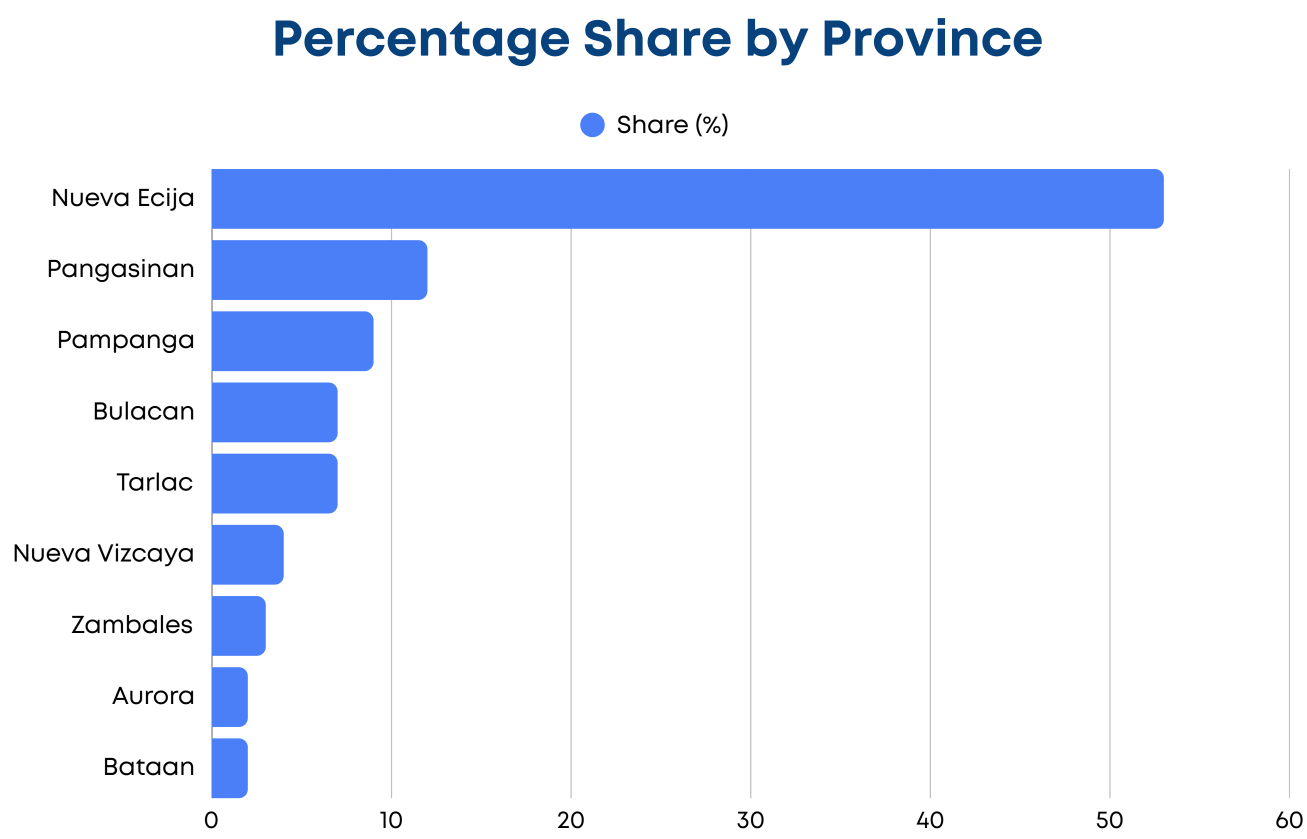
The identified E&S risks may affect the Bank through:

- **Credit Risk:** Increased probability of default due to climate-related income shocks
- **Collateral Risk:** The value of agricultural land or affected properties
- **Operational Risk:** Disruptions from natural disasters
- **Reputational Risk:** Exposure to environmentally or socially harmful activities
- **Strategic Risk:** Need to adapt portfolio toward sustainable and resilient sectors

Risk Management Response

To address these risks, the Bank will:

- Integrate E&S risk assessment into credit evaluation and monitoring
- Apply enhanced due diligence in high-risk areas and sectors
- Support climate-resilient and sustainable financing (e.g., agriculture, MSMEs)
- Continuously strengthens its ESRM framework in line



Exposure per Province

As of 31 December 2025

Risk Zone	Provinces	Share	Primary Emerging Threat	Impact to the Bank
Agricultural and Climate Hub	Nueva Ecija, Tarlac, Nueva Vizcaya	64%	Water scarcity & rising input costs	Credit risk from crop failure & portfolio concentration.
Coastal & Flood-Prone Zones	Pangasinan, Pampanga, Aurora, Zambales	26%	Sea level rise & salinity	Collateral impairment & operational disruptions.
Industrial & Urban Centers	Bulacan, Bataan	9%	Regulatory & environmental compliance	Reputational risks & transition to cleaner energy.

Provinces	% Share	Key Existing Risks	Emerging Risks / Trends	Impact to the Bank
Nueva Ecija	53%	Heavy reliance on agriculture; exposure to drought, flooding, pests	Climate variability, water scarcity, rising input costs	Credit risk from crop failure; portfolio concentration risk
Pangasinan	12%	Flooding, typhoons, coastal exposure	Sea level rise, salinity affecting crops	Loan repayment delays; collateral impairment
Pampanga	9%	Flood-prone areas, urban expansion risks	Increased flooding due to climate change	Asset quality deterioration; operational disruptions
Bulacan	7%	Urbanization, waste management issues	Industrial expansion, environmental compliance risks	Compliance and reputational risks
Tarlac	7%	Agricultural dependency, drought risk	Climate stress on farming communities	Income instability of borrowers
Nueva Vizcaya	4%	Upland farming risks, land use concerns	Deforestation, climate variability	Environmental compliance and credit risks
Zambales	3%	Mining/environmental exposure, coastal risks	Natural disasters, tourism-related pressures	Reputational and environmental risks

with BSP expectations.

OTHER INITIATIVES TO PROMOTE ADHERENCE TO INTERNATIONALLY RECOGNIZED SUSTAINABILITY STANDARDS AND PRACTICES

The bank supports Sustainable Development Goals (SDG)

- No Poverty. We take part in poverty alleviation by providing financial services to the unbanked, especially in therural areas of the communities that we serve.
- Zero Hunger. We provide loans to agriculture to ensure food security.
- Good Health and Well-being. Ensure healthy lives and promote well-being for all at all ages
- Gender Equality. Our rural bank supports Gender Equality by promoting inclusive leadership and equal opportunities through gender-diverse management and board representation, equitable hiring practices including field female personnel, and expanded access to microfinance services for both women and men.

PROGRESS ON THE BANK'S TRANSITION PLAN

GMBank continues to implement its Transition Plan to strengthen sustainable finance and environmental and social risk management practices, in support of responsible banking, regulatory alignment, and long-term institutional resilience.

Milestone Roadmap: Sustainable Finance and ESRM Implementation

Completed	Q4 2025	Mar 2026	Q4 2025–Q2 2026
Foundational Activities Updated Transition Plan, reconstituted implementation working group, and developed the Environmental and Social Risk Appetite Statement.	**Sustainable Finance Framework** Enhancements remain on track, supported by the completed Credit Risk Management Manual review and identified integration points for environmental and social risk considerations.	**ESRM Framework Approval** Finalization and submission for Board approval rescheduled to March 2026 to ensure completeness and alignment with operational and regulatory requirements.	**Training Rollout** Training and capacity-building preparations have been initiated, with rollout scheduled to support organization-wide adoption of sustainable finance and ESRM practices.

Target: Q3 2026	Ongoing Commitment
Full Implementation Full implementation of the Sustainable Finance and ESRM Framework is targeted by the third quarter of 2026, with emphasis on proper institutionalization and alignment with the Bank's risk management standards.	**Responsible Banking and Accountability** The Bank remains committed to prudent and timely execution, integrating environmental and social considerations into business strategy and risk management while maintaining transparency and accountability in reporting progress.

Environmental and Social Risk Management (ESRM) Overview

The Environmental and Social Risk Management (ESRM) Framework was further refined, with finalization and submission for Board approval rescheduled to 2026 to ensure comprehensive alignment with BSP sustainable finance principles and applicable operational and regulatory requirements.

The framework ensures that environmental and social (E&S) considerations are integrated into the Bank's strategy, risk management processes, and lending activities, consistent with its mission to support sustainable countryside development.

The Bank recognizes that environmental and social risks—including climate-related events, environmental impacts, and social issues—may affect borrowers' capacity to repay and the Bank's overall risk profile. As such, these risks are assessed alongside financial risks, particularly in credit evaluation and portfolio management.

The Bank promotes responsible financing by supporting sustainable and inclusive sectors such as agriculture, MSMEs, and renewable energy, while avoiding or restricting exposure to activities that may cause environmental harm or violate social and regulatory standards. A risk-based approach is applied, where borrowers and projects are classified according to their E&S risk levels, and appropriate due diligence, safeguards, and monitoring are implemented.

Environmental and social considerations are embedded in the Bank's core operations, including loan origination, approval, and monitoring processes. The Bank ensures compliance with applicable environmental and social laws and requires borrowers to adhere to relevant standards throughout the loan lifecycle.

Oversight of the ESRM framework is exercised by the Board of Directors, with implementation carried out by Management and supported by risk management, compliance, and internal audit functions. This ensures accountability, effective risk oversight, and alignment with regulatory expectations.

Through its ESRM framework, the Bank reinforces its commitment to sustainable finance, environmental stewardship, and social responsibility, while maintaining financial stability and supporting inclusive growth in the communities it serves.

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Report of Independent Auditors

The Board of Directors
GM Bank of Luzon, Inc. (A Rural Bank)
Brgy. General Luna, Maharlika Highway
Cabanatuan City, Nueva Ecija

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GM Bank of Luzon Inc. (A Rural Bank) (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 capital funds and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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), as modified by the application of the financial reporting reliefs by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audits of the financial statements of public interest entities in the Philippines. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which indicates that the Bank's financial statements have been prepared in accordance with PFRS Accounting Standards, with emphasis on the continuous application of the financial reporting reliefs issued by the BSP and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the financial statements are discussed in detail in Note 2 to the financial statements. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRS Accounting Standards, as modified by the application of the financial reporting reliefs by the BSP and approved by the SEC, as described in Note 2 to the financial statements.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2025 and 2024 required by the BSP and for the year ended December 31, 2025 required by the Bureau of Internal Revenue as disclosed in Notes 23 and 24, respectively, to the financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Jonavell B. Santiago
Partner

CPA Reg. No. 0154806
TIN 443-050-313
PTR No. 10770775, January 6, 2026, Makati City
SEC Group A Accreditation
Partner - No. 154806-SEC (until financial period 2029)
Firm - No. 0002 (until financial period 2030)
BIR AN 08-002551-049-2023 (until November 14, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-023 (until August 12, 2027)

April 24, 2026

GM BANK OF LUZON, INC. (A RURAL BANK)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Pesos)

	Notes	2025	2024
R E S O U R C E S			
CASH AND OTHER CASH ITEMS	6	**P 130,998,520**	P 120,655,293
DUE FROM BANGKO SENTRAL NG PILIPINAS	6	**61,016,788**	50,230,790
DUE FROM OTHER BANKS	6	**270,409,812**	329,839,110
INVESTMENT SECURITIES AT AMORTIZED COST - Net	7	**168,153,944**	91,888,175
LOANS AND RECEIVABLES - Net	8	**2,292,691,960**	2,424,093,993
ASSETS HELD FOR SALE	9	**14,979,520**	9,255,728
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	10	**41,741,670**	46,045,220
RIGHT-OF-USE ASSETS - Net	11	**50,666,138**	56,504,863
INVESTMENT PROPERTIES - Net	12	**423,793,331**	383,612,652
OTHER RESOURCES - Net	13	**172,364,141**	177,014,009
TOTAL RESOURCES		**P 3,626,815,824**	P 3,689,139,833
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	14	**P 2,852,259,049**	P 2,609,630,732
BILLS PAYABLE	15	**142,601,150**	425,375,831
ACCRUED EXPENSES AND OTHER LIABILITIES	16	**262,185,790**	262,054,643
Total Liabilities		**3,257,045,989**	3,297,061,206
CAPITAL FUNDS	17	**369,769,835**	392,078,627
TOTAL LIABILITIES AND CAPITAL FUNDS		**P 3,626,815,824**	P 3,689,139,833

See Notes to Financial Statements.

GM BANK OF LUZON, INC. (A RURAL BANK)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Pesos)

	Notes	2025	2024
INTEREST INCOME			
Loans and receivables	8	P 363,294,915	P 392,845,205
Investment securities at amortized cost	7	8,324,643	5,482,731
Due from other banks and cash equivalents	6	163,053	860,229
		371,782,611	399,188,165
INTEREST EXPENSE			
Deposit liabilities	14	86,385,881	65,699,175
Bills payable	15	14,771,383	39,201,702
Others	11, 16, 19	15,638,238	13,684,062
		116,795,502	118,584,939
NET INTEREST INCOME		254,987,109	280,603,226
IMPAIRMENT LOSSES (RECOVERIES)			
Financial assets	8	(1,369,850)	(2,300,993)
Non-financial assets	9, 12, 13	327,054	2,290,447
		(1,042,796)	(10,546)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		256,029,905	280,613,772
OTHER INCOME	18	116,697,196	160,567,795
OTHER EXPENSES	18	387,364,277	419,313,632
INCOME (LOSS) BEFORE TAX		(14,637,176)	21,867,935
TAX EXPENSE	20	(4,186,177)	(5,769,533)
NET INCOME (LOSS)		(18,823,353)	16,098,402
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequent to profit or loss:			
Actuarial loss on remeasurements of defined benefit plan	19	(4,647,251)	(7,416,650)
Tax income	20	1,161,813	1,854,163
		(3,485,438)	(5,562,487)
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 22,308,791)	P 10,535,915

See Notes to Financial Statements.

GM BANK OF LUZON, INC. (A RURAL BANK)
STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Pesos)

	Capital Stock (see Note 17)	Additional Paid-in Capital	Other Equity Instruments (see Note 17)	Appraisal Increment Reserve (see Note 17)	Remeasurements of Defined Benefit Plan (see Note 19)	Surplus Reserve (see Note 17)	Deficit	Total Capital Funds
Balance at January 1, 2025	P 310,769,390	P 50,148,068	P 50,000,000	P 8,853,229	(P 14,344,070)	P 19,796,238	(P 33,144,228)	P 392,078,626
Total comprehensive loss for the year	-	-	-	-	(3,485,438)	-	(18,823,353)	(22,308,791)
Balance at December 31, 2025	**P 310,769,390**	**P 50,148,068**	**P 50,000,000**	**P 8,853,229**	**(P 17,829,508)**	**P 19,796,238**	**(P 51,967,581)**	**P 369,769,835**
Balance at January 1, 2024	P 301,688,720	P 50,148,068	P 50,000,000	P 8,853,229	(P 8,781,583)	P 19,796,238	(P 49,242,630)	P 372,462,042
Additional issuance of shares of stock	9,080,670	-	-	-	-	-	-	9,080,670
Total comprehensive income (loss) for the year	-	-	-	-	(5,562,487)	-	16,098,402	10,535,915
Balance at December 31, 2024	P 310,769,390	P 50,148,068	P 50,000,000	P 8,853,229	(P 14,344,070)	P 19,796,238	(P 33,144,228)	P 392,078,627

See Notes to Financial Statements.

GM BANK OF LUZON, INC. (A RURAL BANK)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Pesos)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		(P 14,637,176)	P 21,867,935
Adjustments for:			
Interest income	6, 7, 8	(371,782,611)	(399,188,165)
Interest received		369,370,491	398,367,746
Interest paid		(120,395,879)	(107,682,138)
Interest expense	11, 14, 15, 16, 19	116,795,502	118,584,939
Depreciation and amortization	10, 11, 12, 13	52,719,789	64,996,996
Gain on sale of non-financial assets - net	12, 13	(14,945,835)	(9,756,521)
Gain on disposal of bank premises, furniture, fixtures and equipment	10, 11	(12,433,337)	(7,227,548)
Impairment recoveries - net	8, 9, 12, 13	(1,042,796)	(10,546)
Gain on lease pre-termination	11	(118,192)	-
Gain on sale and leaseback	10, 11, 21	-	(37,394,076)
Operating profit before working capital changes		3,529,956	42,558,622
Decrease (increase) in loans and receivables		125,605,234	(15,187,984)
Decrease (increase) in assets held for sale		(6,268,694)	2,066,051
Increase in investment properties		(39,184,533)	(36,810,745)
Decrease (increase) in other resources		(11,362,808)	4,628,505
Increase in deposit liabilities		242,628,317	184,656,185
Increase in accrued expenses and other liabilities		12,708,365	59,349,545
Cash generated from operations		324,125,881	198,701,557
Cash paid for income taxes		(4,186,177)	(5,789,604)
Net Cash From Operating Activities		323,469,660	235,470,575
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities at amortized cost	7	(313,244,000)	(85,000,000)
Proceeds from maturity of investment securities at amortized cost	7	246,557,000	115,000,000
Proceeds from disposal of bank premises, furniture, fixtures and equipment	10	13,214,449	24,168,146
Acquisition of bank premises, furniture, fixtures and equipment	10	(5,202,996)	(4,127,248)
Acquisition of intangible assets	13	(224,000)	(5,542,893)
Net Cash From (Used in) Investing Activities		(58,899,547)	44,498,005
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlements of bills payable	15	(582,126,078)	(909,574,179)
Availments of bills payable	15	299,351,397	787,370,265
Payments of lease liabilities	11	(20,095,505)	(14,866,780)
Proceeds from issuance of shares of stocks	17	-	9,080,670
Net Cash Used in Financing Activities		(302,870,186)	(127,990,024)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(38,300,073)	151,978,556
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6		
Cash and other cash items		120,655,293	108,848,630
Due from Bangko Sentral ng Pilipinas (BSP)		50,230,790	38,328,633
Due from other banks		329,839,110	201,569,374
		500,725,193	348,746,637
CASH AND CASH EQUIVALENTS AT END OF YEAR	6		
Cash and other cash items		130,998,520	120,655,293
Due from BSP		61,016,788	50,230,790
Due from other banks		270,409,812	329,839,110
		P 462,425,120	P 500,725,193

Supplemental Information on Investing and Financing Activities:

1) In 2025 and 2024, the Bank recognized right-of-use assets amounting to P6.7 million and P11.5 million, respectively, with corresponding lease liabilities amounting to P7.3 million and P31.5 million, respectively, in the statements of financial position (see Note 11).

   In 2025, the Bank has pre-terminated a certain lease agreement which resulted to a decrease in right-of-use assets and lease liabilities amounting to P0.7 million and P0.9 million, respectively (see Note 11). There was no similar transaction in 2024.

2) In 2024, the Bank entered into sale and leaseback of its bank premises with total carrying amount of P20.4 million, recognizing right-of-use assets amounting to P5.3 million with corresponding lease liabilities amounting to P19.1 million, resulting in gain on rights transferred of P37.4 million (see Notes 11 and 18). Further, a sales contract receivable amounting P20.2 million is recognized and P37.4 million was directly offset to accounts payable to the Bank's related party for the year. There was no similar transaction in 2025.

3) In 2025 and 2024, the Bank reclassified bank premises, furniture, fixtures and equipment to intangible assets amounting to P0.2 million and P0.1 million, respectively (see Notes 10 and 13).

See Notes to Financial Statements.

GM BANK OF LUZON, INC. (A RURAL BANK)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

GM Bank of Luzon, Inc. (A Rural Bank) (GMBLI or the Bank) is a rural bank, which was registered with the Philippine Securities and Exchange Commission (SEC) on November 9, 2010 and started commercial operations on December 1, 2010. The Bank is a product of a business combination of the constituent banks, the GM Bank, Inc. (GMBI) and Bangko Luzon, Inc. (BLI). GMBI was a consolidation of Community Rural Bank, Inc. (CRBI) and Muñoz Rural Bank, Inc. (MRBI) (Established 1956). Prior to consolidation, MRBI and CRBI jointly acquired SME Bank (Established 1965), which was merged to GMBLI in 2008. BLI was established in 1973 as Community Rural Bank of San Isidro (N.E.), Inc. On October 31, 2021, the Bank merged with Rural Bank of Limay, Inc. (RBL) wherein the Bank remains as the surviving entity.

The Bank is currently engaged in providing low-cost capital fund for agricultural producers, farmers, fishermen and small entrepreneurs and to promote, support and augment countryside development.

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 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, General Banking Law of 2000 and other related banking laws.

The Bank's registered office, which is also its principal place of business, is located at Brgy. General Luna, Maharlika Highway, Cabanatuan City, Nueva Ecija.

As of December 31, 2025 and 2024, the Bank has 43 branches, in nine provinces in Luzon namely: Aurora, Bataan, Bulacan, Nueva Ecija, Nueva Vizcaya, Pampanga, Pangasinan, Tarlac and Zambales.

1.2 Approval of the Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2025 (including the comparative financial statements as of and for the year ended December 31, 2024) were authorized for issue by the Bank's Board of Directors (BOD) on April 24, 2026.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized below and in the succeeding page. Those policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards), with emphasis of matter on the application of financial reporting relief issued by the BSP and approved by the SEC in response to the effect brought by the COVID-19 pandemic through staggered booking of allowance for credit losses over a maximum period of five years.

On May 25, 2022, the BSP approved the application of the Bank for such financial reporting relief, provided that only P38.5 million was approved for the staggered booking of allowance for credit losses and the remaining were deemed to be ineligible accounts that should be recognized immediately by the Bank.

PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

Had the Bank measured and recorded its allowance for credit losses in accordance with PFRS Accounting Standards as of December 31, 2025 and 2024, the following would have been the impact to the respective balances:

(Amounts in PHP)	**Increase by (decrease by)**	
	2025	2024
Loans and receivables	**502,551**	(2,743,218)
Surplus free	**376,913**	(2,057,414)
Deferred tax assets	**(125,638)**	685,805
Impairment losses	**(502,551)**	2,743,218

Of the total allowance for impairment losses arising from the staggered booking, P8.4 million and P11.0 million were recognized as at December 31, 2025 and 2024, respectively. No amount remained unrecognized as at December 31, 2025 following the completion of the staggered booking. As at December 31, 2024, an unrecognized balance of P2.7 million remained.

Loans subject to the staggered booking were fully settled in 2025, while credit risk improved in 2024, resulting in a corresponding reduction in the allowance for impairment losses amounting to nil and P26.1 million in 2025 and 2024, respectively. As at December 31, 2025, the Bank no longer applies staggered booking of allowance for impairment losses, and credit losses are now fully recognized in accordance with Philippine Financial Reporting Standards.

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents a statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates.

(d) Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease was a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any contingent consideration to be transferred by the Bank is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.2 Adoption of New and Amended PFRS Accounting Standards

(a) Effective in 2025 that is Relevant to the Bank

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

(b) Effective Subsequent to 2025 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2025, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026).

(ii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

2.3 Financial Instruments

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding page.

Financial Assets at Amortized Cost

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, and Loans and Other Receivables and Other Resources in respect of security deposits, which are included in the account.

For purposes of cash flows reporting and presentation, cash and cash equivalents include cash and other cash items, and due from BSP and other banks.

(ii) Recognition of Interest Income using Effective Interest Rate Method

Interest income on financial assets measured at amortized cost is recognized using the effective interest rate method.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of an effective interest rate. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(iii) Impairment of Financial Assets

The Bank assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans; and,
- current loans that are rated as Especially Mentioned based on the Internal Credit Risk Rating System (ICRRS) of the Bank.

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due, and Items in Litigation based on the ECL methodology of the Bank.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.1.

Measurement of ECL

The Bank's ECL model follows a three-stage impairment approach, which guides in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets, definition of default for purposes of determining ECL, and credit risk assessment are further discussed in Note 4.1.4.

ECL is a function of the probability of default, loss-given default, and exposure-at-default, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are discussed more fully in Note 4.1.4.

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, and industry type of the borrowers or counterparties.

Also, the Bank applies a simplified ECL approach for its accounts receivables wherein the Bank uses a provisioning matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Bank's lending activities. For these instruments, the Bank measures the loss allowance of an amount equal to lifetime ECL.

The Bank recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iv) Derecognition of Financial Assets – Modification of Loans

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

(b) Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, corporate notes payable and accrued expenses and other liabilities (excluding tax-related payables and post-employment benefit obligation).

2.4 Bank Premises, Furniture, Fixtures and Equipment

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows in the next page:

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

Leasehold rights and improvements are amortized using the estimated useful lives of 5 to 15 years or the remaining term of the lease, whichever is shorter.

2.5 Investment Properties

Investment properties pertain to land or buildings acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are collectively referred to as Real and Other Properties Acquired (ROPA). These properties are neither held by the Bank for sale in the next 12 months nor used in the rendering of services or for administrative purposes. Investment properties are stated at cost, less accumulated depreciation, and any impairment losses.

Investment properties, except land, are depreciated over a period of five to ten years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Note 2.4).

2.6 Intangible Assets

Intangible assets include goodwill and computer software, which are included as part of Other Resources – Net and are accounted for under the cost model.

Goodwill is classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment. For purposes of impairment testing, goodwill is allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses (see Note 13).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of five years. In addition, intangible assets are subject to impairment testing when indications exist. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

2.7 Assets Classified as Held for Sale

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

2.8 Other Resources

Other resources include movable foreclosed assets that are stated at cost, less accumulated depreciation and any impairment losses. The cost of movable foreclosed assets comprises its purchase price or the cost of obtaining the assets and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs. Movable foreclosed assets are depreciated over the term of five years.

2.9 Other Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such a case, the Bank applies PFRS 9 first to separate and measure the part of the contract that is covered by PFRS 9, and then applies PFRS 15 to the residual part of the contract.

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

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

a. *Service charges, fees, and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided or after fulfilling the corresponding criteria. These include the commissions, deposit-related fees and other credit-related fees.

b. *Asset management services* – The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized in profit or loss as follows:

(i) *Asset management and trust fees* – These are service fees calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on the scheduled collection date. Revenue from asset management services is recognized over time as the services are provided.

(ii) *Non-refundable upfront fees* – These are charged to customers when opening certain types of trust account with the Bank. These fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

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

a. *Gain or loss from assets sold or exchanged* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Miscellaneous Income or Miscellaneous Expenses in the statement of profit or loss.

b. *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in the statement profit or loss as part of Miscellaneous Income.

2.10 Leases – Bank as Lessee

Subsequent to the initial recognition, the Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets has been presented separately from Bank Premises, Furniture, Fixtures and Equipment, while the lease liabilities are presented as part of Accrued Expenses and Other Liabilities.

2.11 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures, and equipment (including right-of-use assets), investment properties, and other resources (including goodwill, computer software and other acquired assets) and other non-financial assets are subject to impairment testing.

Intangible assets with an indefinite useful life, such as goodwill or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.12 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits.

The Bank's defined benefit post-employment plan covers all regular full-time employees.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

2.13 Capital Funds

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Redeemable preference shares that pay a fixed rate of dividend and that have a mandatory redemption feature at a future date are a contractual obligation to deliver cash and, therefore, should be recognized as a liability.

Other equity instrument represents unsecured subordinated debt eligible as additional Tier 1 capital. This subordinated debt is perpetual, and as a result is presented as part of capital funds in the statement of financial position. The debt, however, may be called at the initiative of the Bank after a minimum of five years, subject to the following conditions:

- prior approval of the BSP is obtained to exercise the call option; and,
- the Bank replaces this subordinated debt with capital of the same or better quality and the replacement of this capital is done at conditions which are suitable for the income capacity of the Bank; or the Bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.

Surplus reserve consist of:

(a) General loan loss reserve, which pertains to the accumulated amount of appropriation from Surplus made by the Bank arising from the excess of the one-percent general loan loss provisions (GLLP) for outstanding loans as required by the BSP under Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, over the computed allowance for ECL for Stage 1 accounts; and,

(b) Surplus reserves related to earnings appropriated for the redemption of preferred shares

Appraisal increment reserve pertains to the amount of revaluation adjustment of bank premises, furniture, fixture and equipment arising from the Bank's previous mergers which were measured at fair value upon merger. Depreciation charges of the bank premises, furniture, fixture and equipment related to the appraisal increment are transferred to the Surplus Free account at the end of the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

3.1 Critical Management Judgments in Applying Accounting Policies

(a) Application of ECL to Financial Assets at Amortized Cost

The Bank uses external benchmarking and historical loss rates to calculate ECL for all debt instruments carried at amortized cost as well as loan commitments, if any. The allowance for impairment is based on the ECLs associated with the Probability of Default (PD) of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.1.4).

(b) Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. These business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading, and lending strategies. Furthermore, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the solely payments of principal and interest (SPPI) criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, it considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's investment objective for the business model.

(c) Distinction Between Investment Properties or Other Acquired Assets and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other acquired assets presented under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(d) Determination of Lease Term of Contract with Termination Options

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

The Bank did not include renewal options as part of the lease term of as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised, or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(e) Recognition of Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Bank that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the financial statements.

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Relevant disclosures are presented in Note 22.

In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation of Uncertainty

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

(a) Estimation of Allowance for ECL

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced significant increase in credit risk (SICR) since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Bank would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements. The Bank's ECL calculations involve significant estimates and a number of underlying assumptions about future economic conditions and credit behaviour of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses). The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- criteria for assessing if there has been an SICR and when a financial asset will be transferred between the three stages; and,
- the Bank's definition of default for different segments of credit exposures that considers the regulatory requirements.

Explanation of the inputs, assumptions and estimation used in measuring ECL, and the analysis of the allowance for ECL on various groups of financial instruments is further detailed in Note 4.

(b) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Other Acquired Assets, and Goodwill*

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, computer software, non-cash assets held for sale, and other acquired assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Bank's goodwill is regarded as having an indefinite useful life considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, computer software and other acquired assets are analyzed in Notes 10, 11, 12 and 13, respectively, while the carrying amounts of goodwill are analyzed in Note 13. Based on management's assessment as of December 31, 2025 and 2024, there are no changes in the useful lives of these assets.

Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(c) *Determination of Fair Value Less Cost to Sell of Assets Held for Sale*

In determining the fair value less cost to sell of assets held for sale, management takes into account the most reliable evidence available at the time the estimates are made. These estimates include prices at which the repossessed assets are expected to be sold and the necessary cost to be incurred in disposing the assets. The price and cost estimates, however, could change in the future. The above factor is considered key source of estimation uncertainty and may cause significant adjustments to the Bank's assets held for sale within the next reporting period.

(d) *Determination of Timing of Satisfaction of Performance Obligation*

The Bank determines that its revenues from services for loan administration and account management shall be recognized over time while all other revenue streams are recognized at point in time. In making its judgment, the Bank considers the timing of receipt and consumption of benefits provided to the customers. As the work is performed, the Bank becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of rendering of these retail and corporate banking services as it performs.

In determining the best method of measuring the progress of the Bank's rendering of aforementioned services, the management considers the output method, which uses direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised as basis in recognizing revenues. Such measurements include results of performance completed to date and time elapsed.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which management has assessed to be fully recoverable, as of December 31, 2025 and 2024 is disclosed in Note 20.

(f) Determination of Fair Value of Investment Properties

The Bank's investment properties are composed of parcels of land, buildings, condominium units and improvements, which are held for capital appreciation and are measured using the cost model. The estimated fair value of investment properties disclosed in Note 5.3.2 is determined based on the appraisals conducted by professional appraisers applying the relevant valuation methodologies as discussed therein.

At initial recognition, the Bank determines the fair value of the acquired properties based on valuations performed by both internal and external appraisers. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The Bank's methodology in determining the fair value of acquired properties is further discussed in Note 5.3.2.

(g) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives (i.e. goodwill), which are annually tested for impairment, PFRS Accounting Standards requires that an impairment review be performed when certain impairment indications are present. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Allowance for impairment recognized on properties held for sale and investment properties are discussed in Notes 9 and 12. There are no impairment losses recognized in goodwill, bank premises, furniture, fixtures, and equipment, and right-of-use assets.

(h) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment.

Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(i) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 and include, among others, discount rates, expected rate of salary increases and employee turnover. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of defined benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 19.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank is exposed to certain financial risks in relation to its financial instruments. The Bank's financial assets and financial liabilities by category are summarized in Note 5. The main types of risks are credit risk, liquidity risk, market risk (foreign currency and interest rate risks), and operational risk and anti-money laundering controls.

The Bank's risk management, which is closely coordinated with the BOD and the Risk Management Committee (RMC) of the Bank, focuses on actively securing the Bank's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate reasonable returns.

The Bank does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Bank is exposed to are described in the succeeding pages.

4.1 Credit Risk

Credit risk is the risk that a customer or counterparty may fail to fulfil its contractual obligations to the Bank. This includes risk of non-payment by borrowers and issuers, failed settlement of transactions and default on outstanding contracts.

The Bank performs an independent credit risk assessment of its loan accounts through its Credit Evaluation Unit – Credit Department using financial statements reconstruction, i.e., horizontal and trend analysis with consideration of certain qualitative assessments, to arrive at a borrower risk rating, and such is provided as input to the Bank's credit decision-making process.

The Bank's loans and receivables are actively monitored to avoid significant concentrations and possible deterioration of credit risk.

The Bank's activities are governed by its Credit Risk Policy Manual which defines guiding principles and parameters for credit activities as well as roles and responsibilities of every party to the overall credit process. Credit policies and standards are periodically reviewed to ensure effectiveness and relevance.

The RMC undertakes portfolio management by reviewing the Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, loan size and maturity, and development of a strategy for the Bank to achieve its desired portfolio mix and risk profile.

The RMC reviews the Bank's loan portfolio in line with the Bank's policy of not having significant unwarranted concentrations of exposure to individual counterparties, in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth.

For investment securities at amortized cost, credit risk is addressed by setting limits as to the maximum amount of investment that can be made on certain type of security with consideration of the credit quality of the counterparty.

4.1.1 Exposure to Credit Risk

The following tables contain an analysis of the credit risk exposure as of December 31, 2025 and 2024 of financial instruments at amortized cost for which an ECL allowance is recognized. The gross carrying amount of financial assets in the succeeding page also represents the Bank's maximum exposure to credit risk on these assets without taking into account the value of any collateral obtained.

The Bank's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of reporting period as shown in the statements of financial position. The table below shows the exposure to credit risk as of December 31, 2025 and 2024 for each risk grouping and the related allowance for impairment is presented in the succeeding page:

(Amounts in PHP)	**Cash and other cash items, due from BSP and other banks**	**Loans and receivables**	**Investment securities at amortized cost**	**Total**
December 31, 2025				
Neither past due nor impaired	462,425,120	1,918,417,580	168,153,944	2,548,996,644
Collectively and individually impaired	-	557,019,695	-	557,019,695
Allowance for impairment	-	(182,745,315)	-	(182,745,315)
	-	374,274,380	-	374,274,380
Total carrying amount	**462,425,120**	**2,292,691,960**	**168,153,944**	**2,923,271,024**
December 31, 2024				
Neither past due nor impaired	500,725,193	2,066,014,807	91,888,175	2,658,628,175
Collectively and individually impaired	-	538,824,501	-	538,824,501
Allowance for impairment	-	(180,745,315)	-	(180,745,315)
	-	358,079,186	-	358,079,186
Total carrying amount	500,725,193	2,424,093,993	91,888,175	3,016,707,361

The Due from BSP account represents the aggregate balance of noninterest-bearing deposit accounts in local currency maintained by the Bank with the BSP primarily to meet reserve requirements and to serve as a clearing account for any interbank claims. Hence, no significant credit risk is anticipated for this account.

The Bank is able to manage the credit risk arising from due from other banks by ensuring that the banks where these financial assets are invested are of high reputation and good credit standing. Portion of due from other banks are secured by the lower of the aggregate maximum insurance coverage of P1.0 million and the balance of the deposit account, as provided for under R.A. No. 9576, *Amendment to Charter of Philippine Depository Insurance Corporation (PDIC).*

The Bank's Investment securities at amortized cost are government securities with minimal credit risks.

The carrying amount of financial assets recorded in the financial statements represents the Bank's maximum exposure to credit risk without taking into account the value of any collateral obtained.

4.1.2 Concentration of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency. The Bank monitors concentrations of credit risk by sector.

An analysis of concentrations of credit risk at the end of the reporting period is shown below (gross of allowance for impairment).

(Amounts in PHP)	**Cash and other cash items, due from BSP and other banks**	**Loans and receivables**	**Investment securities at amortized cost**
December 31, 2025			
Financial intermediaries	270,409,812	-	-
Government	192,015,308	-	168,153,944
Agriculture, forestry, and fishing	-	748,825,387	-
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	570,235,717	-
Real estate activities	-	329,809,639	-
Household consumption	-	122,085,494	-
Transportation and storage	-	121,883,981	-
Construction	-	86,913,276	-
Manufacturing	-	55,212,399	-
Other service activities	-	440,471,382	-
	462,425,120	**2,475,437,275**	**168,153,944**
December 31, 2024			
Financial intermediaries	329,839,110	-	-
Government	170,886,083	-	91,888,175
Agriculture, forestry, and fishing	-	910,662,956	-
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	646,201,267	-
Real estate activities	-	163,015,452	-
Household consumption	-	105,691,325	-
Transportation and storage	-	159,042,951	-
Construction	-	117,778,701	-
Manufacturing	-	68,611,546	-
Other service activities	-	433,835,110	-
	500,725,193	2,604,839,308	91,888,175

The Bank manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitute credit risk for the Bank, setting up exposures limits by each counterparty or group of counterparties, geographical and industry segments, guidelines on obtaining collateral and guarantees, reporting of credit risk exposures and breaches to the monitoring authority, monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Loans receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

4.1.3 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of real estate mortgage, chattel mortgage, assignment of receivables, personal guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated as deemed appropriate (i.e., generally at the time of credit renewal or at foreclosure event).

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing arrangements, if any.

4.1.4 ECL Measurement

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. In accordance with the Bank's policy, a debt instrument is assessed for impairment based on the following stages:

Stage 1 : When a debt instrument is first recognized, the Bank recognizes credit losses based on the twelve-month ECLs. Stage 1 debt security also includes facilities where the credit risk has improved and security has been reclassified from Stage 2.

Stage 2 : When a debt instrument has shown a significant increase in credit risk since origination, the Bank recognizes an allowance for the lifetime ECL. Stage 2 debt instrument also includes facilities where the credit risk has improved and the instrument has been reclassified from Stage 3.

Stage 3 : When a debt instrument is considered as credit impaired, the Bank recognizes an allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

- *Loss Given Default* – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Bank would expect to receive, including the realization of any collateral.

- *Exposure at Default* – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

(a) *Assessment of Significant Increase in Credit Risk*

The Bank considers a financial instrument to have experienced a SICR when one or more of the following criteria have been met.

The Bank's criteria are guided by BSP's Revised Appendix 15 in classifying the status of loan. The tables that follow summarize loan classification per BSP Revised Appendix 15 aligned with the PFRS 9 three-stage model impairment based on changes in credit quality since initial recognition.

General Rule

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

**Substandard accounts that are unpaid or with missed payment of less than 90 days*
***Exposures that exhibit the characteristics for classified accounts described under MORB Subsection X178.17/4178Q.17*

Individually Assessed Credit Exposures (Unsecured)

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

Individually Assessed Credit Exposures (Secured)

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

Collectively Assessed Credit Exposures (Unsecured)

Days Unpaid/with Missed Payment	Appendix 15 Classification	PFRS 9 Stage
1 – 30 days	Especially mentioned	2
31 – 60 days / 1st restructuring	Substandard	2 or 3*
61 – 90 days	Doubtful	3
91 days and over / 2nd restructuring	Loss	3

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

Collectively Assessed Credit Exposures (Secured)

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

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

Certain qualitative criteria are also being considered by the Bank in assessing SICR. These are but not limited to: actual or expected short-term delays in payments which is normally not later than 30 days (cure period), extension to the terms granted, previous arrears within the last 12 months and significant adverse changes in business, financial and/or economic conditions in which the borrowers operate (e.g., calamities requiring BSP relief program), and other backstop indicators.

The assessment of SICR incorporates forward-looking information (FLI) and is performed on an annual basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

The Bank's management believes that the allowance for impairment losses as required by the BSP and that of in accordance with PFRS Accounting Standards is not materially different.

(b) Inputs, Assumptions and Estimation Techniques

The ECL is measured on lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. To measure the ECL, loans and receivables have been grouped on shared credit risk characteristics and the days past due (age buckets). The expected loss rates are based on the aging profiles of the Bank's loans and receivables, taking into consideration the prescribed loss rates of the BSP under Appendix 15 of Manual of Regulation for Banks (MORB), and the corresponding historical credit losses.

The Bank's management intends to regularly calibrate the historical loss rates with due consideration of the BSP guidelines. As with any economic forecasts, the projections and likelihoods of occurrence are subject to high degree of inherent uncertainty and therefore actual outcomes may significantly be different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearity and asymmetries with the Bank's different loan portfolio to establish scenarios that are appropriately representative of possible scenarios.

Business confidence index were used for loans and discounts, given their impact on the borrowers' ability to meet contractual repayments.

Other FLI considerations were not incorporated, such as the impact of any regulatory, legislative, natural disasters, or political changes, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

(c) Write-off

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

No loan receivables were written-off in 2025. Loan receivables with an outstanding balance of P20.1 million were written-off in 2024 (see Note 8).

4.1.5 Modifications of Financial Assets

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to.

Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

As of December 31, 2025 and 2024, the total outstanding balance of the Bank's restructured loans amounted to P72.8 million and P69.1 million, respectively (see Note 8).

4.1.6 Allowance for Expected Credit Loss

The following tables show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2025 and 2024:

(Amounts in PHP)	Stage 1	Stage 2	Stage 3	Total
2025:				
Loans and Receivables				
Balance as at January 1	32,970,743	8,637,898	139,136,674	180,745,315
Transfers:				
From Stage 1 to Stage 2	(289,419)	289,419	-	-
From Stage 1 to Stage 3	(1,347,771)	-	1,347,771	-
From Stage 2 to Stage 1	951,375	(951,375)	-	-
From Stage 2 to Stage 3	-	(1,399,762)	1,399,762	-
From Stage 3 to Stage 2	-	130,386	(130,386)	-
Net remeasurement of loss allowance	4,828,641	25,809,162	51,113,213	81,751,016
Derecognition of financial assets	(23,381,406)	(7,130,303)	(49,239,307)	(79,751,016)
Balance at December 31	**13,732,163**	**25,385,425**	**143,627,727**	**182,745,315**
2024:				
Loans and Receivables				
Balance as at January 1	14,063,898	10,712,982	178,390,532	203,167,412
Transfers:				
From Stage 1 to Stage 2	(368,617)	368,617	-	-
From Stage 1 to Stage 3	(10,357,506)	-	10,357,506	-
From Stage 2 to Stage 1	2,311,337	(2,311,337)	-	-
From Stage 2 to Stage 3	-	(2,264,259)	2,264,259	-
From Stage 3 to Stage 2	-	121,583	(121,583)	-
Written-off	-	-	(20,121,104)	(20,121,104)
Net remeasurement of loss allowance	75,841,268	8,107,291	10,812,350	94,760,909
Derecognition of financial assets	(48,519,637)	(6,096,979)	(42,445,286)	(97,061,902)
Balance at December 31	32,970,743	8,637,898	139,136,674	180,745,315

4.1.7 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The tables below provide information on how the significant changes in the gross carrying amount of loans and receivables in 2025 and 2024 contributed to the changes in the allowance for ECL.

(Amounts in PHP)	Stage 1	Stage 2	Stage 3	Total
2025:				
Balance as at January 1	1,947,134,595	135,726,153	521,978,560	2,604,839,308
Transfers:				
From Stage 1 to Stage 2	(46,227,989)	46,227,989	-	-
From Stage 1 to Stage 3	(58,376,210)	-	58,376,210	-
From Stage 2 to Stage 1	62,457,045	(62,457,045)	-	-
From Stage 2 to Stage 3	-	(30,588,533)	30,588,533	-
From Stage 3 to Stage 2	-	4,673,103	(4,673,103)	-
New financial assets originated	1,079,839,142	82,327,710	75,065,336	1,237,232,188
Derecognition of financial assets	(1,160,313,180)	(8,506,969)	(197,814,072)	(1,366,634,221)
Balance at December 31	**1,824,513,403**	**167,402,408**	**483,521,464**	**2,475,437,275**
2024:				
Balance as at January 1	2,083,170,201	50,153,899	459,538,232	2,592,862,332
Transfers:				
From Stage 1 to Stage 2	(41,151,882)	41,151,882	-	-
From Stage 1 to Stage 3	(53,897,006)	-	53,897,006	-
From Stage 2 to Stage 1	6,495,083	(6,495,083)	-	-
From Stage 2 to Stage 3	-	(13,213,838)	13,213,838	-
From Stage 3 to Stage 2	-	1,257,062	(1,257,062)	-
Written-off	-	-	(20,121,104)	(20,121,104)
New financial assets originated	1,407,266,060	80,778,190	61,213,770	1,549,258,020
Derecognition of financial assets	(1,454,747,861)	(17,905,959)	(44,506,120)	(1,517,159,940)
Balance at December 31	1,947,134,595	135,726,153	521,978,560	2,604,839,308

4.2 Liquidity Risk

The Bank's policy is to maintain adequate liquidity at all times. This policy aims to honor all cash requirements on an ongoing basis and to avoid raising funds above market rates or through the forced sale of assets.

Liquidity risk is the risk that sufficient funds may not be available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquid financial assets at all times to meet obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses that would be detrimental to the Bank's operations.

The Bank manages liquidity risk by maintaining a portfolio of highly liquid financial assets of appropriate quality to ensure short-term funding requirements are met regularly and in the event of unforeseen interruption of cash flows. Specifically, the Bank's liquidity risk management is focused on the matching of the maturities of its liquid financial assets and short-term liabilities. In addition, the Bank also seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when this arises.

The settlement groupings of the Bank's financial assets and financial liabilities as of December 31, 2025 and 2024 are shown below:

(Amounts in PHP)	**Within One Year**	**Beyond One Year But Less Than Five Years**	**Beyond Five Years**	**Total**
December 31, 2025				
Resources:				
Cash and other cash items	130,998,520	-	-	130,998,520
Due from BSP and other banks	324,927,062	6,499,538	-	331,426,600
Loans and receivables – net	999,112,403	799,219,416	494,360,141	2,292,691,960
Investment securities at amortized cost – net	160,153,944	8,000,000	-	168,153,944
	1,615,191,929	813,718,954	494,360,141	2,923,271,024
Liabilities:				
Deposit liabilities	2,539,888,851	312,370,198	-	2,852,259,049
Bills payable	142,601,150		-	142,601,150
Accrued expenses and other liabilities	104,382,184	51,659,275	84,528,301	240,569,760
	2,786,872,185	364,029,473	84,528,301	3,235,429,959
Net Periodic Gap	(1,171,680,256)	449,689,481	409,831,840	(312,158,935)
Cumulative Total Gap	**(1,171,680,256)**	**(721,990,775)**	**(312,158,935)**	**-**
December 31, 2024				
Resources:				
Cash and other cash items	120,655,293	-	-	120,655,293
Due from BSP and other banks	373,554,565	6,515,335	-	380,069,900
Loans and receivables – net	1,039,902,789	523,325,934	860,865,270	2,424,093,993
Investment securities at amortized cost – net	83,888,175	8,000,000	-	91,888,175
	1,618,000,822	537,841,269	860,865,270	3,016,707,361
Liabilities:				
Deposit liabilities	2,323,550,366	286,080,366	-	2,609,630,732
Bills payable	396,138,296	29,237,535	-	425,375,831
Accrued expenses and other liabilities	122,423,508	51,659,275	84,528,301	258,611,084
	2,842,112,170	366,977,176	84,528,301	3,293,617,647
Net Periodic Gap	(1,224,111,348)	170,864,093	776,336,969	(276,910,286)
Cumulative Total Gap	(1,224,111,348)	(1,053,247,255)	(276,910,286)	-

The Bank continually assesses business opportunities and strategies where it can effectively and sufficiently match its short-term funding requirements with adequate liquid assets through taking customers' deposits with longer maturities and discounting loans to other financial institutions with repayments terms enough to cover credit demands of customers.

4.3 Foreign Currency Risk

The Bank has no significant exposure to foreign currency risks as most transactions are denominated in Philippine pesos, its functional currency.

4.4 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank's cash flow interest rate risk relates primarily to the possible changes in the prevailing interest rates on amounts due from other banks and deposit liabilities that are subject to variable interest rates (see Notes 6 and 14). The volatility in the interest rates of these financial instruments will result to an increase or decrease of the Bank's interest spread, and consequently will affect its financial performance. All other financial assets and financial liabilities either have fixed rates or non-interest bearing; hence, were not considered in the cash flow interest rate risk sensitivity.

The table below illustrates the sensitivity of the Bank's profit before tax and equity to a reasonably possible change in average interest rates of +/- 0.65% basis points (bps) in 2025 and +/- 0.54% basis points (bps) in 2024. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	2025		2024	
(Amounts in PHP)	**-0.65% bps**	**+0.65%bps**	-0.54% bps	+0.54%bps
Profit before tax	**(22,355,279)**	**22,355,279**	(17,696,446)	17,696,446
Equity	**(16,766,461)**	**16,766,461**	(13,272,335)	13,272,335

To mitigate this risk, the Bank follows a prudent policy in managing assets and liabilities in order to ensure that exposure to interest rate risk are kept within acceptable levels.

4.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, or may lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage this risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the maintenance of internal audit.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day. The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168.

In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 (the Circular) was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MTPP) designed according to the covered institution's corporate structure and risk profile.

The Compliance Unit of the Bank, headed by the Chief Compliance Officer (CCO), monitors the Bank's compliance on the implementation and management of MTPP. The Branch Service Officer is the compliance officer at the branch level, that oversees the daily activities of the branch. The CCO regularly reports to the AMLA Committee and to the BOD the results of their monitoring of AMLA compliance.

In an effort to further prevent money laundering activities, the Bank strengthens its KYC policies and guidelines. New individual customers shall establish their true and full identity, and shall maintain an account only in the true and full name of the account owner. Likewise, the Bank is required to risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Politically Exposed Persons (PEP) are automatically profiled as high risk and subject to enhanced due diligence. Any suspicious transaction is reported to the Bank's AMLA Committee, who investigates and deliberates whether the transaction has a valid ground to be reported as Suspicious Transaction Report.

4.7 Maturity Profile of Resources and Liabilities

The table below presents the resources and liabilities analyzed according to whether these are expected to be recovered or settled in less than 12 months and over 12 months from statement of financial position date:

(Amounts in PHP)	**2025**			2024		
	Within 12 Months	**Beyond 12 Months**	**Total**	Within 12 Months	Beyond 12 Months	Total
Resources						
Cash and other cash items	**130,998,520**	**-**	**130,998,520**	120,655,293	-	120,655,293
Due from BSP and other banks	**324,927,062**	**6,499,538**	**331,426,600**	373,554,565	6,515,335	380,069,900
Investment securities at amortized cost - net	**160,153,944**	**8,000,000**	**168,153,944**	83,888,175	8,000,000	91,888,175
Loans and receivables - net	**999,112,403**	**1,293,579,557**	**2,292,691,960**	1,039,902,789	1,384,191,204	2,424,093,993
Assets held for sale	**14,979,520**	**-**	**14,979,520**	9,255,728	-	9,255,728
Bank premises, furniture, fixtures, and equipment - net	**-**	**41,741,670**	**41,741,670**	-	46,045,220	46,045,220
Right-of-use assets - net	**-**	**50,666,138**	**50,666,138**	-	56,504,863	56,504,863
Investment properties - net	**-**	**423,793,331**	**423,793,331**	-	383,612,652	383,612,652
Other resources - net	**35,718,291**	**136,645,850**	**172,364,141**	26,376,391	150,637,618	177,014,009
	1,665,889,740	**1,960,926,084**	**3,626,815,824**	1,653,632,941	2,035,506,892	3,689,139,833
Liabilities						
Deposit liabilities	**2,539,888,851**	**312,370,198**	**2,852,259,049**	2,323,550,366	286,080,366	2,609,630,732
Bills payable	**142,601,150**	**-**	**142,601,150**	396,138,296	29,237,535	425,375,831
Accrued expenses and other liabilities	**121,377,706**	**140,808,084**	**262,185,790**	113,246,327	148,808,316	262,054,643
	2,803,867,707	**453,178,282**	**3,257,045,989**	2,832,934,989	464,126,217	3,297,061,206

5. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

(Amounts in PHP)	**2025**		2024	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets				
At amortized cost:				
Cash and other cash items	**130,998,520**	**130,998,520**	120,655,293	120,655,293
Due from BSP	**61,016,788**	**61,016,788**	50,230,790	50,230,790
Due from other banks	**270,409,812**	**270,409,812**	329,839,110	329,839,110
Loans and receivables – net	**2,292,691,960**	**2,156,559,366**	2,424,093,993	2,170,596,613
Investment securities	**168,153,944**	**170,204,129**	91,888,175	93,478,810
	2,923,271,024	**2,789,188,615**	3,016,707,361	2,764,800,616
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**2,852,259,049**	**2,819,992,074**	2,609,630,732	2,580,108,557
Bills payable	**142,601,150**	**142,382,310**	425,375,831	399,596,579
Accrued expenses and other liabilities	**240,569,760**	**240,569,760**	258,611,084	258,611,084
	3,235,429,959	**3,202,944,144**	3,293,617,647	3,238,316,220

A description of the Bank's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Offsetting Financial Assets and Financial Liabilities

The Bank's loans and receivables secured through hold-out on deposits, and bills payable secured through loans are the only financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements. However, the Bank does not present such loans and receivables net of the deposit liabilities or bills payable net of the loans and receivables used as collateral in the statements of financial position.

The table below shows the gross amounts presented in the financial statements:

(Amounts in PHP)	**Gross amounts recognized in the statements of financial position**	**Related amounts not set off in the statements of financial position**		**Net amount**
		Financial Instruments	**Collateral received**	
2025:				
Financial assets:				
Loans and receivables - gross	**2,475,437,275**	**(145,001,150)**	**-**	**2,330,436,125**
Financial liabilities:				
Deposits	**2,852,259,049**	**(2,400,000)**	**-**	**2,849,859,049**
Bills payable	**142,601,150**	**(142,601,150)**	**-**	**-**
2024:				
Financial assets:				
Loans and receivables - gross	2,604,839,308	(426,175,831)	-	2,178,663,477
Financial liabilities:				
Deposits	2,609,630,732	(800,000)	-	2,608,830,732
Bills payable	425,375,831	(425,375,831)	-	-

For financial assets subject to enforceable master netting arrangements or similar arrangements between the Bank and counterparties, it allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

For purposes of presenting the information above, the related amounts not set-off in the statements of financial position pertains to: (a) deposit hold-out which serves as the Bank's collateral enhancement for certain loans and receivables; and, (b) certain loans and receivables assigned by the Bank as collateral for its bills payable. The financial instruments that can be set-off are only disclosed to the extent of the amounts of the Bank's counterparties.

5.3 Fair Value Hierarchy

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

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.3.1 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

(Amounts in PHP)	Notes	**2025** Level 1	Level 2	Level 3	Total
Financial assets					
At amortized cost:					
Cash and other cash items	6	130,998,520	-	-	130,998,520
Due from BSP	6	61,016,788	-	-	61,016,788
Due from other banks	6	270,409,812	-	-	270,409,812
Loans and receivables	8	-	-	2,156,559,366	2,156,559,366
Investment securities -					
Government securities	7	170,204,129	-	-	170,204,129
		632,629,249	**-**	**2,156,559,366**	**2,789,188,615**
Financial liabilities					
At amortized cost:					
Deposit liabilities	14	-	-	2,819,992,074	2,819,992,074
Bills payable	15	-	-	142,382,310	142,382,310
Accrued expenses and other liabilities	16	-	-	240,569,760	240,569,760
		-	**-**	**3,202,944,144**	**3,202,944,144**

	Notes	2024 Level 1	Level 2	Level 3	Total
Financial assets					
At amortized cost:					
Cash and other cash items	6	120,655,293	-	-	120,655,293
Due from BSP	6	50,230,790	-	-	50,230,790
Due from other banks	6	329,839,110	-	-	329,839,110
Loans and receivables	8	-	-	2,170,596,613	2,170,596,613
Investment securities -					
Government securities	7	93,478,810	-	-	93,478,810
		594,204,003	-	2,170,596,613	2,764,800,616
Financial liabilities					
At amortized cost:					
Deposit liabilities	14	-	-	2,580,108,557	2,580,108,557
Bills payable	15	-	-	399,596,579	399,596,579
Accrued expenses and other liabilities	16	-	-	258,611,084	258,611,084
		-	-	3,238,316,220	3,238,316,220

The Bank has certain financial assets and financial liabilities measured at amortized cost as of the end of the reporting period whose related fair values are disclosed. For financial assets and financial liabilities whose fair values are included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.3.2 Fair Value Disclosures for Non-Financial Assets

The table below shows the Levels within the hierarchy of non-financial assets for which fair value is disclosed as of December 31, 2025 and 2024.

(Amounts in PHP)	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2025					
Investment properties:	12				
Land		-	531,123,702	-	531,123,702
Building and improvements		-	-	361,101,479	361,101,479
Other foreclosed assets	13	-	-	76,958,557	76,958,557
Assets held for sale	9	-	-	18,085,000	18,085,000
		-	**531,123,702**	**456,145,036**	**987,268,738**
December 31, 2024					
Investment properties:	12				
Land		-	461,319,366	-	461,319,366
Building and improvements		-	-	280,334,047	280,334,047
Other foreclosed assets	13	-	-	70,942,700	70,942,700
Assets held for sale	9	-	-	11,110,000	11,110,000
		-	461,319,366	362,386,747	823,706,113

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The fair values of the Bank's land and buildings classified under investment properties and other foreclosed assets (e.g., motor vehicle and jewelry) were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

(b) *Fair Value Measurement for Buildings*

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence.

The most significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

(c) *Fair Value Measurement for Assets Held for Sale and Other Foreclosed Assets*

The Level 3 fair value of the motor vehicles, jewelries and other foreclosed assets was determined based on the appraisal report of internal appraisers. Fair value was determined based on the replacement cost of an asset with an equally satisfactorily substitute asset which is normally derived from the current acquisition cost of a similar asset, new or used, or of an equivalent productive capacity or service potential.

There was no change on the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 2 and Level 3 fair value hierarchies in 2025 and 2024.

6. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

(Amounts in PHP)	Note	**2025**	2024
Cash and other cash items	6.1	**130,998,520**	120,655,293
Due from BSP	6.2	**61,016,788**	50,230,790
Due from other banks	6.3	**270,409,812**	329,839,110
		462,425,120	500,725,193

6.1 Cash and Other Cash Items

These represent the total amount of cash in the Bank's vault in the form of Philippine currency and checks and other cash items received after the cut-off time until the close of the regular banking hours.

6.2 Due from BSP

Due from BSP represents the deposit balance maintained with the BSP to meet reserve requirements. BSP Circulars No. 1201 and 1092, *Reduction in Reserve Requirements*, dated October 25, 2024, no longer requires rural banks to hold reserves against savings, demand and time deposit liabilities, respectively (see Note 14). Deposits maintained by banks with the BSP are noninterest-bearing.

6.3 Due from Other Banks

Due from other banks maintained under savings, demand, and time accounts are as follows:

(Amounts in PHP)	**2025**	2024
Commercial and rural banks:		
Demand	**73,293,943**	54,138,667
Savings	**63,002,175**	59,880,204
Time	**3,431,294**	3,421,911
	139,727,412	117,440,782
Government banks:		
Demand	**114,040,049**	195,760,778
Savings	**15,550,671**	15,550,275
Time	**1,091,680**	1,087,275
	130,682,400	212,398,328
	270,409,812	329,839,110

Interest rates on these deposits range from 0.05% to 0.13% per annum in 2025 and 0.05% to 0.07% per annum in 2024. Interest income earned from due from other banks in 2025 and 2024 amounted to P0.2 million and P0.9 million, respectively, is shown as Interest Income on Due from Other Banks account in the statements of comprehensive income.

7. INVESTMENT SECURITIES AT AMORTIZED COST

A reconciliation of the Bank's investment securities at amortized cost at the beginning and end of 2025 and 2024 is shown below.

(Amounts in PHP)	**2025**	2024
Balance at beginning of year	**91,888,175**	117,821,741
Additions	**313,244,000**	85,000,000
Maturities	**(246,557,000)**	(115,000,000)
Amortization of discount	**9,578,769**	4,066,434
Balance at end of year	**168,153,944**	91,888,175

This account is comprised of investments in government and corporate bonds denominated in Philippine pesos with fixed interest rate ranging from 4.84% to 6.02% per annum in 2025 and from 5.59% to 6.02% per annum in 2024. These debt securities have maturities ranging from one to five years.

Interest income earned from investment securities at amortized cost in 2025 and 2024 amounted to P8.3 million and P5.5 million, respectively, is shown as Interest Income on Investment Securities at Amortized Cost in the statements of comprehensive income.

The maturity profile of the investment securities at amortized cost are as follows:

(Amounts in PHP)	**2025**	2024
Within one year	**160,153,944**	83,888,175
Beyond one year	**8,000,000**	8,000,000
	168,153,944	91,888,175

8. LOANS AND RECEIVABLES

This account is comprised of:

(Amounts in PHP)	Note	**2025**	2024
Loans and discounts		**2,199,790,177**	2,352,715,853
Sales contract receivable	21.4	**156,719,115**	138,043,249
Accounts receivable		**75,542,727**	63,528,301
Accrued interest receivable		**43,385,256**	50,551,905
		2,475,437,275	2,604,839,308
Allowance for impairment		**(182,745,315)**	(180,745,315)
		2,292,691,960	2,424,093,993

The balance of loans and discounts include non-accruing loans amounting to P557.0 million and P538.8 million as at December 31, 2025 and 2024, respectively.

Interest rates on receivables from customers range from 10.00% to 36.90% to per annum both in 2025 and 2024.

Interest income earned from loans and discounts amounting to P363.3 million and P392.8 million in 2025 and 2024, respectively, is shown as Interest Income on Loans and Receivables account in the statements of comprehensive income.

As of December 31, 2025 and 2024, loans and discounts amounting to P142.6 million and P425.4 million, respectively, are assigned to bills payable for rediscounting availment. The related liabilities are not set-off in the financial statements but are subject to offsetting arrangements (see Notes 5.2 and 15).

Loans and discounts portfolio (at gross amounts) is analyzed below:

(Amounts in PHP)	**2025**	2024
Current:		
Small and medium enterprises	**1,013,048,703**	1,074,452,755
Agrarian and other agriculture credits	**463,728,160**	571,569,746
Individuals for housing purposes	**90,474,761**	103,732,550
Microenterprise loans	**41,007,429**	45,467,282
Individuals for personal use	**32,204,179**	17,908,913
Individuals for other purposes	**2,307,250**	760,106
	1,642,770,482	1,813,891,352
Past due items:		
Small and medium enterprises	**241,425,992**	245,567,168
Agrarian and other agriculture credits	**225,101,202**	199,807,106
Individuals for personal use	**63,073,368**	22,950,162
Microenterprise loans	**14,432,713**	54,282,365
Individuals for housing purposes	**12,986,291**	16,217,571
Individuals for other purposes	**129**	129
	557,019,695	538,824,501
	2,199,790,177	2,352,715,853

The maturity profile of the total gross loans and discounts is as follows:

(Amounts in PHP)	**2025**	2024
One year and below	**940,136,309**	991,771,310
Beyond one year	**1,259,653,868**	1,360,944,543
	2,199,790,177	2,352,715,853

All of the Bank's loans and receivables have been assessed for impairment. Certain loans and receivables were found to be impaired and provisions have been recorded accordingly.

A reconciliation of allowance for impairment at the beginning and end of the reporting period is shown below.

(Amounts in PHP)	**2025**	2024
Balance at beginning of year	**180,745,315**	203,167,412
Impairment provision during the year	**3,369,850**	-
Impairment recoveries – net	**(1,369,850)**	(2,300,993)
Write-offs	**-**	(20,121,104)
Balance at end of year	**182,745,315**	180,745,315

Impairment recoveries are presented as part of Impairment Losses (Recoveries) in the statements of comprehensive income.

Restructured loans as of December 31, 2025 and 2024 amounted to P72.8 million and P69.1 million, respectively. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments, and it is fully secured by real estate with loan value of up to 60.00% of the appraised value of real estate security and the insured improvements and such other first-class collaterals.

9. ASSETS HELD FOR SALE

The Bank's assets held for sale amounted to P15.0 million and 9.3 million as of December 31, 2025 and 2024, respectively. These represent repossessed motor vehicles acquired through foreclosure proceedings, which are intended to be disposed of within one year in accordance with Bank's policies.

The changes in the carrying amount of the assets held for sale are summarized as follows:

(Amounts in PHP)	Note	**2025**	2024
Balance at beginning of year		**9,255,728**	12,478,371
Repossessions		**15,306,574**	10,209,389
Reclassification	13.1	**(9,255,728)**	(9,772,445)
Impairment losses		**(327,054)**	(153,055)
Sale and redemption		**-**	(3,506,532)
Balance at end of year		**14,979,520**	9,255,728

Certain assets previously classified as Assets Held for Sale were reclassified to Other Foreclosed Assets as the Bank no longer expects these assets to be disposed of within the period required and they continue to be held for recovery through foreclosure processes.

Impairment losses are presented as part of Impairment Losses (recoveries) in the statements of comprehensive income.

The fair values of the Bank's assets held for sale were based on the latest appraised values, as determined by qualified internal professional appraisers (see Note 5.3.2).

10. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of the reporting period are shown below.

(Amounts in PHP)	Land	Building	Transportation Equipment	Furniture, Fixtures and Other Equipment	Leasehold Rights and Improvements	Total
December 31, 2025						
Cost	21,233,979	24,404,126	37,829,714	169,146,883	70,526,597	323,141,299
Accumulated depreciation and amortization	-	(23,358,222)	(36,969,961)	(162,680,703)	(58,390,743)	(281,399,629)
Net carrying amount	**21,233,979**	**1,045,904**	**859,753**	**6,466,180**	**12,135,854**	**41,741,670**
December 31, 2024						
Cost	22,039,979	27,667,359	40,007,727	170,417,794	77,446,150	337,579,009
Accumulated depreciation and amortization	-	(26,609,542)	(38,206,935)	(164,993,437)	(61,723,875)	(291,533,789)
Net carrying amount	22,039,979	1,057,817	1,800,792	5,424,357	15,722,275	46,045,220
January 1, 2024						
Cost	56,376,079	94,089,164	41,140,510	169,250,573	76,015,213	436,871,539
Accumulated depreciation and amortization	-	(89,411,211)	(40,136,708)	(159,022,001)	(58,465,470)	(347,035,390)
Net carrying amount	56,376,079	4,677,953	1,003,802	10,228,572	17,549,743	89,836,149

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of the reporting period is shown below.

(Amounts in PHP)	Land	Building	Transportation Equipment	Furniture, Fixtures and Other Equipment	Leasehold Rights and Improvements	Total
Balance at January 1, 2025, net of accumulated depreciation and amortization	22,039,979	1,057,817	1,800,792	5,424,357	15,722,275	46,045,220
Additions	-	-	-	4,547,811	655,185	5,202,996
Disposals	(754,400)	(7)	(70)	(26,629)	(5)	(781,111)
Reclassification	(51,600)	804,790	(323,328)	579,602	(1,181,464)	(172,000)
Depreciation amortization charges for the year	-	(816,696)	(617,641)	(4,058,961)	(3,060,137)	(8,553,435)
Balance at December 31, 2025, net of accumulated depreciation and amortization	**21,233,979**	**1,045,904**	**859,753**	**6,466,180**	**12,135,854**	**41,741,670**
Balance at January 1, 2024, net of accumulated depreciation and amortization	56,376,079	4,677,953	1,003,802	10,228,572	17,549,743	89,836,149
Additions	-	55,000	1,120,836	1,550,675	1,400,737	4,127,248
Disposals	(34,336,100)	(1,591,990)	-	(403,563)	(803,757)	(37,135,410)
Reclassification	-	(975,568)	-		836,919	(138,649)
Depreciation amortization charges for the year	-	(1,107,578)	(323,846)	(5,951,327)	(3,261,367)	(10,644,118)
Balance at December 31, 2024, net of accumulated depreciation and amortization	22,039,979	1,057,817	1,800,792	5,424,357	15,722,275	46,045,220

Depreciation and amortization expenses on the Bank's premises, furniture, fixtures, and equipment are shown as part of the Depreciation and amortization under Other Expenses account in the statements of comprehensive income (see Note 18.2).

In 2025 and 2024, the Bank sold various equipment, land and building with net book value of P0.8 million and P17.2 million for total gains of P12.4 million and P7.2 million, respectively. The gain or loss from aforementioned disposals were presented as part of Other Income in the statements of comprehensive income (see Note 18.1).

In 2024, the Bank entered into a sales and leaseback transactions of their land and building with a net book value of P20.4 million for a total gain on rights transferred of P37.4 million. The gain from the aforementioned disposals was presented as part of Other Income in the 2024 statements of comprehensive income (see Notes 11.3 and 18.1). There was no similar transaction in 2025.

As of December 31, 2025 and 2024, the cost of the Bank's fully-depreciated assets that are still used in operations are P249.1 million and P240.9 million, respectively.

BSP requires that investments in fixed assets do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2025 and 2024, the Bank has satisfactorily complied with this BSP requirement.

11. LEASES

The Bank has certain lease agreements for the lease of its office spaces and the premises where some of its branches and extension offices are situated for a period of two to 20 years, renewable upon mutual agreement between the parties. Each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability included under Accrued Expenses and Other Liabilities account. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. For leases over warehouses and offices, the Bank must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

11.1 Right-of-use Assets

The carrying amounts of the Banks's right-of-use assets as at December 31 and the movements during the year are shown below.

(Amounts in PHP)	Notes	**2025**	2024
Balance at beginning of year		**56,504,863**	55,034,776
Additions		**6,744,556**	11,478,236
Amortization	18.2	**(11,841,391)**	(10,008,149)
Pre-terminations	11.2	**(741,890)**	-
Balance at end of year		**50,666,138**	56,504,863

The Bank's right-of-use assets as of December 31, 2025 and 2024 represent 36 and 40 lease agreements for the leases of its branches and extension offices, respectively. The term of the lease ranges from five to twenty years.

11.2 Lease Liabilities

Outstanding balance of lease liabilities are presented under Accrued Expenses and Other Liabilities (see Note 16) in the statements of financial position as at December 31 is classified as follows:

(Amounts in PHP)	**2025**	2024
Current	**14,034,084**	12,859,560
Non-current	**61,405,457**	69,737,576
	75,439,541	82,597,136

The movements in lease liabilities are as follows:

(Amounts in PHP)	**2025**	2024
Balance at the beginning of year	**82,597,136**	61,165,964
Payments	**(20,095,505)**	(14,866,780)
Additions	**7,331,495**	31,490,868
Amortization of interest	**6,466,497**	4,807,084
Pre-terminations	**(860,082)**	-
	75,439,541	82,597,136

Amortization of interest is recognized as part of Interest Expense - Others in the statements of comprehensive income.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Bank's markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

In 2025 and 2024, there were no extension options used. In 2025, the Bank pre-terminated certain leases (see Note 11.1). The Bank recognized gains on pre-termination of lease amounting to P0.1 million in 2025 and is presented as part of Miscellaneous under Other Income in the 2025 statement of comprehensive income. (see Note 18.1). There was no similar transaction in 2024.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2025 and 2024 is presented below:

(Amounts in PHP)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	10 to 18 years	Total
December 31, 2025								
Lease payments	19,365,917	19,145,396	16,526,202	13,491,744	7,985,798	15,465,486	2,440,209	94,420,752
Finance charges	(5,331,833)	(4,220,694)	(3,099,492)	(2,121,522)	(1,428,344)	(2,496,860)	(282,466)	(18,981,211)
Net present values	**14,034,084**	**14,924,702**	**13,426,710**	**11,370,222**	**6,557,454**	**12,968,626**	**2,157,743**	**75,439,541**
December 31, 2024								
Lease payments	18,833,225	18,397,004	18,160,387	15,712,518	12,850,826	20,189,094	559,020	104,702,074
Finance charges	(5,973,665)	(4,949,923)	(3,872,031)	(2,794,640)	(1,844,866)	(2,622,177)	(47,636)	(22,104,938)
Net present values	12,859,560	13,447,081	14,288,356	12,917,878	11,005,960	17,566,917	511,384	82,597,136

11.3 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P20.1 million and P14.9 million in 2025 and 2024, respectively. Interest expense in relation to lease liabilities amounted to P6.5 million and P4.8 million in 2025 and 2024, respectively, and is presented as part of Others under Interest Expense in the statements of comprehensive income.

In 2024, the Bank entered into sale and leaseback of its bank premises with total selling price amount of P71.5 million, carrying amount of P20.4 million, and received the corresponding cash consideration of P13.9 million. The Bank recognized gain on sale and leaseback of P37.4 million, and is presented as part of Gain on sale and leaseback under Other Income in the 2024 statement of comprehensive income (see Notes 10, 18.1 and 21.4). Further, a sales contract receivable amounting to P20.2 million is recognized relating to sales and leaseback transaction. The gain recognized from the sale and leaseback transaction represents only the amount relating to the rights in the underlying assets that were transferred to the buyer-lessor after considering the lease liabilities recognized from the leaseback. There was no similar transaction which occurred in 2025.

12. INVESTMENT PROPERTIES

The Bank's investment properties include parcels of land and buildings acquired principally through foreclosures or dacion as payments of outstanding loans by the borrowers.

A reconciliation of the gross carrying amounts and the accumulated depreciation and impairment losses of investment properties at the beginning and end of 2025 and 2024, is shown below.

(Amounts in PHP)	**Land**	**Building**	**Total**
December 31, 2025			
Cost	267,765,081	216,389,638	484,154,719
Accumulated impairment	(8,796,383)	(2,204,402)	(11,000,785)
Accumulated depreciation	-	(49,360,603)	(49,360,603)
Net carrying amount	**258,968,698**	**164,824,633**	**423,793,331**
December 31, 2024			
Cost	246,386,148	189,814,968	436,201,116
Accumulated impairment	(8,796,383)	(2,204,402)	(11,000,785)
Accumulated depreciation	-	(41,587,679)	(41,587,679)
Net carrying amount	237,589,765	146,022,887	383,612,652
January 1, 2024			
Cost	217,058,358	185,047,493	402,105,851
Accumulated impairment	(10,195,051)	(2,204,402)	(12,399,453)
Accumulated depreciation	-	(31,421,814)	(31,421,814)
Net carrying amount	206,863,307	151,421,277	358,284,584

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2025 and 2024 is shown below.

(Amounts in PHP)	**Land**	**Building**	**Total**
Balance at January 1, 2025, net of accumulated depreciation and impairment	237,589,765	146,022,887	383,612,652
Additions	53,040,744	39,188,841	92,229,585
Disposals	(31,661,811)	(6,047,559)	(37,709,370)
Depreciation charges for the year	-	(14,339,536)	(14,339,536)
Balance at December 31, 2025, net of accumulated depreciation and impairment	**258,968,698**	**164,824,633**	**423,793,331**
Balance at January 1, 2024, net of accumulated depreciation and impairment	206,863,307	151,421,276	358,284,583
Additions	47,341,832	41,057,678	88,399,510
Reclassifications	9,456,113	3,523,280	12,979,393
Disposals	(26,071,487)	(29,874,004)	(55,945,491)
Depreciation charges for the year	-	(20,105,343)	(20,105,343)
Balance at December 31, 2024, net of accumulated depreciation and impairment	237,589,765	146,022,887	383,612,652

Depreciation charges are presented as part of Depreciation and amortization under Other Expenses in the statements of comprehensive income (see Note 18.2). Real property taxes incurred on these investment properties amounted to P0.7 million and P1.4 million in 2025 and 2024, respectively, and are presented as part of Taxes and licenses under Other Expenses in the statements of comprehensive income (see Note 18.2). The Bank recognized a gain on disposal of investment properties totalling to P14.9 million and P9.8 million in 2025 and 2024, respectively, and are presented as part of Gain on sale of non-financial assets under Other Income in the statements of comprehensive income (see Note 18.1).

The P13.0 million reclassification in 2024 pertains to transfer from other foreclosed assets to investment properties.

As of December 31, 2025 and 2024, there is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal therefrom. In addition, the Bank has not entered into a significant commitment to purchase, construct or develop any investment property in the near future.

13. OTHER RESOURCES

This account consists of:

(Amounts in PHP)	Notes	**2025**	2024
Deferred tax assets – net	20	**93,831,380**	91,591,791
Prepayments	13.3	**28,758,507**	17,853,452
Other foreclosed assets - net	13.1	**13,153,940**	21,585,185
Security deposit		**11,433,452**	8,799,512
Goodwill	2	**4,001,149**	4,001,149
Office supplies		**2,795,621**	2,922,951
Intangible assets – net	13.2	**516,793**	4,555,348
Miscellaneous		**17,873,299**	25,704,621
		172,364,141	177,014,009

Miscellaneous is composed of refundable deposits and advance payments with utility providers, cash bonds and guarantee deposits, prepaid and deferred charges, and sundry accounts.

The maturity profile of the Bank's other resources is as follows:

(Amounts in PHP)	**2025**	2024
One year and below	**35,718,291**	26,376,391
Beyond one year	**136,645,850**	150,637,618
	172,364,141	177,014,009

13.1 Other Foreclosed Assets

This account refers to the accumulated cost of other movable foreclosed assets. The movements in the carrying value of this account are shown below.

(Amounts in PHP)	Note	**2025**	2024
Balance at beginning of year		**21,585,185**	48,302,827
Depreciation during the year		**(14,156,225)**	(16,506,798)
Reclassification from assets held for sale	9	**9,255,728**	9,772,445
Disposals		**(3,950,324)**	(9,810,356)
Additions and other capitalized costs		**419,576**	-
Impairment		**-**	(2,137,392)
Reclassification to investment properties		**-**	(8,035,541)
Balance at end of year		**13,153,940**	21,585,185

The depreciation of other foreclosed assets is presented as part of Depreciation and amortization under Other Expenses in the statements of comprehensive income (see Note 18.2).

In 2025, the Bank sold other foreclosed motor vehicles with a net book value of P4.0 million, resulting in total losses of P0.5 million. In 2024, the Bank sold other foreclosed land and motor vehicles with net book values of P9.8 million and P31.8 million, resulting in losses of P1.0 million and P13.7 million, respectively. The losses from the aforementioned disposals were presented as part of Other Expenses in the statements of comprehensive income (see Note 18.2).

13.2 Intangible Assets

This account refers to the accumulated cost of software which is being developed to perform centralized online real-time electronic banking to support the Bank's operations. The movements in the carrying value of this account are shown below.

(Amounts in PHP)	**2025**	2024
Balance at beginning of year	**4,555,348**	6,606,393
Amortization during the year	**(3,829,203)**	(7,732,587)
Reclassification	**(433,352)**	138,649
Additions	**224,000**	5,542,893
Balance at end of year	**516,793**	4,555,348

The amortization on software is presented as part of Depreciation and amortization under Other Expenses in the statements of comprehensive income (see Note 18.2).

13.3 Prepayments

Prepayments includes unexpired portion of taxes and licenses, insurance, property and other non-life insurance, and staff's uniform benefits. This also includes group insurance for employees, a portion of which is shouldered by the Bank.

14. DEPOSIT LIABILITIES

Deposit liabilities are in the form of savings, demand and time deposits with annual interest rates ranging from 0.20% to 8.58% and 0.30% to 8.58% in 2025 and 2024, respectively. The total interest expense incurred on deposit liabilities amounted to P86.4 million and P65.7 million in 2025 and 2024, respectively, and is presented as Deposit liabilities under the Interest Expense section of statements of comprehensive income.

The breakdown of deposit liabilities is as follows:

(Amounts in PHP)	**2025**	2024
Time	**1,549,086,737**	1,316,348,945
Savings	**1,281,616,767**	1,272,794,329
Demand	**21,555,545**	20,487,458
	2,852,259,049	2,609,630,732

The maturity profile of the Bank's deposit liabilities is as follows:

(Amounts in PHP)	**2025**	2024
Within one year	**2,539,888,851**	2,323,550,366
Beyond one year	**312,370,198**	286,080,366
	2,852,259,049	2,609,630,732

Starting October 25, 2024, under BSP Circular No. 1201, rural banks are not subject to required reserves against deposit and deposit substitute liabilities.

15. BILLS PAYABLE

This account consists of bills payable to LBP representing the balances of the obligation of the Bank arising from short term availment of rediscounting facilities which are charged with annual interest rate of 8.50% and 8.75% to 9.00% in 2025 and 2024, respectively. The outstanding bills payable amounted to P142.6 million and P425.4 million in 2025 and 2024, respectively.

The total interest expense incurred on bills payable amounted to P14.8 million and P39.2 million in 2025 and 2024, respectively, and is presented as Bills payable under the Interest Expense section of statements of comprehensive income. Borrower's promissory notes amounting to P207.3 million and P804.4 million as of December 31, 2025 and 2024, respectively, were pledged as security for these borrowings (see Note 8). Maturity profile of the outstanding bills payable as of December 31 is shown below.

(Amounts in PHP)	**2025**	2024
Within one year	**142,601,150**	396,138,296
Beyond one year	**-**	29,237,535
	142,601,150	425,375,831

The movements in this account are presented below:

(Amounts in PHP)	**2025**	2024
Balance at beginning of year	**425,375,831**	547,579,745
Additions	**299,351,397**	787,370,265
Settlements	**(582,126,078)**	(909,574,179)
Balance at end of year	**142,601,150**	425,375,831

16. ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of accruals for:

(Amounts in PHP)	Notes	**2025**	2024
Lease liabilities	11.2	**75,439,541**	82,597,136
Accounts payable	16.1	**70,985,138**	58,146,430
Unsecured subordinated debt	16.2	**60,700,000**	60,700,000
Accrued interests		**26,062,489**	29,662,866
Post-employment benefit obligation	19.2	**8,037,524**	4,168,605
Redeemable preference shares	16.3	**5,750,000**	5,750,000
Accrued other expenses	16.4	**4,503,811**	2,963,919
Other liabilities	16.5	**10,707,287**	18,065,687
		262,185,790	262,054,643

16.1 Accounts Payables

Accounts payable consists mainly of deposits from borrowers for the payment of registration of mortgage documents and redemption of property or assets acquired, and of loan payments made by borrowers prior to due date.

16.2 Unsecured Subordinated Debt (UnSD)

The Bank's unsecured subordinated debt, amounting to P60.7 million as of December 31, 2025 and 2024, represents the unsecured notes eligible as Upper Tier 2 capital of the Bank thru its selling agent, Multinational Investment Bancorporation (MIB) with a minimum denomination of P0.5 million at 9.93% interest rate per annum for a period ten years subject to the following terms and conditions among others:

1. This Note is not a deposit and is not insured by the PDIC.

2. This Note is neither secured nor covered by the guaranty of the Bank or its subsidiaries of affiliates, or other arrangement that legally or economically enhances the priority of the claim of any holder of the UnSD as against depositors and other creditors and holders of Lower Tier 2 Capital instruments.

3. This Note does not have a priority claim, in respect of principal and coupon payments in the event of winding-up of the Bank, which is higher than or equal with that of depositors and other creditors and holders of Lower Tier 2 Capital instruments.

4. This Note is ineligible as collateral for a loan granted by the Bank, its subsidiaries and affiliates.

5. This Note cannot be terminated by the holder. However, it may be pre-terminated by the Issuer upon prior approval of the BSP subject to certain conditions.

Interest expense incurred on these debt instruments amounted P8.3 million in both 2025 and 2024, and is presented as part of Others under the Interest Expense section of statements of comprehensive income.

16.3 Redeemable Preference Shares (Preferred Shares A and B)

The redeemable preference shares of the Bank with maturity dated February 24, 2021 amounting to P5.8 million as of December 31, 2025 and 2024 refer to issuance to private individuals.

The Bank's amended articles of incorporation dated February 24, 2016, disclosed the following features of its preferred stock;

a. Non-voting
b. Redeemable in full at the specific dates or period fixed for redemption only upon prior approval of BSP, provided that the redemption shall not be earlier than five (5) years after the date of issuance
c. Shall earn yearly dividends equivalent to the rate approved by BSP
d. Dividends shall be cumulative
e. Non-convertible into common shares at the end of the term
f. Preference in assets in case of liquidation
g. LBP preferred shares shall be valued at par or book value whichever is higher plus all earned but unpaid dividends.

Interest expense of P0.6 million and P0.5 million was incurred in 2025 and 2024, respectively, and is presented as part of Others under the Interest Expense section of statements of comprehensive income.

16.4 Accrued Other Expense

Accrued expenses consist of accrual of various expenses for the month of December such as utilities, security, audit fee, salaries of the security guard, salary differentials, and gasoline expenses.

16.5 Other Liabilities

Other liabilities mainly pertain to other deferred credits, taxes and unclaimed deposit balances. Also, this includes remaining balance of P1.5 million as of December 31, 2025 and 2024, due to Philippine Deposit Insurance Corporation (PDIC) for the insurance premium covering production loan for palay under supervised credit program, which premium includes the share of the borrower-farmer and the Bank. The related loan accounts of the borrowers have long been uncollected.

The maturity profile of the Bank's accrued expenses and other liabilities is as follows:

(Amounts in PHP)	**2025**	2024
Within one year	**121,377,706**	113,246,327
Beyond one year	**140,808,084**	148,808,316
	262,185,790	262,054,643

17. CAPITAL FUNDS AND CAPITAL MANAGEMENT

Capital Stock

Capital stock consists of:

(Amount in PHP)	Shares		Amount	
	2025	2024	**2025**	2024
Common shares – P10 par value				
Authorized – 45,000,000 shares				
Issued and outstanding:				
Balance at beginning of year	**31,076,939**	30,168,872	**310,769,390**	301,688,720
Issued during the year	**-**	908,067	**-**	9,080,670
Balance at end of year	**31,076,939**	31,076,939	**310,769,390**	310,769,390

In 2024, the Bank issued a total of 908,067 common shares as a result of additional capital infusion. In 2025, the Bank did not issue any additional common shares.

As of December 31, 2025 and 2024, the Bank has 118 stockholders owning 100 or more common shares each of the Bank's capital stock, respectively.

Surplus Reserve

As of December 31, 2025 and 2024, the Bank's surplus reserve consists of appropriations for the redemption of preferred shares amounting to P14.2 million and general loan loss reserves amounting to P5.6 million, for a total surplus reserve of P19.8 million.

In 2025 and 2024, the Bank has sufficient general loan loss reserves, and no additional appropriation has been made.

Capital Management

(a) *Regulatory Capital*

The Bank's lead regulator, BSP, sets and monitors capital requirements of the Bank.

In implementing current capital requirements, BSP requires the Bank to maintain a prescribed ratio of 10% of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk.

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

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

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

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

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

The Bank's regulatory capital position as of December 31, 2025 and 2024 (as reported to the BSP) are presented as follows:

(Amounts in PHP)	**2025**	2024
Tier 1 Capital	**270,732,660**	282,935,847
Tier 2 Capital	**91,547,888**	97,005,968
Total regulatory qualifying capital	**362,280,548**	379,941,815
Credit risk weighted assets	**2,975,352,748**	3,108,089,772
Operational risk weighted assets	**549,044,530**	559,369,460
Total risk weighted assets	**3,524,397,278**	3,667,459,232
Capital ratios:		
Total regulatory capital expressed as percentage of total risk-weighted assets	**10.28%**	10.36%
Total Tier 1 expressed as percentage of total risk-weighted assets	**7.68%**	7.71%

The Bank maintains a disciplined capital management framework designed to ensure compliance with Bangko Sentral ng Pilipinas (BSP) regulatory capital requirements and to support the Bank's strategic and operational objectives. Capital adequacy is monitored regularly through internal assessments and stress testing, taking into account growth plans, risk exposures, and potential adverse scenarios. The BOD oversees capital planning and approves capital actions to ensure that sufficient capital buffers are maintained at all times to absorb losses, support business continuity, and promote the Bank's long-term financial stability.

The above capital ratios comply with the related BSP prescribed ratios.

(b) *Capital Allocation*

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degrees of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocation of capital to specific operations and activities is undertaken independently of those responsible for the operation, and is subject to review by the Bank's RMC.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account profitability is also taken, and synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the BOD.

(c) Minimum Capital Requirement

In 2014, the BSP issued Circular No. 854, *Minimum Capitalization of Banks*, increasing the minimum capitalization of banks. For rural and cooperative banks with head office outside national capital region with 11 to 50 branches, the minimum capitalization is P40.0 million.

In August 2022, BSP issued Circular No. 1151, *Amendments to the Minimum Capitalization of Rural Banks*, which approved the amendments to Section 121 of the MORB, aimed at increasing the minimum capitalization requirements for rural banks. The new minimum capitalization requirement for rural banks with more than 10 branches shall be P200.0 million. For the purposes of compliance with this circular, branch-lite units of banks are not included.

The Bank has complied with the above minimum capital requirement as of December 31, 2025 and 2024.

(d) Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with an ongoing basis absent a period of financial stress effective January 1, 2019.

On December 1, 2020, the BSP issued Memorandum No. 2020-085 providing extension of the effectivity of temporary reduction in MLR from 20% to 16% in response to COVID-19 pandemic. The reduction in MLR shall be effective until December 31, 2021.

On January 17, 2022, the BSP issued Memorandum No. 2022-004 providing further extension of the effectivity of temporary reduction in MLR from 20% to 16%. The reduction in MLR is now effective until December 31, 2023.

The Bank's MLR as of December 31, 2025 and 2024 is analyzed below.

(Amounts in PHP)	**2025**	2024
Eligible stock of liquid assets	**629,760,321**	608,376,537
Total qualifying liabilities	**2,734,929,558**	2,558,458,210
MLR	**23.03%**	23.78%

18. OTHER INCOME AND OTHER EXPENSES

18.1 Other Income

Presented below are details of other income.

(Amounts in PHP)	Notes	**2025**	2024
Service fees and charges		**42,114,956**	54,520,196
Penalty, overdue, and surcharge on loans		**24,324,083**	28,667,081
Gain on sale of non-financial assets	12, 13.1	**15,490,737**	10,760,091
Gain on sale of bank premises, furniture, fixtures and equipment	10	**12,433,337**	7,227,548
Commission income		**8,073,377**	9,870,334
Gain on sale and leaseback	11.3	**-**	37,394,076
Miscellaneous	11.2	**14,260,706**	12,128,469
		116,697,196	160,567,795

Miscellaneous includes recoveries on charged-off assets, rentals, gain on lease terminations, and other fees and gains.

18.2 Other Expenses

Presented below are the details of other expenses.

(Amounts in PHP)	Notes	**2025**	2024
Salaries and employee benefits	19.1	**200,789,888**	196,448,516
Depreciation and amortization	10, 11 12, 13	**52,719,789**	64,996,996
Taxes and licenses	12	**35,162,085**	45,244,311
Insurance expense		**17,156,422**	18,014,853
Security, clerical, messengerial and janitorial services		**16,781,001**	18,107,390
Communication, light and water		**9,103,440**	12,010,005
Fuel and lubricants		**8,843,111**	10,167,512
Litigation expenses		**7,536,632**	6,768,447
Postage, telephone, cables and telegrams		**4,450,345**	5,551,095
Management and professional fees		**3,962,321**	3,512,819
Stationery and supplies expense		**3,518,085**	4,710,338
Rent		**3,196,123**	3,595,328
Repairs and maintenance		**2,099,686**	3,055,076
Transportation and travel		**2,083,595**	3,119,369
Credit documentation expense		**1,661,464**	2,767,115
Dealer incentives		**1,292,900**	4,823,721
Meal expenses		**1,235,530**	1,659,449
Corporate event expenses		**1,172,125**	822,871
Loss on sale of non-financial assets		**544,902**	1,003,570
Advertising and publicity		**422,494**	159,621
Miscellaneous	11	**13,632,339**	12,775,230
		387,364,277	419,313,632

Miscellaneous expenses include membership fees and dues, supervision and service fees, training expenses, guarantee fees, freight costs, drivers' fees, and other related operating expenses.

19. EMPLOYEE BENEFTS

19.1 Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are analyzed below.

(Amounts in PHP)	Notes	**2025**	2024
Short-term employee benefits		**195,502,808**	191,514,691
Post-employment benefits	19.2	**5,287,080**	4,933,825
	18.2	**200,789,888**	196,448,516

19.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Bank. The trustee banks managed the fund in coordination with the Bank's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Bank's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2025 and 2024.

The amount of post-employment benefit obligation recognized in the financial statements is determined as follows (see Note 16):

(Amounts in PHP)	**2025**	2024
Present value of obligation	**64,124,959**	64,157,435
Fair value of plan assets	**(56,087,435)**	(59,988,830)
	8,037,524	4,168,605

The movements in present value of the retirement benefit obligation recognized in the books are as follows:

(Amounts in PHP)	**2025**	2024
Balance at beginning of year	**64,157,435**	57,187,655
Benefits paid	**(12,699,806)**	(8,608,441)
Current service cost	**5,287,080**	4,933,825
Interest expense	**3,952,098**	3,442,697
Actuarial loss	**3,428,152**	7,201,699
Balance at end of year	**64,124,959**	64,157,435

The movements in the fair value of plan assets are presented below.

(Amounts in PHP)	**2025**	2024
Balance at beginning of year	**59,988,830**	56,217,332
Benefits paid from plan assets	**(12,699,806)**	(1,497,834)
Interest income	**3,695,312**	3,384,283
Actual contributions	**6,322,198**	2,100,000
Remeasurement loss on plan assets	**(1,219,099)**	(214,951)
Balance at end of year	**56,087,435**	59,988,830

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

(Amounts in PHP)	**2025**	2024
Cash and cash equivalents	**2,771,763**	1,308,336
Government and corporate bonds	**61,955,942**	58,731,151
Liabilities	**(8,640,270)**	(50,657)
Balance at end of year	**56,087,435**	59,988,830

Except for liabilities which is classified under Level 3, all other financial instruments in the Bank's plan assets are classified under Level 1.

Plan assets do not comprise any of the Bank's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive loss in respect of the defined benefit obligation or asset are presented below.

(Amounts in PHP)	**2025**	2024
Recognized in profit or loss:		
Current service cost	**5,287,080**	4,933,825
Net interest expense	**256,786**	58,414
	5,543,866	4,992,239
Recognized in other comprehensive loss:		
Loss on plan assets (excluding amounts included in net interest expense)	**(1,219,099)**	(214,951)
Actuarial (loss) gain arising from changes in:		
- experience adjustments	**(3,699,795)**	(7,228,594)
- financial assumptions	**(39,952)**	26,895
- demographic assumptions	**311,595**	-
	(4,647,251)	(7,416,650)

Current service cost is presented as part of Salaries and employee benefits under Other Expenses account (see Note 18.2) while Net interest expense (income) is included as part of Others under Interest Expense account in the statements of comprehensive income.

Amounts recognized in other comprehensive income were included within the item that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment benefit obligation, the following significant actuarial assumptions were used:

	2025	2024
Discount rates	**5.98%**	6.16%
Expected rate of salary increases	**3.00%**	3.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms of maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt securities is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the actuarial valuation report date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement, based on changes in the relevant assumption that were reasonably possible at the valuation date, while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the defined benefit obligation.

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2025 and 2024:

		Impact on Post-Employment Benefit Obligation	
(Amounts in PHP)	**Change in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2025			
Discount rate	**+/-0.50%**	**(62,732)**	**73,814**
Salary growth rate	**+/-1.00%**	**214,376**	**(168,544)**
December 31, 2024			
Discount rate	+/- 0.50%	(89,517)	100,997
Salary growth rate	+/-1.00%	214,376	(168,544)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at end of the reporting period) has been applied as when calculating the pension liability recognized within the statements of financial position.

(ii) Funding Arrangements and Expected Contributions

As of December 31, 2025, the plan is underfunded by P8.0 million. The Bank expects to contribute an amount of P6.2 million in 2026.

The maturity profile of undiscounted expected benefit payments from the plan follows:

(Amounts in PHP)	**2025**	2024
Within one year	**1,123,502**	1,230,238
More than one year to five years	**5,193,095**	8,142,243
More than five years to 10 years	**27,360,777**	27,809,967
More than 10 years to 15 years	**58,063,530**	48,359,714
More than 15 years to 20 years	**88,704,339**	93,696,778
More than 20 years	**539,986,334**	536,740,132
	720,431,577	715,979,072

The weighted average duration of the defined benefit obligation at the end of the reporting period is 12 years.

20. TAXES

The components of tax expense relating to profit or loss and other comprehensive loss are as follows:

(Amounts in PHP)	**2025**	2024
Recognized in profit or loss:		
Current tax expense:		
Minimum corporate income tax (MCIT) at 2%	**3,481,752**	5,110,881
Final tax at 20%	**1,782,201**	1,293,721
	5,263,953	6,404,602
Deferred tax income arising from origination and reversal of temporary differences	**(1,077,776)**	(635,069)
	4,186,177	5,769,533
Recognized in other comprehensive loss:		
Deferred tax income arising from origination and reversal of temporary differences	**(1,161,813)**	(1,854,163)

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax income related in profit or loss section is shown below.

(Amounts in PHP)	**2025**	2024
Tax on pretax income (loss) at 25%	**(3,659,294)**	5,466,984
Adjustment for income subjected to lower income tax rates	**(339,723)**	(292,019)
Tax effect of:		
Expiration of net operating loss carried over (NOLCO)	**5,688,805**	-
Expiration of excess MCIT over regular corporate income tax (RCIT)	**1,739,739**	-
Non-deductible expenses	**1,037,769**	540,288
Non-taxable income	**(360,390)**	(481,905)
Reversal of DTA on ROPA and Unrealized Forex	**79,271**	536,185
Tax expense	**4,186,177**	5,769,533

The net deferred tax assets [presented under Other Resources in the statements of financial position – (see Note 13)] as at December 31, 2025 and 2024 relate to the following:

			Statements of Comprehensive Income			
(Amounts in PHP)	Statements of Financial Position		Profit or Loss		Other Comprehensive Income	
	2025	2024	**2025**	2024	**2025**	2024
Allowance for impairment:						
Loans and receivables	**33,874,125**	33,374,125	**(500,000)**	4,661,441	**-**	-
Investment properties, assets held for sale and other foreclosed assets	**3,529,145**	3,677,559	**148,414**	(425,059)	**-**	-
Intangible assets	**3,254,298**	3,254,298	**-**	-	**-**	-
Accumulated depreciation of investment properties and other foreclosed assets	**20,771,882**	15,930,087	**(4,841,795)**	(2,087,483)	**-**	-
Lease liabilities	**18,859,886**	20,649,284	**1,789,398**	(5,357,793)	**-**	-
Right-of-use-assets	**(12,666,534)**	(14,126,215)	**(1,459,681)**	367,522	**-**	-
MCIT	**11,570,408**	9,828,395	**1,358,359**	(5,110,881)	**-**	-
Net operating loss carry over (NOLCO)	**10,889,690**	14,866,771	**3,977,081**	5,981,124	**-**	-
Retirement benefit obligation (asset)	**2,009,381**	1,042,151	**194,583**	1,054,592	**(1,161,813)**	(1,854,163)
Unamortized past service cost	**1,095,586**	2,453,945	**(1,742,013)**	277,138	**-**	-
Effect of merger	**515,519**	515,519	**-**	-	**-**	-
Others	**127,994**	125,872	**(2,122)**	4,330	**-**	-
Deferred tax assets – net	**93,831,380**	91,591,791				
Deferred tax income			**(1,077,776)**	(635,069)	**(1,161,813)**	(1,854,163)

In 2025 and 2024, the Bank has unrecognized deferred tax assets relating to allowance for impairment of loans and receivables amounting to P47.2 million and P11.8 million, respectively.

As of December 31, 2025 and 2024, the Bank The Bank is subject to MCIT which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher. In 2025 and 2024, the Bank recognized MCIT.

Presented below are the details of MCIT and the year in which it can be claimed as deduction against RCIT.

Year Incurred	Original Amount	Applied/ Expired	Remaining Balance	Expiry Year
2025	3,481,752	-	3,481,752	2028
2024	5,110,881	-	5,110,881	2027
2023	2,977,775	-	2,977,775	2026
2022	1,739,739	(1,739,739)	-	2025
	13,310,147	**(1,739,739)**	**11,570,408**	

Details of the Company's NOLCO are shown below.

Year Incurred	Original Amount	Applied/ Expired	Remaining Balance	Expiry Year
2025	6,846,897	-	6,846,897	2028
2023	36,711,870	-	36,711,870	2026
2022	46,679,712	(46,679,712)	-	2025
	90,238,479	**(46,679,712)**	**43,558,767**	

In 2025 and 2024, the Bank opted to claim itemized deductions in computing its income tax due.

21. RELATED PARTY TRANSACTIONS

The Bank's related parties include its DOSRI, related parties under common ownership, the Bank's key management personnel and others as described in Note 2. The summary of the Bank's significant transactions and outstanding balance with its related parties as of and for the years ended December 31, 2025 and 2024 is presented as follows:

(Amounts in PHP)		**2025**		2024	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
DOSRI –					
Deposit liabilities	21.1	**13,808,107**	**61,995,986**	36,006,853	48,187,879
Key management personnel –					
Compensation	21.2	**23,950,465**	**-**	24,700,405	-
Retirement benefit plan	21.3	**(3,901,395)**	**56,087,435**	3,771,498	59,988,830

(Amounts in PHP)		**2025**		2024	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Others:					
Gain on sale		**9,245,595**	**-**	-	-
Sales contract receivable	21.4	**5,748,091**	**24,408,020**	20,156,111	20,156,111
Interest income – Sales contract receivable		**2,576,761**	**-**	-	-
Transport services	21.5	**-**	**-**	1,120,838	-
Office lease:	21.4				
Lease liabilities		**19,937,000**	**19,937,000**	18,012,205	18,012,205
Right-of-use assets		**9,202,987**	**9,202,987**	4,835,860	4,835,860
Lease payments		**4,711,226**	**-**	249,051	-
Rent expense		**3,150,245**	**-**	3,227,372	-
Interest expense		**1,971,398**	**-**	6,845	-
Amortization expense		**1,289,999**	**-**	(203,982)	-
Security deposit		**78,947**	**78,947**	-	683,880
Advance rental		**60,000**			
Gain on rights transferred		**-**	**-**	37,394,076	-
Security, messengerial and janitorial	21.7	**998,276**	**-**	3,025,260	-
Motor vehicle repairs	21.6	**14,989**	**-**	32,744	-

None of the Bank's outstanding balances with related parties has indications of impairment; hence, no impairment losses were recognized in both periods.

21.1 Deposits from Related Parties

As of December 31, 2025 and 2024, the Bank has deposits from its related parties including its officers and employees with interest rates ranging from 6.50 to 0.50% to 1.00% per annum in both 2025 and 2024, which are similar to those offered to third parties.

21.2 Key Management Compensation

The compensation of key management personnel is broken down as follows:

(Amounts in PHP)	**2025**	2024
Short-term employee benefits	**22,615,714**	23,507,055
Post-employment defined benefit	**1,334,751**	1,193,350
	23,950,465	24,700,405

21.3 Retirement Plan

The Bank's retirement fund is administered by trustee banks. The retirement fund includes investments in government and corporate bonds and cash and cash equivalents with fair value totalling P56.1 million and P60.0 million as of December 31, 2025 and 2024, respectively. The retirement fund has no outstanding deposits or investment in the Bank as of December 31, 2025 and 2024.

The details of the contributions of the Bank and benefits paid out by the plan to employees are presented in Note 19.2(b).

21.4 Lease of Property

The Bank, as a lessee, recognized right-of-use assets related to lease of space from its related parties for its head office and branch operations which are reflected on the statements of financial position as a right-of-use asset (see Note 11.1). Amortization expense on right-of-use assets arising from this transaction, amounting to P1.3 million and P0.2 million in 2025 and 2024, respectively, is presented as part of Depreciation and Amortization under Other Expenses account in the statements of comprehensive income (see Note 18.2).

The total interest expense on lease liabilities from the related party, included as part of Others under Interest Expense in the statements of comprehensive income amounted to P2.0 million and P0.01 million in 2025 and 2024, respectively (see Note 11.3). The outstanding balance arising from this transaction amounted to P20.0 million as of December 31, 2025, and is included as part of Lease Liabilities under Accrued Expenses and Other Liabilities (Note 16).

The lease terms range from five to ten years and require cash payments. The Bank's lease contract with a related party expired in 2024 and was subsequently renewed, extending the lease term until 2039. As of December 31, 2025, the outstanding balance related to this lease amounts to P4.5 million.

In 2024, the Bank entered into a sale and leaseback transaction with its related parties, Abelardo P. Samson Realty Inc. and Andalusia Inc. The transaction involved gain on rights transferred amounting to P37.4 million, which is presented as part of Other Income in the statement of comprehensive income. The leaseback has been accounted for as a finance lease, with lease payments recognized as an expense over the lease term As part of the sale and leaseback transaction, the Bank recognized a sales contract receivable with a certain related party amounting to P20.2 million representing the balance of the consideration of sale, payable within twelve (12) years from the fulfilment of the downpayment as of December 31, 2024 as part of loans and other receivables – net under 2024 statement of financial position (see Note 8).

21.5 Transport Services

The Bank utilizes the services of a related party as its messenger for dispatching necessary paperwork and other documents.

21.6 Motor Vehicle Repairs

In 2024 and 2025, the Bank sends its acquired motor vehicles requiring repairs or maintenance to a related party, which charges the Bank for labor costs and spare parts. The related costs are recorded under repairs and maintenance expense. There were no outstanding balances related to motor vehicle repairs as of December 31, 2024 and December 31, 2025.

21.7 Security, Messengerial and Janitorial

The Bank engages the services of a related party for various operational needs. These services include safeguarding the Bank's assets and premises, delivery and handling of documents, and cleaning and maintaining the Bank's premises. The utilization of these services is in accordance with the terms and conditions agreed upon with the related party, ensuring that they are comparable to those that would have been negotiated with independent third parties.

22. COMMITMENTS AND CONTINGENCIES

The Bank is a plaintiff in various cases pending in courts for alleged claims against the Bank, the outcome of which are not fully determinable at present. Also, in the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as at December 31, 2025 and 2024, no additional material losses or liabilities are required to be recognized in the financial statements as a result of these commitments and transactions.

23. SUPPLEMENTAL INFORMATION REQUIRED BY BSP

Following is the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP 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.*

(a) Selected Financial Performance Indicators

The following are the basic financial performance ratios as at and for the years ended December 31:

	2025	2024
Return on average equity:		
Net income / Average total capital account	**(4.94%)**	4.21%
Return on average resources:		
Net income / Average total resources	**(0.51%)**	0.44%
Net interest margin:		
Net interest income / Average interest-earning resources	**8.59%**	9.56%

(b) Capital Instruments Issued

As at December 31, 2025 and 2024, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) Significant Credit Exposures for Loans

The Bank's concentration of credit as to industry for its loans, gross of allowance for ECL, are as follows:

(Amounts in PHP)	**2025**		2024	
	Amount	**Percentage**	Amount	Percentage
Agriculture, forestry and fishing	**707,613,349**	**32.17%**	861,589,268	36.62%
Wholesale and retail trade; repair of motor vehicles and motorcycles	**570,235,717**	**25.92%**	646,201,267	27.47%
Real estate activities	**329,809,639**	**14.99%**	163,015,452	6.93%
Transportation and storage	**121,833,438**	**5.54%**	158,988,489	6.76%
Construction	**86,913,276**	**3.95%**	117,778,701	5.01%
Manufacturing	**55,212,399**	**2.51%**	68,611,546	2.92%
Activities of households as employers and undifferentiated goods-and-services-producing activities of households for own use	**45,190,468**	**2.05%**	40,859,079	1.74%
Other service activities	**282,981,891**	**12.86%**	295,672,051	12.57%
	2,199,790,177	**100%**	2,352,715,853	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

As of December 31, 2025 and 2024, 10% of Tier 1 capital amounted to P27.1 million and P28.3 million, respectively, and the table below shows the industry groups exceeding this level.

(Amounts in PHP)	**2025**	2024
Agriculture, forestry and fishing	**707,613,349**	861,589,268
Wholesale and retail trade; repair of motor vehicles and motorcycles	**570,235,717**	646,201,267
Real estate activities	**329,809,639**	163,015,452
Transportation and storage	**121,833,438**	158,988,489
Construction	**86,913,276**	117,778,701
Manufacturing	**55,212,399**	68,611,546
Activities of households as employers and undifferentiated goods- and -services-producing activities of households for own use	**45,190,468**	40,859,079
Other service activities	**282,981,891**	295,672,051
	2,199,790,177	2,352,715,853

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below.

(Amounts in PHP)	**Performing**	**Non-performing**	**Total Loan Portfolio**
December 31, 2025			
Gross carrying amount:			
Small and medium enterprises	1,066,784,977	187,689,718	1,254,474,695
Agrarian and other agriculture Credits	498,756,341	190,073,022	688,829,363
Individuals for housing purposes	97,181,574	7,725,900	104,907,474
Microenterprise loans	41,007,429	63,073,368	104,080,797
Individuals for personal use	33,148,047	12,042,424	45,190,471
Individuals for other purposes	2,307,248	129	2,307,377
	1,739,185,616	460,604,561	2,199,790,177
Allowance for ECL	(19,415,008)	(93,754,155)	(113,169,163)
Net carrying amount	**1,722,614,412**	**362,179,385**	**2,084,793,797**
December 31, 2024			
Gross carrying amount:			
Small and medium enterprises	1,148,148,969	171,870,953	1,320,019,922
Agrarian and other agriculture Credits	602,454,318	168,922,530	771,376,848
Individuals for housing purposes	116,472,170	3,477,951	119,950,121
Microenterprise loans	45,467,282	54,282,365	99,749,647
Individuals for personal use	28,197,889	12,661,187	40,859,076
Individuals for other purposes	760,110	129	760,239
	1,941,500,738	411,215,115	2,352,715,853
Allowance for ECL	(19,415,008)	(93,754,155)	(113,169,163)
Net carrying amount	1,922,085,730	317,460,960	2,239,546,690

(e) *Analysis of Loan Portfolio as to Type of Security*

The breakdown of receivable from customers, gross of allowance and unearned interests or discounts, as to security is shown below.

(Amounts in PHP)	**2025**	2024
Secured:		
Real estate	**1,321,751,723**	1,366,211,642
Chattel	**205,787,393**	287,191,786
Hold-out deposits	**2,400,000**	2,377,147
	1,529,939,116	1,655,780,575
Unsecured	**669,851,061**	696,935,278
	2,199,790,177	2,352,715,853

The Bank's concentration of gross loans and discounts as to industry is as follows:

(Amounts in PHP)	**2025**	2024
For production, by economic activity:		
Agriculture, forestry and fishing	**707,613,349**	861,589,268
Wholesale and retail trade; repair of motor vehicles and motorcycles	**570,235,717**	646,201,267
Real estate activities	**329,809,639**	163,015,452
Transportation and storage	**121,833,438**	158,988,489
Construction	**86,913,276**	117,778,701
Manufacturing	**55,212,399**	68,611,546
Other service activities	**282,981,891**	295,672,051
	2,154,599,709	2,311,856,774
For household consumption:		
Motor vehicle loans	**27,126,775**	21,047,235
Salary based general purpose consumption	**18,063,693**	19,709,474
Others	**-**	102,370
	45,190,468	40,859,079
	2,199,790,177	2,352,715,853

(f) *Information on Related Party Loans*

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70.00% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15.00% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

As at December 31, 2025 and 2024, the Bank does not have loans, other credit accommodations and guarantees granted to DOSRI in accordance with BSP reporting guidelines.

(g) *Secured Liabilities and Assets Pledged as Security*

Assets pledged by the Bank as security for liabilities are shown below.

(Amounts in PHP)	**2025**	2024
Aggregate amount of secured liabilities	**142,601,150**	425,375,831
Aggregate amount of resources pledged as security	**142,601,150**	425,375,831

(h) *Contingencies and Commitments Arising from Off-balance Sheet Items*

Except for the commitments disclosed in Note 22, there are no other commitments and contingent accounts of the Bank not given recognition in the statements of financial position as at December 31, 2025 and 2024.

24. SUPPLEMENTAL INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Following is the supplementary information which is required by the BIR under RR No. 15-2010 and RR No. 34-2020 to be disclosed as part of the notes to the financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards. All information are presented in their absolute amounts.

24.1 Requirements Under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) *Gross Receipts Tax (GRT)*

In lieu of value-added taxes, the Bank is subject to GRT imposed on all banks and non-bank financial intermediaries performing quasi-banking transactions pursuant to Section 121 of the Tax Code, as amended.

In 2025, the Bank reported total GRT amounting to P15,018,298 which is shown as part of taxes and licenses.

(b) *Documentary Stamp Tax (DST)*

In general, the Bank's DST transactions arise from the execution of debt instruments, security documents, certificates of deposits and bills of exchange.

For the year ended December 31, 2025, DST affixed amounted to P13,440,694 representing documentary stamps imposed mainly on debt instruments documents issued during the year.

(c) *Taxes on Importations*

The Bank has not paid or accrued any taxes on importations as it has no importations for the year ended December 31, 2025.

(d) *Excise Tax*

The Bank did not have any transactions in 2025, which are subject to excise tax.

(e) *Taxes and Licenses*

The details of taxes and licenses follows:

(Amounts in PHP)

GRT	15,018,298
DST	13,440,694
Capital Gains Tax	3,458,877
Business permits and registration	2,718,957
Licenses	176,512
Real property taxes	168,089
Others	180,658
	35,162,085

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2025 are shown below.

(Amounts in PHP)	
Final	9,082,265
Compensation and employee benefits	4,343,816
Expanded	2,903,569
	16,329,650

(g) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2025, the Bank does not have any tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

24.2 Requirements under RR No. 34-2020

RR No. 34-2020 prescribes the guidelines and procedures on the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents for related party transactions. The Bank is not covered by these requirements as the Bank did not fall in any of the categories identified under Section 2 of RR No. 34-2020.

BRANCH DIRECTORY

AURORA PROVINCE

- **Maria Aurora Branch**
  Jo Mar Building, Manual L. Quezon St., Barangay 4, Maria Aurora Aurora

  Cellphone Number **0928 559 9121**
  Telephone Number **(042) 724 5868**

BATAAN PROVINCE

- **Balanga Branch**
  #604 General Capinpin St., Barangay San Jose, Balanga City, Bataan

  Cellphone Number **0998 964 0984**
  Telephone Number **(047) 638 1980**

- **Limay Branch**
  National Road, Barangay Townsite, Limay, Bataan

  Cellphone Number **0998 843 5043**
  Telephone Number **none**

BULACAN PROVINCE

- **Baliuag Branch**
  #302 BS Aquino Avenue, Barangay Bagong Nayon, Baliuag Bulacan

  Cellphone Number **0947 996 0115**
  Telephone Number **(044) 794 9095**

- **San Miguel Branch**
  #39 Pineda St., Barangay San Jose San Miguel Bulacan

  Cellphone Number **0949 889 5171**
  Telephone Number **(044) 796 1421**

NUEVA ECIJA PROVINCE

- **Bongabon Branch**
  Barangay Sinipit, Bongabon, Nueva Ecija

  Cellphone Number **0998 597 0369**
  Telephone Number **(044) 511 1650**

- **Cabanatuan City Branch**
  Maharlika Highway, Barangay General Luna, Cabanatuan City, Nueva Ecija

  Cellphone Number **0918 906 8208**
  Telephone Number **(044) 940 6000**

- **Cabiao Branch**
  Barangay Poblacion, Cabiao, Nueva Ecija

  Cellphone Number **0919 061 7324**
  Telephone Number **(044) 511 4990**

- **Cuyapo Branch**
  #02 Quezon Avenue, Cuyapo, Nueva Ecija

  Cellphone Number **0949 889 5170**
  Telephone Number **(044) 511 2734**

- **Gapan City Branch**
  JC Jimenez Building, Maharlika Highway, Barangay San Vicente, Gapan City, Nueva Ecija

  Cellphone Number **0998 964 0995**
  Telephone Number **(044) 511 1611**

- **General Tinio Branch**
  Bonifacio Street, Barangay Poblacion Central, General Tinio, Nueva Ecija

  Cellphone Number **0949 994 8396**
  Telephone Number **(044) 511 2740**

- **Guimba Branch**
  Bagain Street, Sto. Cristo, Guimba, Nueva Ecija

  Cellphone Number **0947 996 0117**
  Telephone Number **(044) 511 2747**

- **Licab Branch**
  Barangay Poblacion Sur, Licab, Nueva Ecija

  Cellphone Number **0998 964 0997**
  Telephone Number **(044) 511 1528**

- **Llanera Branch**
  Barangay Victoria, Llanera, Nueva Ecija

  Cellphone Number **0998 964 0991**
  Telephone Number **(044) 511 4988**

- **Lupao Branch**
  Mata Street, Barangay Poblacion, Lupao, Nueva Ecija

  Cellphone Number **0998 964 0993**
  Telephone Number **(044) 511 1575**

- **Munoz Branch**
  T. Delos Santos, Science City of Munoz, Nueva Ecija

  Cellphone Number **0998 964 0989**
  Telephone Number **(044) 511 1530**

- **Palayan City Branch**
  Nueva Ecija-Aurora Road, Barangay Caballero, Palayan City, Nueva Ecija

  Cellphone Number **0949 889 6934**
  Telephone Number **(044) 511 1582**

- **Penaranda Branch**
  P. Padilla Street, Barangay Poblacion 1, Penaranda, Nueva Ecija

  Cellphone Number **0998 597 0368**
  Telephone Number **(044) 511 1519**

- **Rizal Branch**
  Aglipay Street, Poblacion Sur, Rizal, Nueva Ecija

  Cellphone Number **0998 589 3358**
  Telephone Number **(044) 511 1565**

- **San Antonio Branch**
  Viesca Street, Brgy. Poblacion, San Antonio, Nueva Ecija

  Cellphone Number **0999 883 9249**
  Telephone Number **(044) 511 1548**

- **San Isidro Branch**
  Poblacion, San Isidro, Nueva Ecija

  Cellphone Number **0949 990 0815**
  Telephone Number **(044) 511 1505**

- **San Jose City Branch**
  Reg-Mel Bldg. Bonifacio Street Barangay F.E Marcos, San Jose Nueva Ecija

  Cellphone Number **0999 882 9101**
  Telephone Number **(044) 511 2651**

- **Santa Rosa Branch**
  Maharlika Highway, Barangay Cojuangco, Santa Rosa, Nueva Ecija

  Cellphone Number **0998 953 6856**
  Telephone Number **(044) 511 1532**

- **Santo Domingo Branch**
  Barangay Hulo, Sto. Domingo, Nueva Ecija

  Cellphone Number **0999 882 8847**
  Telephone Number **(044) 511 2641**

- **Talavera Branch**
  Maharlika Highway, Barangay Marcos District, Talavera, Nueva Ecija

  Cellphone Number **0919 061 7327**
  Telephone Number **(044) 511 1491**

- **Zaragoza Branch**
  Barangay Del Pilar (E), Zaragoza, Nueva Ecija

  Cellphone Number **0908 851 2155**
  Telephone Number **(044) 511 1600**

NUEVA VIZCAYA PROVINCE

- **Bambang Branch**
  VMW Building, Rizal Boulevard, Brgy. Banggot (pob), Bambang, Nueva Vizcaya

  Cellphone Number **0998 964 0996**
  Telephone Number **(078) 321 0861**

- **Solano Branch**
  National Hi-way, Barangay Quezon, Solano, Nueva Vizcaya

  Cellphone Number **0998 964 0983**
  Telephone Number **(078) 321 0859**

PAMPANGA PROVINCE

- **Angeles City Branch**
  Lot 306 B. Rizal Street, Barangay San Nicolas, Angeles City, Pampanga

  Cellphone Number **0908 851 2107**
  Telephone Number **(045) 457 4969**

- **Lubao Branch**
  C.P Romulo Street, Barangay Sta. Cruz, Lubao, Pampanga

  Cellphone Number **0998 964 0994**
  Telephone Number **none**

BRANCH DIRECTORY

- **Porac Branch**
  General Luna Street, Barangay Babosagan, Porac Pampanga

  Cellphone Number **0947 815 3573**
  Telephone Number **(045) 981 4523**

- **Santa Ana Branch**
  Barangay Sta. Lucia, Sta. Ana, Pampanga

  Cellphone Number **0947 996 0116**
  Telephone Number **(045) 457 0758**

PANGASINAN PROVINCE

- **Alcala Branch**
  #2 Carmen-Rosales Road, Corner Washington Street, Barangay Poblacion Alcala, Pangasinan

  Cellphone Number **0998 964 0998**
  Telephone Number **(075) 529 6560**

- **Lingayen Branch**
  Gulf Knights Building, National Road, Barangay Avenida Rizal East, Lingayen, Pangasinan

  Cellphone Number **0998 954 0448**
  Telephone Number **(075) 517 0092**

- **Malasiqui Branch**
  R. Magsaysay Street Malasiqui, Pangasinan

  Cellphone Number **0998 964 0987**
  Telephone Number **(075) 529 6599**

- **Manaoag Branch**
  #46 Rizal Street Poblacion Manaoag, Pangasinan

  Cellphone Number **0998 964 0988**
  Telephone Number **(075) 529 6596**

- **Mangaldan Branch**
  JL De Guzman Street, Barangay Poblacion Mangaldan, Pangasinan

  Cellphone Number **0998 966 9179**
  Telephone Number **(075) 529 6586**

- **Pozorrubio Branch**
  GMBank Bldg. Rizal Street Barangay Poblacion District 4 Pozorrubio, Pangasinan

  Cellphone Number **0998 964 0986**
  Telephone Number **(075) 529 6630**

TARLAC PROVINCE

- **Concepcion Branch**
  Klarence Plaza Building, La Purisima Street, Barangay San Nicolas Concepcion, Tarlac

  Cellphone Number **0947 996 0114**
  Telephone Number **(045) 925 5900**

- **Gerona Branch**
  Poblacion 2, Gerona, Tarlac

  Cellphone Number **0947 996 0113**
  Telephone Number **(045) 800 6640**

- **Tarlac City Branch**
  Panganiban Street, Barangay San Nicolas, Tarlac City, Tarlac

  Cellphone Number **0947 996 0119**
  Telephone Number **(045) 800 6744**

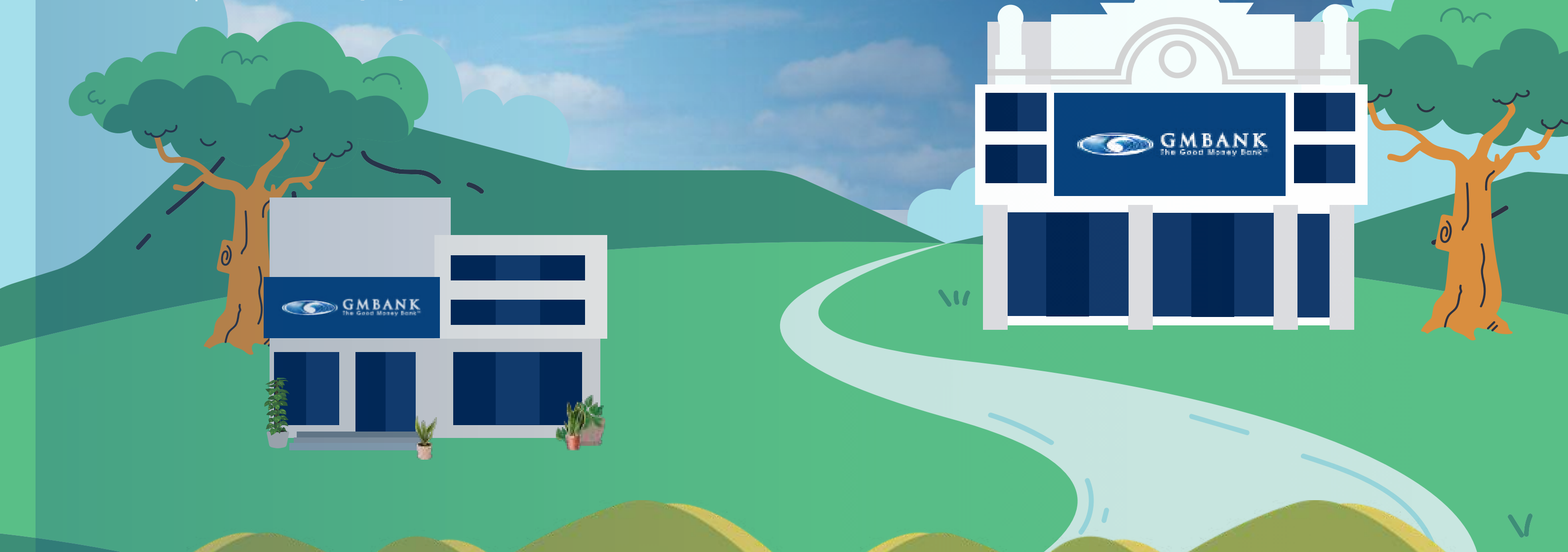
ZAMBALES PROVINCE

- **Castillejos Branch**
  National Highway,Barangay San Juan Castillejos, Zambales

  Cellphone Number **0947 996 0118**
  Telephone Number **(047) 222 5240**

- **Iba Branch**
  #Zone 1, Purok 1, Barangay Palanginan, Iba, Zambales

  Cellphone Number **0999 885 9152**
  Telephone Number **none**



CORPORATE INFORMATION

GM Bank of Luzon Inc. (A Rural Bank)

To reach us and seek assistance regarding our services, you may direct your concerns through the following:

Trunk Line :
(044) 940 6000
Whistleblower Line :
(0918) 940 6000
Consumer Protection Hotline:
(044) 940 6165

Corporate Communications:
contactus@gmbank.ph
Website:
www.gmbank.com.ph

- **Stockholder Services and Assistance**
  For Inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificates, please write or call:

  Mr. Jose A. Reyes
  Office of the Corporate Secretary
  2nd Floor, GMBank Corporate Head Office, Maharlika Highway, Barangay General Luna, Cabanatuan City, Nueva Ecija 3100
  (044) 940 6000 local 222

- **External Auditors**

  PUNONGBAYAN & ARAULLO*
  20th Floor, Tower 1, The Enterprise Center 6766 Ayala Avenue, Makati City 1200 Philippines

  Telephone Number: (632) 988 2288

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