25 Years

ANNUAL REPORT

2024

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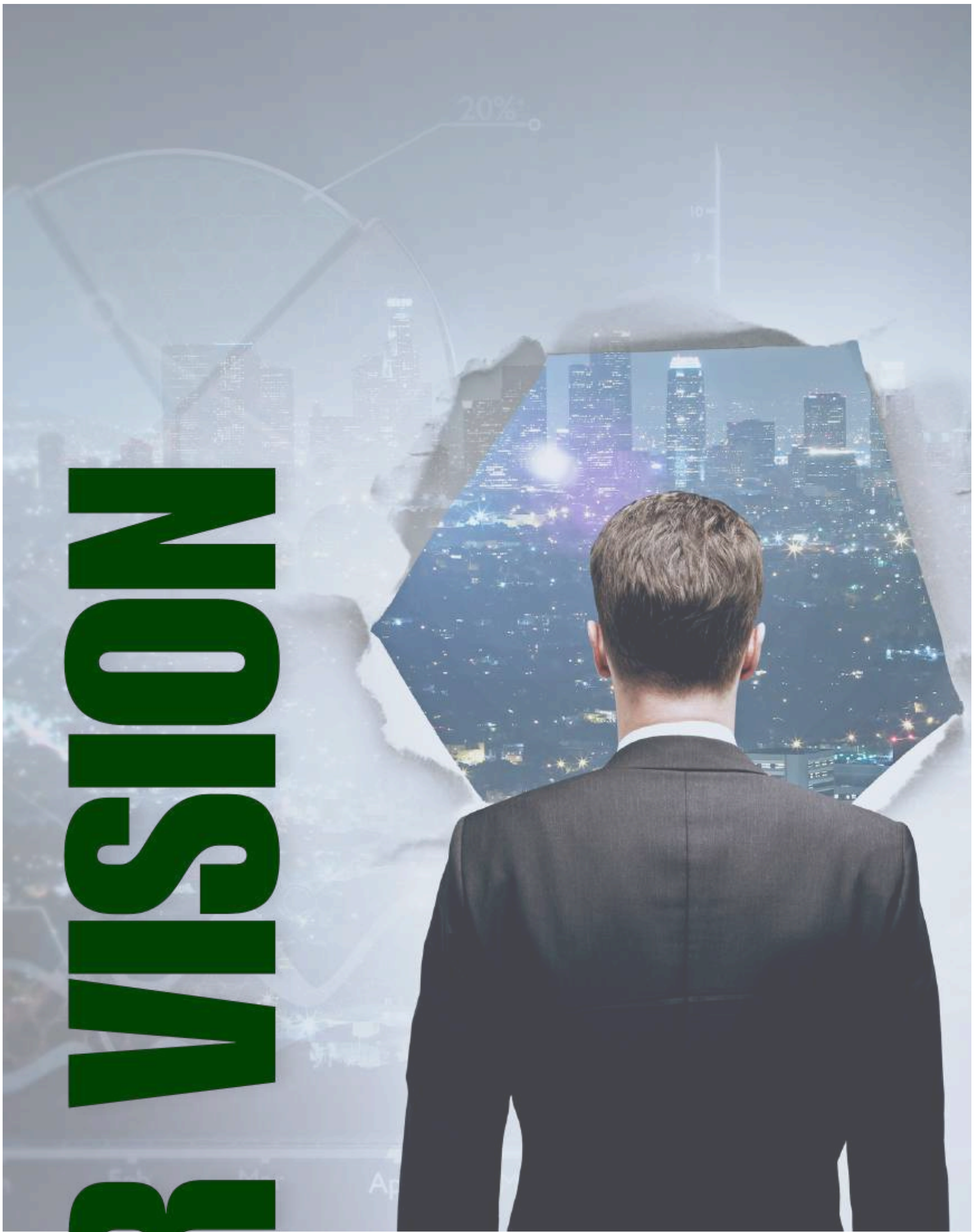
CORPORATE POLICY



OUR VISION

BancoLagawe is the bank of choice in the areas where it operates because of its excellent and competitive services managed by strongly committed, open-minded, pro-active, and empowered workforce.

OUR MISSION

Enriching People's Lives by:

- Providing excellent, fast, accurate, and courteous services to all our stakeholders for the growth of the local economy.
- Equipping to gain competitive advantage in providing greater benefits and services to all our stakeholders.

- Creating a working environment of joyous spirit, open-mindedness, and respect that can motivate bank employees by providing benefits that are professionally and personally rewarding.

CORE VALUES

EXCELLENT SERVICE

COMMITMENT

OPEN-MINDEDNESS

PROACTIVE

EMPOWERMENT

At BancoLagawe, we offer affordable, accessible, personalized, and pioneering products and services with our own signature friendly, sensitive, prompt, attentive, and responsive customer care. We take pains to build and nurture fair, transparent, honest, and mutually beneficial relationships with all stakeholders. We practice financial inclusiveness and social responsibility. And we operate as a social enterprise, profiting from work that benefit people and the local economy.

INSTITUTIONAL ORIGINS

Lagawe Highlands Rural Bank, Inc. (LHRBI), also known as BancoLagawe, was formally established on December 23, 1999, in the municipality of Lagawe, the capital of Ifugao province, located within the Cordillera Administrative Region. The bank's creation was a strategic initiative supported by the Sustainable Rural District Development Program (SRDDP), a development framework funded by NOVIB and implemented by the Philippine Rural Reconstruction Movement (PRRM) since 1989 across five provinces—Ifugao, Bataan, Camarines Sur, North Cotabato, and Nueva Ecija.

SRDDP comprised four core components: community organizing, education, health, and local economic development. It was under the local economic development component that the establishment of LHRBI was conceptualized and executed. The bank was envisioned as a credit institution with an independent legal and operational identity, distinct from PRRM's role as a rural development non-government organization (NGO).

Among the SRDDP areas, Ifugao was selected as the pilot site for the rural bank due to the absence of an existing rural banking institution in the province—thus meeting the regulatory requirement set by the Bangko Sentral ng Pilipinas (BSP) that new rural banks be established only in underserved areas. PRRM mobilized a group of civic-oriented and financially capable individuals to initiate and support the bank's formation. With an initial capital investment of PHP 3.6 million, the BSP granted LHRBI its license to operate, and the bank officially commenced operations in Lagawe in December 1999.

In November 2007, Lagawe Highlands Rural Bank, Inc. undertook a strategic expansion with the establishment of its Solano Branch in the municipality of Solano, located in the province of Nueva Vizcaya. This development coincided with the entry of additional institutional and private investors, thereby strengthening the bank's capital base and stakeholder network. In the same year, the institution adopted the trade name BancoLagawe to improve brand recognition and enhance public recall, aligning its identity more closely with its regional roots while positioning itself for broader market engagement.

In October 2009, the bank further extended its reach with the establishment of its Bambang Branch, strategically located within the Nueva Vizcaya Agricultural Trading (NVAT) Compound in Almaguer North, Bambang, Nueva Vizcaya. This branch was specifically designed to cater to the financial needs of agricultural traders and farmers in the area, reinforcing the bank's commitment to promoting inclusive rural financial services and supporting the agricultural economy of the region.

Operating out of a modest office within the public market at Poblacion East, Lagawe, Ifugao, the bank continued to evolve in response to growing operational demands. On June 20, 2012, the bank relocated its head office and main branch to a more prominent site along the national highway in the town center of Lagawe, enhancing accessibility and visibility. Subsequently, in early 2015, the Solano Branch underwent a significant office space expansion and introduced a new BancoLagawe façade, reinforcing its brand presence.

Continuing this trajectory, on February 22, 2016, the Bambang Branch transferred to a new and improved facility within the newly constructed administration building of the Nueva Vizcaya Agricultural Trading (NVAT) complex, also situated along the national highway in Almaguer North, Bambang, Nueva Vizcaya.

The fourth branch is in Banaue inaugurated on February 08, 2018, located along the national highway, Ilogue, Tam-An Banaue, Ifugao.

In 2023, the inauguration of five branch-lite offices: Quezon, Tinoc, Diadi, Villaverde, and Lamut Branch-lite Units and Cordon Branch marks another significant milestone in the bank's history. Kiangan BLU opened in early 2024.

In 2020, BancoLagawe's authorized capital stocks of P50 million were fully subscribed and paid, reflecting the growing trust of private investors who chose to invest in the Bank. Encouraged by this investor, confidence, and an increasing influx of interest from potential stakeholders, the Bangko Sentral ng Pilipinas (BSP) granted approval in October 17, 2022 to augment the authorized capital stocks, raising it from P50 million to P80 million pesos.

BancoLagawe's journey began humbly in 1999 with just four dedicated employees. Over the years, as the Bank experienced significant growth, its workforce expanded substantially, reaching a total of sixty-three in 2024.

LOGO AND BRAND

Unveiling the Symbolism of the BancoLagawe Logo

The BancoLagawe logo serves not merely as a corporate identifier but as a profound visual narrative that encapsulates the institution’s mission, values, and enduring ties to the communities it serves. Conceptualized and designed by artist Enrique "En" Gallardo, Jr., a former member of the Philippine Rural Reconstruction Movement (PRRM)—the logo is a thoughtfully constructed symbol imbued with multiple layers of cultural and institutional meaning.

Rooted in the Land: Central to the design is a visual reference to the renowned Ifugao Rice Terraces, a UNESCO World Heritage Site and enduring emblem of the region's agricultural heritage, resilience, and ingenuity. Through this imagery, BancoLagawe reinforces its foundational commitment to the agricultural sector and its role in promoting sustainable rural development.

A Bountiful Harvest: The logo further conveys symbolism through its resemblance to a fig of palay (unhusked rice). The structure, with its three ascending steps and a rounded upper knoll, mirrors the form of a palay head, with the grains represented at the top. This metaphor signifies the ideals of abundance, growth, and shared prosperity—values that lie at the heart of BancoLagawe’s relationship with its clientele and the broader community.

Symbolism of Collaboration and Stewardship: The BancoLagawe logo further encapsulates the institution’s developmental philosophy through the symbolism of three interlocking semi-circles. These elements signify the bank’s foundational belief in a tripartite framework for sustainable local economic development, anchored in the collaborative engagement of the private sector, government institutions, and civil society. This tri-sectoral partnership is viewed as essential for fostering resilient and inclusive rural economies.

Protecting What We Nurture: Beyond institutional collaboration, the semi-circles also evoke a sense of community—symbolizing the vital roles of borrowers, depositors, and investors. Together, these stakeholders form the foundation of the bank’s financial ecosystem. At the center of the design lies a golden circle, representing the financial health and vitality of BancoLagawe. This element is metaphorically cradled in the manner of a traditional oban (a baby sling carrier), signifying the collective duty to safeguard and nurture the institution’s well-being. The imagery speaks to the shared responsibility and mutual investment of the community in the bank’s continued success.

The BancoLagawe logo stands as a visual embodiment of the bank’s guiding principles: inclusive growth, collaborative engagement, and a steadfast commitment to working hand-in-hand with local communities to build a sustainable future.

LOGO AND BRAND

Beyond Banking: BancoLagawe positions itself not merely as a provider of financial services but as a committed partner in the economic empowerment of individuals and communities. Guided by its mission to promote inclusive rural development, the bank strives to build lasting relationships with its clients, anchored in trust, accessibility, and shared prosperity.

Tailored Financial Solutions: Recognizing the socio-economic diversity of the communities it serves, BancoLagawe adopts a client-centric approach to financial service delivery. The bank offers a comprehensive portfolio of affordable, accessible, and customized financial products tailored to the varied needs of its clientele. Whether supporting a farmer securing capital for the next planting season, assisting an entrepreneur in business expansion, or enabling families to build savings for future goals, BancoLagawe delivers responsive solutions designed to address local realities and individual aspirations.

Excellence in Customer Care: At the heart of BancoLagawe's operations is a strong service ethic. The institution prioritizes exceptional customer care, ensuring that every client interaction is marked by warmth, attentiveness, and responsiveness. Staff are trained to provide clear and comprehensive guidance, patiently address inquiries, and collaborate with clients to identify financial solutions aligned with their personal goals. This service philosophy is foundational to fostering a supportive and empowering banking experience.

Community-Centered Banking: Deeply embedded in the cultural and socio-economic fabric of the highland communities it serves, BancoLagawe has earned a reputation as a trusted financial partner, particularly among indigenous populations. The bank views financial inclusion not merely as a product of accessibility, but as a fundamental enabler of equity and justice. By promoting financial literacy and designing inclusive financial products, BancoLagawe empowers marginalized sectors to meaningfully engage in the local economy.

Banking with a Social Mission: As a social enterprise, BancoLagawe pursues a mission-driven model of banking that integrates financial sustainability with community impact. Rather than prioritizing profit maximization alone, the bank strategically reinvests its earnings into initiatives that uplift local communities. These include community development programs, financial education campaigns, and support for micro and small enterprises. Through this socially responsible approach, BancoLagawe serves as a catalyst for long-term, inclusive development across the region.

BUSINESS MODEL

The founding and evolution of BancoLagawe is a testament to the enduring power of community spirit and collective vision. Established with the support of individuals, families, and groups deeply connected to the region, the bank reflects a shared commitment to inclusive growth, rural empowerment, and sustainable development.

The Philippine Rural Reconstruction Movement (PRRM) played a foundational role in the bank's establishment. As a strong proponent of alternative rural financing through community-based financial institutions, PRRM provided an initial capital infusion of PHP 3.5 million in 1999. This catalytic investment laid the groundwork for a collaborative and community-oriented ownership model that continues to define the bank's mission and governance structure.

In 2007, the ownership base expanded significantly to include the Paragon Credit Cooperative (PCC) in Quezon City, Aldersgate College in Solano, and a number of prominent rural development-oriented individuals and families from Manila, Ifugao, and Nueva Vizcaya. This broadened ownership consortium embodies BancoLagawe's inclusive philosophy, strengthening its capacity to serve as a regional driver of rural progress.

The bank remains open to new investors, provided they demonstrate a strong alignment with its core mission of advancing rural development. This guiding principle ensures that the bank's capital structure not only sustains its operations but also reflects and reinforces its institutional values.

While the bank currently maintains a network of strategically located physical branches, BancoLagawe acknowledges the inherent limitations of branch-based models in reaching geographically isolated and underserved communities. To address this challenge, the institution is actively exploring the integration of current and emerging digital technologies. This digital transition aims to enhance financial access, expand outreach, and bridge the rural-urban divide—further aligning the bank's delivery systems with its commitment to inclusive and equitable financial service provision.

BancoLagawe recognizes the inherent risks involved in transitioning toward non-traditional and digitally enabled banking models. In response, the bank is adopting a prudent, phased approach to innovation—ensuring that digital advancements are thoughtfully integrated with existing operational strengths. This deliberate strategy is designed to preserve institutional integrity while safeguarding the financial security and trust of its customers.

The bank views financial performance as a vital enabler of its developmental mission. While standard indicators such as capital adequacy, profitability, and asset quality remain important benchmarks of institutional health, BancoLagawe embraces a broader conception of success—one grounded in its tangible, positive impact on the lives of its clients and the communities it serves. Financial metrics are thus assessed in conjunction with social outcomes, underscoring the bank's dual commitment to sound banking and community upliftment.

For BancoLagawe, sustainability extends well beyond financial resilience. It encompasses the institution's enduring commitment to improving lives—particularly within underserved highland communities. This ethos manifests in a strong culture of social responsibility, and in the leadership of a dedicated and professionally competent team that upholds service excellence and works collaboratively toward long-term, positive change for all stakeholders.

The bank's ownership model and future direction are deeply interconnected. By fostering partnerships with values-aligned investors and embracing innovation through a lens of cautious optimism, BancoLagawe is building the foundation for a future defined by inclusivity, accessibility, and shared prosperity. In doing so, it positions itself not only as a stable financial institution but as a lasting pillar of equitable development across generations.

FINANCIAL HIGHLIGHTS

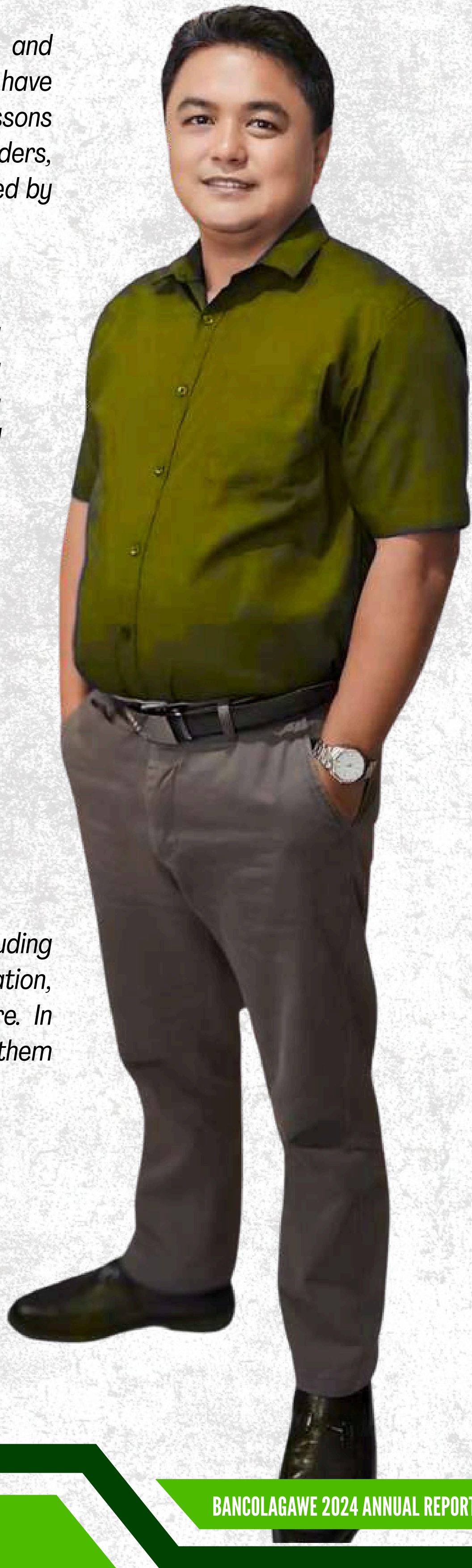
PARENT BANK (SOLO)

Minimum Required Data		Current Year	Previous Year	Previous Year
		31 December 2024	31 December 2023	31 December 2022
Profitability				
	Total Net Interest Income	61,268,394	42,743,237	38,761,592
	Total Non-Interest Income	18,716,418	27,915,616	17,290,010
	Total Non-Interest Expenses	57,082,559	47,491,230	39,956,006
	Pre-provision profit	22,902,253	23,167,623	16,095,597
	Allowance for Credit Losses	1,347,553	2,183,130	2,488,112
	Net income	16,217,615	15,799,775	10,357,711
Selected Balance Sheet Data				
	Liquid Assets	178,058,442	111,287,991	94,518,526
	Gross Loans	614,495,694	464,027,696	396,165,055
	Total Assets	868,162,861	677,365,089	569,883,696
	Deposit	580,163,235	396,986,378	349,395,117
	Total Equity	109,234,066	97,643,771	84,124,684
Selected Ratios				
	Return on Equity	15.68	17.39	13.30
	Return on Assets	2.07	2.54	1.98
	CET 1 Capital ratio (For UB's/KBs)			
	Tier 1 Capital ratio (for UB's/KB's)	14.55	15.45	14.81
	Capital Adequacy Ratio	15.24	16.06	15.39
Per Common share data (For UB's/KB's and Publicly listed Banks)				
	Net Income per share:			
	Basic	2.34	2.49	2.07
	Dilluted	2.34	2.49	2.07
	Book value	15.78	15.41	16.82
Others				
	Cash Dividends declared	10,500,000.00		2,700,000
	Headcount			
	Officers	11.00	10	9
	Staff	52.00	40	31

FINANCIAL CONDITION AND RESULTS OF OPERATION

PRESIDENT'S REPORT

"Charting the Journey: Milestones, Challenges, and the Road Ahead"



Distinguished members of the Board of Directors, esteemed stockholders, and honored guests. Good morning! I am honored to share the key HIGHLIGHTS we have achieved in 2024 while acknowledging the challenges we encountered and the lessons that have strengthened our foundation for future success. Dear fellow stockholders, it is my privilege to present this year's annual report. This year has been defined by notable growth, strategic adaptations, and resilience for our institution.

We celebrated BancoLagawe's 25th anniversary on December 27, 2024. As we reflect on this milestone, we are reminded of our core purpose, "enriching people's lives". With this in mind, we wholeheartedly reaffirm our unwavering commitment to that mission as we move forward. I would like to express my gratitude to the stockholders who participated in the motorcade and celebrated our 25th anniversary with us. Your presence at this event is greatly appreciated.

This report highlights our financial performance, operational excellence, continued commitment to innovation, customer satisfaction, and sustainable growth. It reflects our collective efforts and the trust placed in us by our stockholders.

Over the years, our dedication has remained steadfast as we continuously strive for improvement and create a well-balanced environment where both the client and the bank thrive and succeed. Through our diverse range of banking products and services, we are dedicated to meeting the evolving needs of our clients. Our commitment extends to delivering exceptional service while ensuring that our products remain fast, efficient, and of the highest quality.

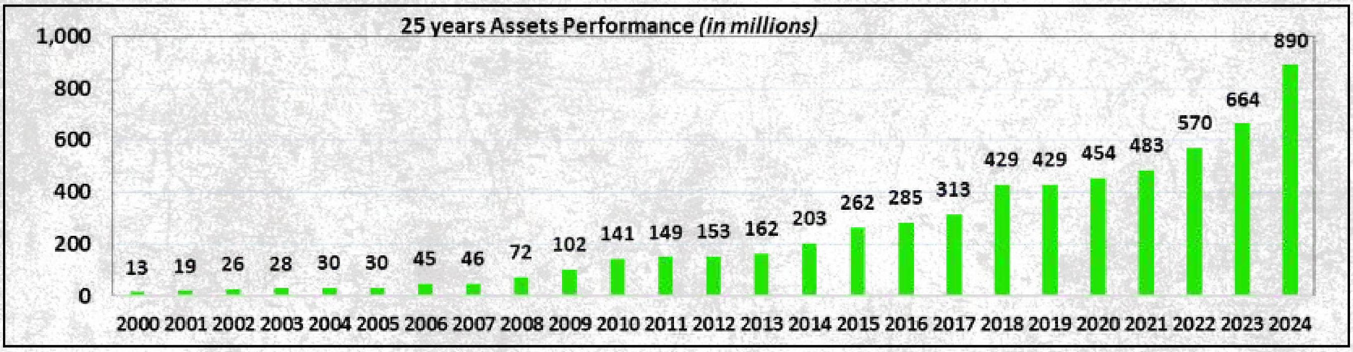
We provide a diverse range of loan products to meet various financial needs, including business working capital, equipment acquisition, housing, lot purchases, education, solar energy initiatives, placement fees, agricultural requirements, and more. In addition to providing financial support, we empower our clients by helping them better understand and manage their finances effectively.

Our commitment extends beyond our external partners to include our valued employees. With sustainability embedded in our core strategy, we place a strong emphasis on the well-being of our workforce, recognizing that a healthy and engaged team is essential to the success and productivity of our organization. To support this, we have implemented a range of initiatives aimed at promoting physical, financial, social, and spiritual wellness.

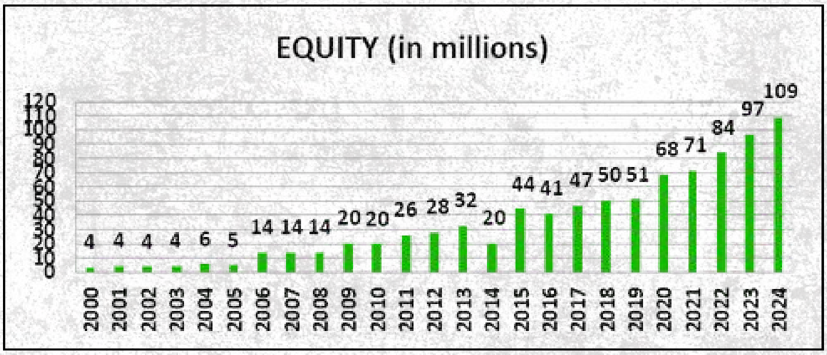
PRESIDENT'S REPORT

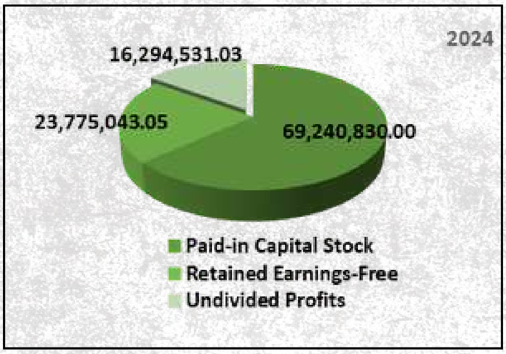
Let us now take a closer look at the accomplishments and challenges that have defined 2024.

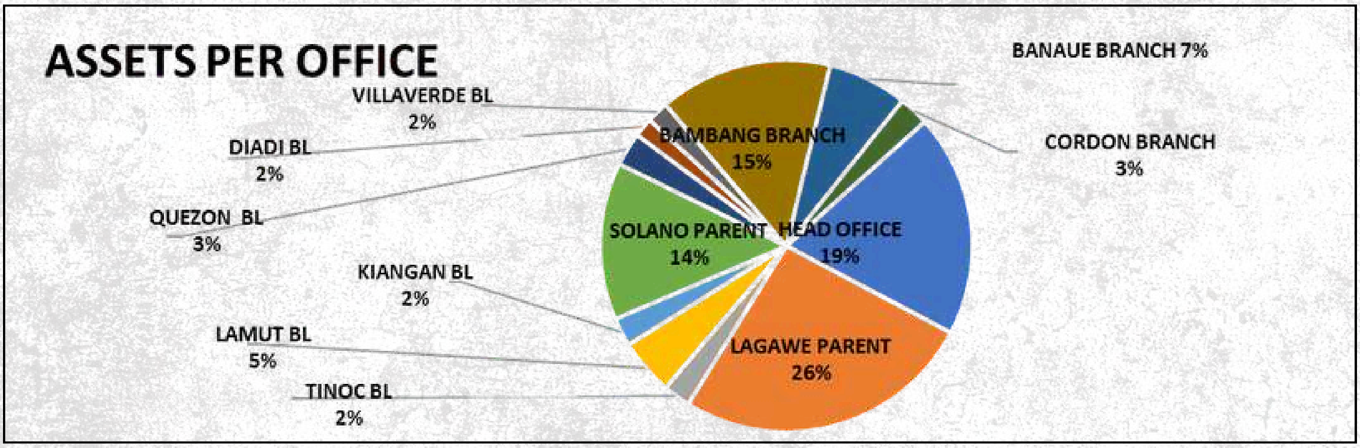
1. ASSET



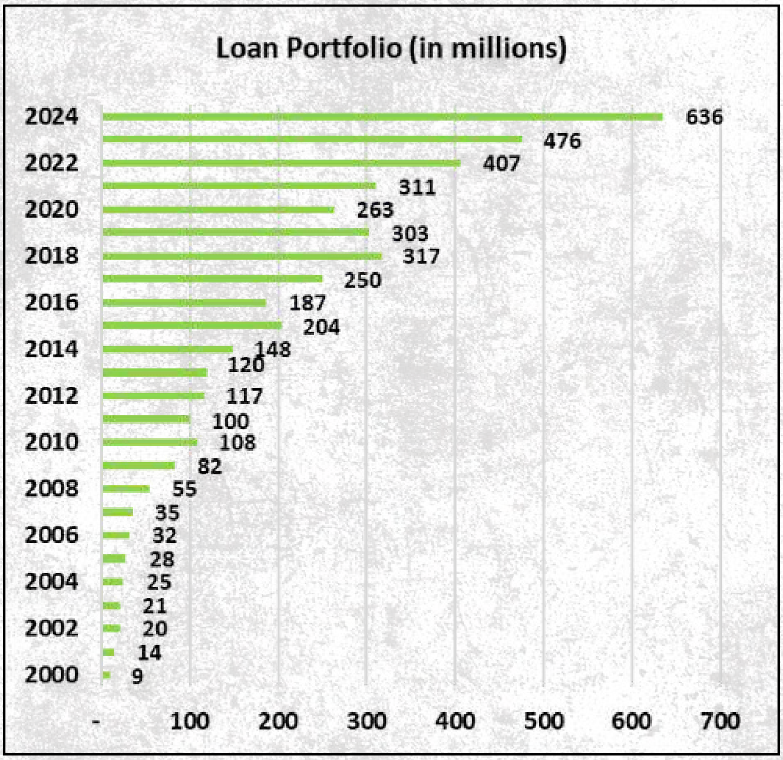
2. EQUITY







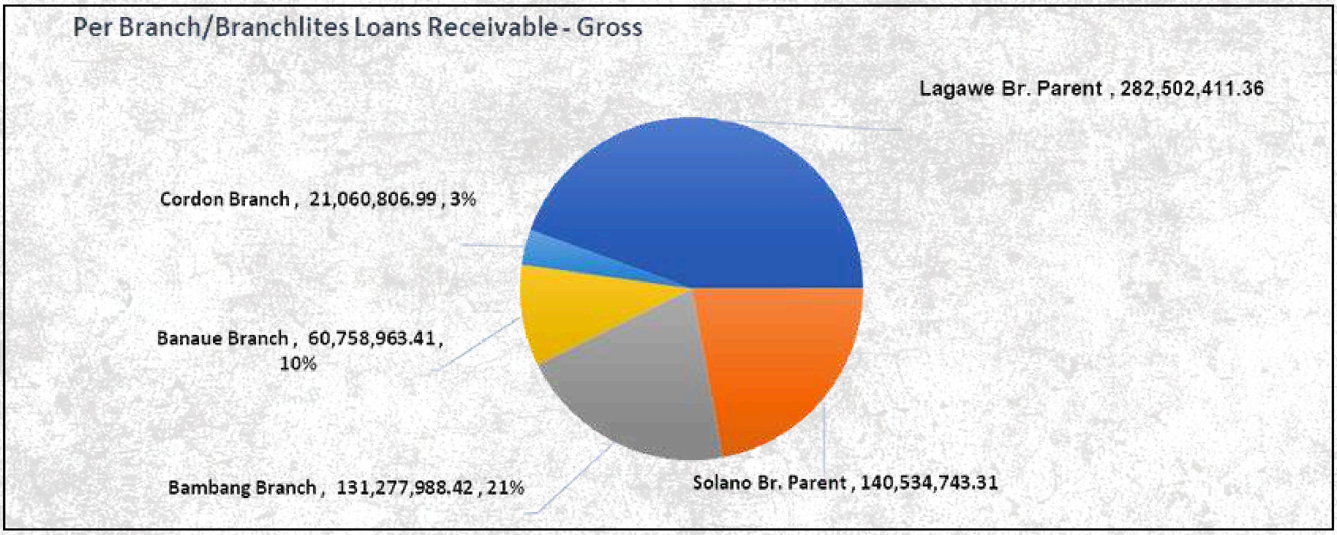
3. LOAN PORTFOLIO

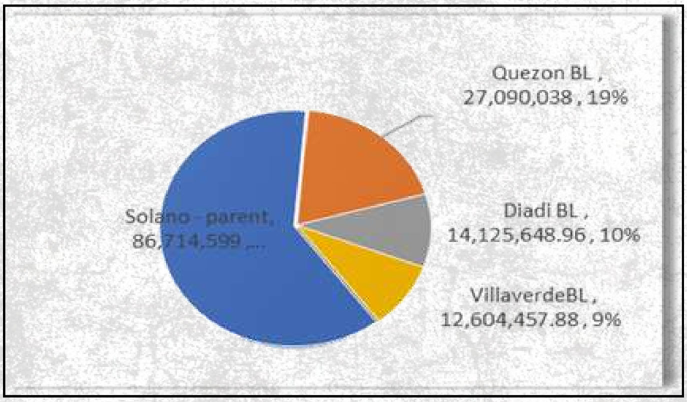


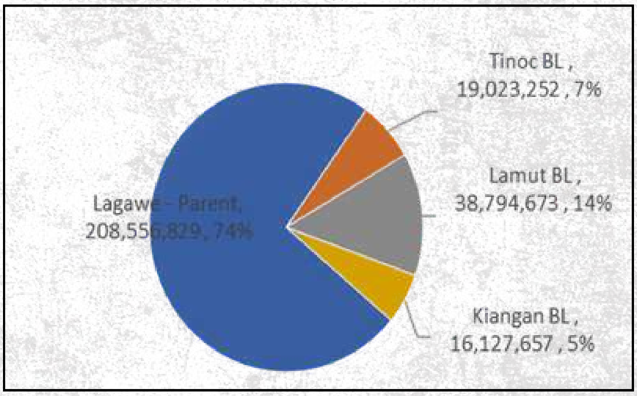
AS TO SECURITY. 91.78% is fully secured by real estate, deposits, NVAT stocks, and chattel; 8.22% is unsecured and backed by post-dated checks, salary, and loans under the AGFP program.

AS TO TERM. 43.18% loan portfolio with terms above 3 years, followed by above 2 years to 3 years term with 24.17%, 1 year and below term with 22.93%, and above 1 year to 2 years of 9.72%.

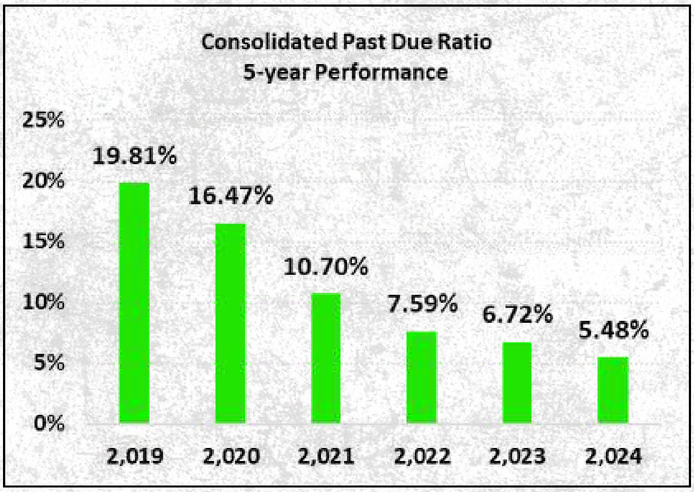
AS TO LOAN PRODUCT	Amount	%
Business Loan	245,597,260	38.61%
Asset Acquisition loan	119,615,186	18.80%
Housing loan	84,059,608	13.21%
Deposit Holdout	51,843,469	8.15%
Mortgage Redemption Loan	34,838,453	5.48%
Agricultural Loans	28,082,469	4.41%
Other loans: Salary Loans, PDC Loans, Fringe Benefit loans, Solar Energy Loans, OFW Loans, Pledge Deposit Loan	72,098,468	11.33%

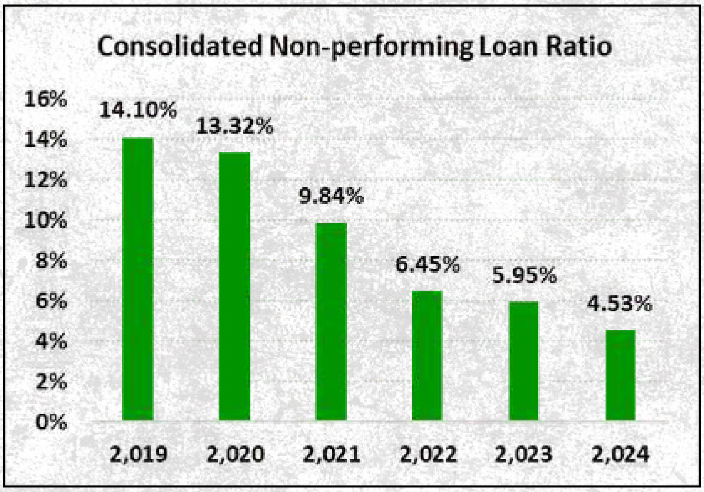




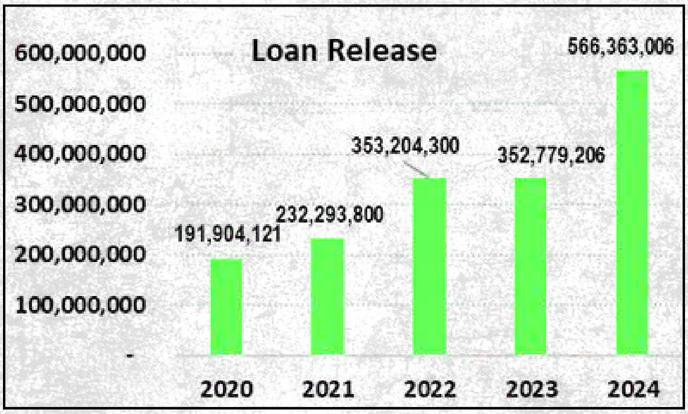


4. PAST DUE RATIO AND NON-PERFORMING LOAN RATIO





5. LOAN RELEASES (5-YEAR PERFORMANCE)

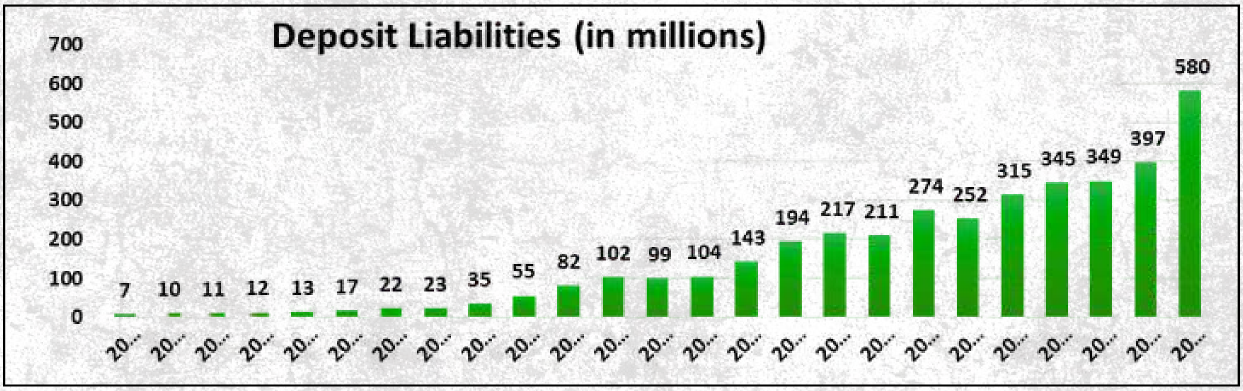


• The graph on Comparative annual loan releases shows that the bank granted the highest loan release in 2024, reflecting a ₱213.64 million, or 60% increase compared to 2023.

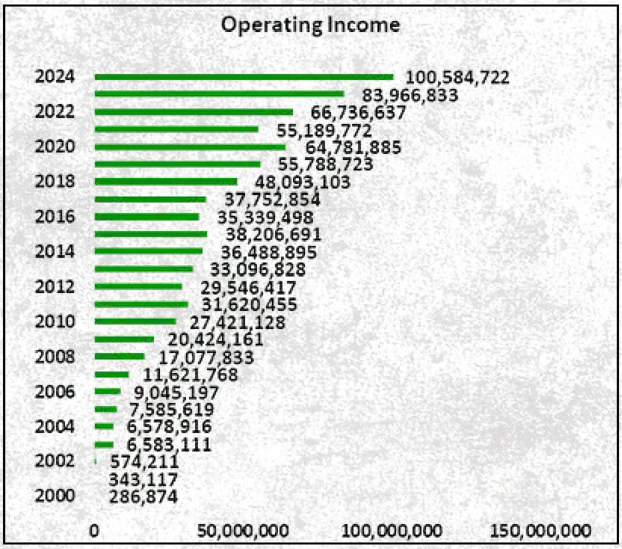
• Total new loans accounted for ₱259,016,600.00 (522 accounts), reloans of ₱301,548,500.00 (657 accounts), renewed and restructured loans of ₱5,852,905.97 (8 accounts).

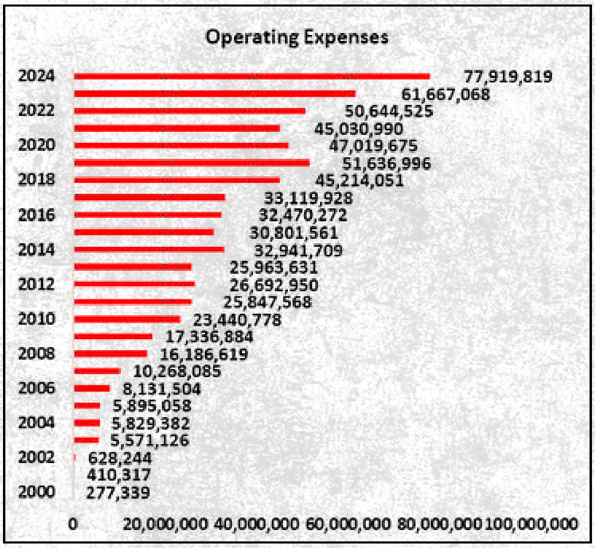
• The combined Lagawe branch releases (parent plus branchlites) totaled ₱251.94 million nearly 45% the total release of the bank, followed by Solano branch combined releases (parent plus branchlites) of ₱137.43 million (24%), Bambang Branch of ₱107.67 million (19%), Banaue Branch of 45.66 million (8%), and Cordon Branch of ₱23.71 million (4%).

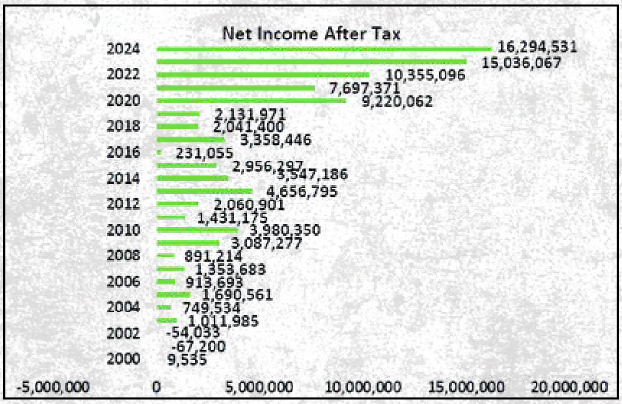
6. DEPOSIT LIABILITIES



7. REVENUE

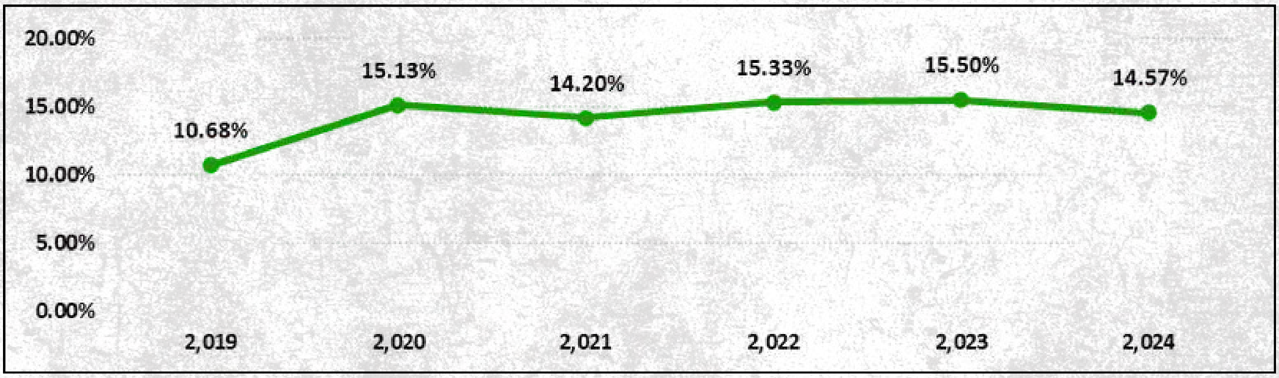






BancoLagawe posted a consolidated net income of P16.29 million in 2024, increasing by 8.36% year-on-year due to sustained efforts to strengthen the Bank's earning assets and efficiently manage its costs. This translated to a return on equity of 16.36%, higher than the Rural Bank Industry ratio of 15.18%.

7. RISK- BASED CAPITAL ADEQUACY RATIO (RBCAR)



OTHERS:

A. Stockholdings. As of December 31, 2024, the bank's total paid-in capital amounts to ₱69,240,830.00, representing 6,924,083 shares. This reflects an increase of ₱5.87M compared to 2023. The remaining unsubscribed stock from the bank's authorized capital stock of ₱ 80M is ₱ 10.75 M. Currently, we have a total of 79 stockholders.

B. Market Outreach. As of December 31, 2024, the bank recorded a total of 1,270 borrowers, reflecting an increase of 246 clients since December 31, 2023. Furthermore, the total number of deposit accounts reached 7,461, with 896 new accounts added over the same period. Both figures represent the highest growth achieved in the past 20 years.

C. Minimum Liquidity Ratio. The bank concluded the year with an MLR of 28.92%. This figure is 8.92% higher than the minimum required by the BSP, which is set at 20%. In total, the bank holds liquid assets amounting to 179.43 million.

D. Personnel. BancoLagawe now has 69 personnel as of this report. 38 are male and 31 are female. 60 are regular employees while 9 are under probation for 6 months.

E. Corporate Social Responsibility (CSR). BancoLagawe remains deeply committed to giving back to the community through various Corporate Social Responsibility (CSR) initiatives. One of our flagship programs is our scholarship partnership with Saint Mary's University, where we currently support five scholars pursuing business-related courses by providing full tuition scholarships to help them achieve their academic goals. In addition, we continue to welcome on-the-job training (OJT) students from various institutions, including King's College in Bambang, NVSU in Bayombong, Aldersgate College in Solano, and IFSU in Ifugao

PRESIDENT'S REPORT

Our commitment to promoting financial literacy is also unwavering. Whenever opportunities arise, we actively participate in community engagements to promote financial awareness and education.

Beyond our scholarship and training programs, we are equally dedicated to outreach activities. As part of our ongoing efforts to support education, we visited Labbu Elementary School in Nueva Vizcaya on December 4, 2024, and Julongan Elementary School in Julongan, Kiangan, Ifugao, on December 6, 2025. During these visits, we conducted financial literacy sessions for the children and distributed hygiene kits and school supplies. To make the event more enjoyable for the children, we also provided snacks and prizes for parlor games. These initiatives demonstrate our ongoing commitment to empowering the younger generation and creating a lasting positive impact on the communities we currently serve and those we will serve in the future.

LABBU ELEMENTARY SCHOOL

JULONGAN ELEMENTARY SCHOOL

TASKS FOR 2025

1. Services

- Loan products
  - grow the bank Solar Energy Loan portfolio, Dep-ed Salary Loans, Auto/Vehicle loans, and Agricultural loans in partnership with the AGFP and ACPC.
  - Study to offer Jewelry loans, microfinance loans
- Deposit Products
  - Increase the number of checking account users and clients for daily deposit pick-up

2. Growth

- Achieve P910 million in assets
- Attain ₱750 million in loan receivables
- Reach ₱660 million in deposit liabilities
- Equity of ₱111 million

3. Return

- Realize a 15% return on equity

4. Expansion

- Conduct feasibility studies for possible branching in Diffun-Cabaruguis-Aglipay-Maddela in Quirino Province; Kasibu, Dupax Del Norte, Centro Bambang in Nueva Vizcaya; Alfonsolista in Ifugao, and Ramon in Isabela.

5. Others

- Purchase a lot in Nueva Vizcaya for the bank's corporate building.

As we reflect on the achievements of 2024, we take pride in the milestones reached and the challenges successfully faced, all of which have strengthened our foundation for future growth. Our progress would not have been possible without your unwavering trust, our valued stockholders, and, most importantly, the continued support and guidance of our highly respected Board of Directors. Their commitment has been instrumental in driving our strategic vision forward. As we move ahead, we remain focused on sustaining this momentum and embracing new opportunities that lie ahead.

Above all, we give thanks and praise God from whom all blessings flow.

RISK MANAGEMENT FRAMEWORK

CULTURE AND PHILOSOPHY

As a financial institution operating under the oversight of the Bangko Sentral ng Pilipinas, BancoLagawe is mandated to establish and uphold effective risk management frameworks tailored to the company's specific characteristics in terms of size, nature, and complexity.

BancoLagawe's operations, spanning from lending activities to deposit services, encompass a diverse array of risk profiles. Each branch, department, and division within BancoLagawe has unique risk management needs.

Given the evolving regulatory and corporate governance landscape, BancoLagawe necessitates a dynamic risk management policy capable of adapting to the changing business environment and regulatory requirements.

The entirety of BancoLagawe's operations is underpinned by a robust risk management system that permeates the organization's policies and procedures, ensuring continuous adherence. This framework is subject to ongoing monitoring as part of the internal audit process, with senior management providing active oversight and endorsement.

Any prospective business endeavors undergo thorough evaluation within BancoLagawe's risk management framework, involving key stakeholders in the decision-making process. The institution benefits from a comprehensive risk management protocol, which includes:

1. Mitigating adverse financial and operational outcomes.
2. Enhancing relationships with business partners.
3. Implementing more streamlined and efficient processes.
4. Ensuring compliance with regulatory mandates from entities such as the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Bureau of Internal Revenue (BIR), local government units (LGU), among others.
5. Enhancing individual accountability and promoting transparency in decision-making.
6. Expeditiously seizing business opportunities while maintaining a comprehensive understanding of associated risks.

BancoLagawe adheres to a risk management strategy delineated in its policy manual, designed with the necessary adaptability to meet the evolving demands of the banking industry. The Board of Directors, Risk Management, and Bank Management collectively endorse the belief that a robust risk management framework is underpinned by an effective strategy, rigorous risk assessment protocols, and meticulous risk reporting practices.

RISK APPETITE STATEMENT

At BancoLagawe, we thrive on the strength of our community-centric financial services, committed to nurturing prosperity in every corner of rural life. Our operational risk appetite serves as a guiding beacon, seamlessly blending prudence with progress.

Preserving Trust

•Implement rigorous internal controls and regular audits to ensure the integrity of financial transactions.

•Foster a culture of transparency, openly communicating with our community about our financial practices and risk management measures.

Innovation with Caution

•Assess the potential risks associated with new financial products or technologies before their implementation.

•Conduct comprehensive risk assessments on new initiatives, balancing the pursuit of innovation with a careful evaluation of potential operational disruptions.

Empowering our People

•Provide ongoing training programs to enhance the skills of our staff, enabling them to better identify and manage operational risks.

•Foster a culture of responsibility and accountability, where employees are encouraged to report potential risks promptly.

Community Resilience

•Develop contingency plans and disaster recovery strategies to ensure uninterrupted service to our community in the face of unforeseen events.

•Collaborate with local authorities and community leaders to understand specific risks and tailor our operations to mitigate them effectively.

Continuous Adaptation

•Management team shall be responsible for monitoring industry trends and regulatory changes, ensuring that our operational strategies remain aligned with evolving landscapes.

•Conduct regular scenario planning exercises to anticipate and prepare for potential challenges, enabling us to adapt swiftly.

Robust Governance

•Strengthen governance frameworks through regular reviews of policies and procedures to ensure they align with regulatory requirements.

•Risk management committee shall oversee the implementation and effectiveness of risk management practices.

At BancoLagawe, we view operational risks not as impediments, but as opportunities to fortify our commitment to the communities we serve. Together, we navigate the financial landscape with prudence, purpose, and an unwavering dedication to rural prosperity.

RISK MITIGATION STRATEGY

At BancoLagawe, we understand that trust is paramount. Thus, we take a proactive approach to managing risk, ensuring the safety of your deposits and the Bank's long-term sustainability.

We believe in spreading risk across different sectors, locations, and market segments. This diversification strategy prevents excessive concentration in any single area, mitigating potential losses and safeguarding the financial well-being of both the bank and its customers.

Our risk management strategies are not merely theoretical concepts. They are outlined in a comprehensive Fund Management and Contingency Plan. This plan serves as a roadmap, guiding our decisions and actions to proactively address potential challenges and ensure the continued success of the bank.

A.LOAN EXPOSURES

1. As to the amount of loan - loan ceiling is P5Million to new borrowers and P10Million to existing core borrowers, except for business loans with a limit of up to P2.5Million.

2. Aggregate limit on large exposures is at 300% of capital.

3. As to the Purpose of the Loan

• Business Loans	maximum exposure of 50% of TLP
• Contractors Loans	maximum exposure of 50% of TLP
• Overseas Filipino Workers Loan	maximum exposure of 15% of TLP
• Agricultural Loans	maximum exposure of 35% of TLP
• Mortgage Redemption Loans	maximum exposure of 35% of TLP maximum
• Asset Acquisition Loan	exposure of 50% of TLP (provided that PDR of its own portfolio remains single digit)

RISK MITIGATION STRATEGY

• Housing Loans ·Salary Loans	maximum exposure of 25% of TLP
• Start-up Business Loans	maximum exposure of 5% of TLP
• Fringe Benefit Loans	maximum exposure of 5% of TLP

4.As to Security

• Secured Loans	no limit
• Unsecured Loans	maximum exposure of 35% of TLP

B. DEPOSIT EXPOSURES

• Regular Savings Deposit	no limit
• Special Savings Deposit	maximum exposure of 40% of TDP
• Premium Savings Deposit	maximum exposure of 40% of TDP
• Long Term Time Deposit	maximum exposure of 50% of TDP

C. SINGLE DEPOSITOR'S LIMIT

Board approved limit is set at a maximum deposit of P50 Million per depositor.

D. MINIMUM LIQUIDITY

Liquidity is maintained above the 20% requirement level.

E. INTEREST RATE MARGIN

Board approved minimum interest spread and net interest margin is set at seven (7) percent.

F. CAPITAL ADEQUACY RATIO

The Bank maintains its risk-based capital adequacy ratio (RBCAR) at comfortable levels of 14% to 16%.

RISK CHALLENGES AND SIGNIFICANT RISK AREAS IN 2024

In 2024, BancoLagawe continues to operate in a dynamic and increasingly complex financial landscape. As a rural bank deeply rooted in community development, it faces both systemic and institution-specific risks. The bank remains vigilant in identifying, assessing, and addressing key risk areas to ensure continued financial resilience, regulatory compliance, and service delivery. Below is a summary of the bank's significant risk areas and corresponding mitigation strategies:

1. Risk Challenge: Sustaining Adequate Capital Amid Economic Volatility

Capital adequacy remains a cornerstone of the bank's risk resilience, particularly in light of increasing credit demand and potential exposure to regional economic slowdowns.

Mitigation Strategy: BancoLagawe has consistently maintained a capital position well above regulatory requirements. As of December 2024, the bank's Risk-Based Capital Adequacy Ratio (RBCAR) significantly exceeded the Bangko Sentral ng Pilipinas (BSP) minimum of 10%. This strong capital buffer enables the bank to absorb financial shocks and supports future growth initiatives.

2. Risk Challenge: Balancing Liquidity with Portfolio Expansion

Managing sufficient liquidity while expanding the loan portfolio and modernizing digital infrastructure remains a complex balancing act, especially for rural banks operating in less diversified economies.

Mitigation Strategy: BancoLagawe maintained liquidity coverage above the BSP's 20% threshold throughout 2024, closing the year at 26.99%. Despite a few dips below the bank's early warning indicator of 21%, corrective actions were swiftly implemented. Strong correspondent relationships with Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) provide access to funding windows in times of liquidity stress.

3. Risk Challenge: Adapting to an Evolving Regulatory Framework

The Philippine banking sector is subject to continuous regulatory developments, particularly in areas such as cybersecurity, anti-money laundering (AML), and digital banking oversight.

Mitigation Strategy: The bank remains agile in implementing policy changes mandated by the BSP and other regulatory bodies. A dedicated compliance team ensures timely and cost-effective adjustments, supported by regular internal audits and staff training. BancoLagawe's proactive posture minimizes compliance-related disruptions and maintains stakeholder trust.

4. Risk Challenge: Maintaining Asset Quality Amid Inflationary Pressures

Inflationary trends and climate-related disruptions pose heightened risks to repayment capacity among agricultural borrowers, which form a core segment of the bank's loan portfolio.

RISK CHALLENGES AND SIGNIFICANT RISK AREAS IN 2024

Mitigation Strategy: BancoLagawe adheres to stringent credit evaluation standards and closely monitors borrower performance. Loan restructuring and capacity-building programs are offered to at-risk clients. The bank is also pursuing cautious diversification beyond agriculture, targeting micro-enterprises and local cooperatives to reduce concentration risk.

5. Risk Challenge: Cyber Threats and Digital Transformation Gaps

As BancoLagawe transitions toward more technology-driven services, exposure to cybersecurity risks and digital infrastructure vulnerabilities increases—particularly in light of limited technical capacity in rural areas.

Mitigation Strategy: The bank adopts a gradual, risk-sensitive approach to digital transformation. Cybersecurity protocols are being enhanced, with key investments in secure banking systems, staff training, and third-party IT assessments. The bank aims to balance innovation with risk mitigation to ensure safe and inclusive digital adoption.

6. Risk Challenge: Human Capital Constraints and Process Inefficiencies

Like many rural financial institutions, BancoLagawe faces operational challenges such as staffing limitations, outdated manual processes, and vulnerability to disruptions in physical branch operations.

Mitigation Strategy: The bank is committed to building internal capacity through targeted training, performance management, and gradual integration of digital tools to streamline operations. Business continuity plans are regularly reviewed to address physical and operational disruptions.

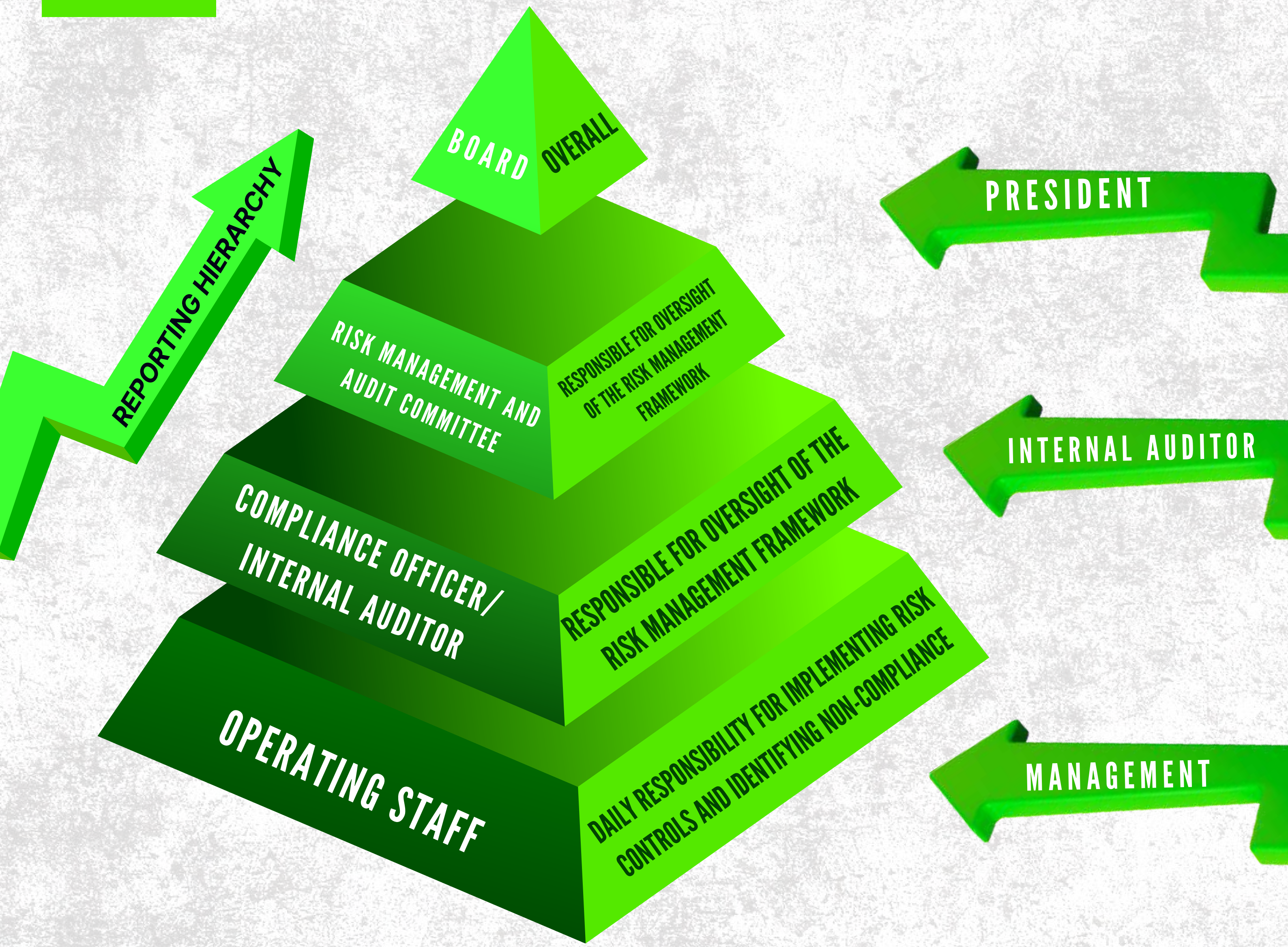
7. Risk Challenge: Exposure to Climate-Related Financial Risks

As a rural bank serving predominantly agricultural communities, BancoLagawe is inherently exposed to climate-related events such as typhoons, droughts, and landslides, which can adversely affect borrowers' ability to repay.

Mitigation Strategy: The bank is beginning to integrate environmental risk assessments into its credit processes and is exploring partnerships for climate-resilient financing mechanisms. Stakeholder education and green loan initiatives are also being developed to support long-term sustainability.

RISK GOVERNANCE STRUCTURE

The Board has determined that in order to have an effective risk management system in place, it must receive advice from, and have risks monitored by a number of sources. These groups are set below with a reporting hierarchy illustrated below.



Involved in the risk management structure of the bank are the **Board of Directors, President, Risk Management and Audit Committee, Compliance Officer/Internal Auditor, Management and Staff**.

BOARD OF DIRECTORS

The Board has over all responsibility for ensuring that Management has developed and implemented an effective risk management system. It has delegated the oversight of risk management to the Risk Management and Audit Committee. Nevertheless, the Board remains responsible for :

- Setting company goals and business strategies (with the assistance of senior management);
- Maintaining appropriate corporate governance structures and
- Ensuring appropriate risk management systems are in place (including ensuring this Policy is maintained).

PRESIDENT

With overall responsibility for the operations of the Bank, the President plays an active role in setting the direction of the Bank and determining which transactions to enter into (thus impacting the Risk Threshold). The President will:

- Drive the establishment of business strategies and objectives;
- Ensure there are appropriate controls in place to manage all risks;
- Ensure all employees are aware of the Bank's risk management obligations and that risk management is embedded within the Bank's culture; and
- Use his business knowledge and acumen to determine what activities can be absorbed as part of the Risk Threshold.

RISK MANAGEMENT AND AUDIT COMMITTEE

The RMAC is delegated the oversight of risk management. The Board considers this appointment important in providing focus and oversight on risk management and internal controls on risk management. It is the RMAC's task to:

- Review, recommend and oversee implementation of the risk management process;
- Provide assistance and guidance on risk management;
- Monitor and review the risk management process;
- Review the efficacy of internal controls generally, including the interaction between risk management and internal audit.
- Provide advice to the Board on any non-compliance to the risk management framework; and
- Ensure risk management is promoted within the Bank, particularly to executive managers and their direct reports to ensure it is embedded within the overall Bank culture.

INTERNAL AUDITOR/ COMPLIANCE OFFICER

The Internal Auditor/Compliance Officer has been appointed to perform:

- Assist in monitoring risk management;
- Review the risk matrix annually;
- Ensure compliance with this Policy;
- Provide guidance on existing controls and their adequacy to the respective risk; and
- Monitor, in particular, all risks within the Bank;
- Challenge Management and the Board to demonstrate appropriate risk management systems and controls for all risks;
- Provide a report on risk management issues to the RMAC at each meeting and to the Board;
- Maintain the Risk Register;
- Review adequate coverage of risk management across the entire business.

OPERATING STAFF

Staff performing daily operations have a responsibility to implement the risk management process as it relates to their business function. Generally speaking, all employees must:

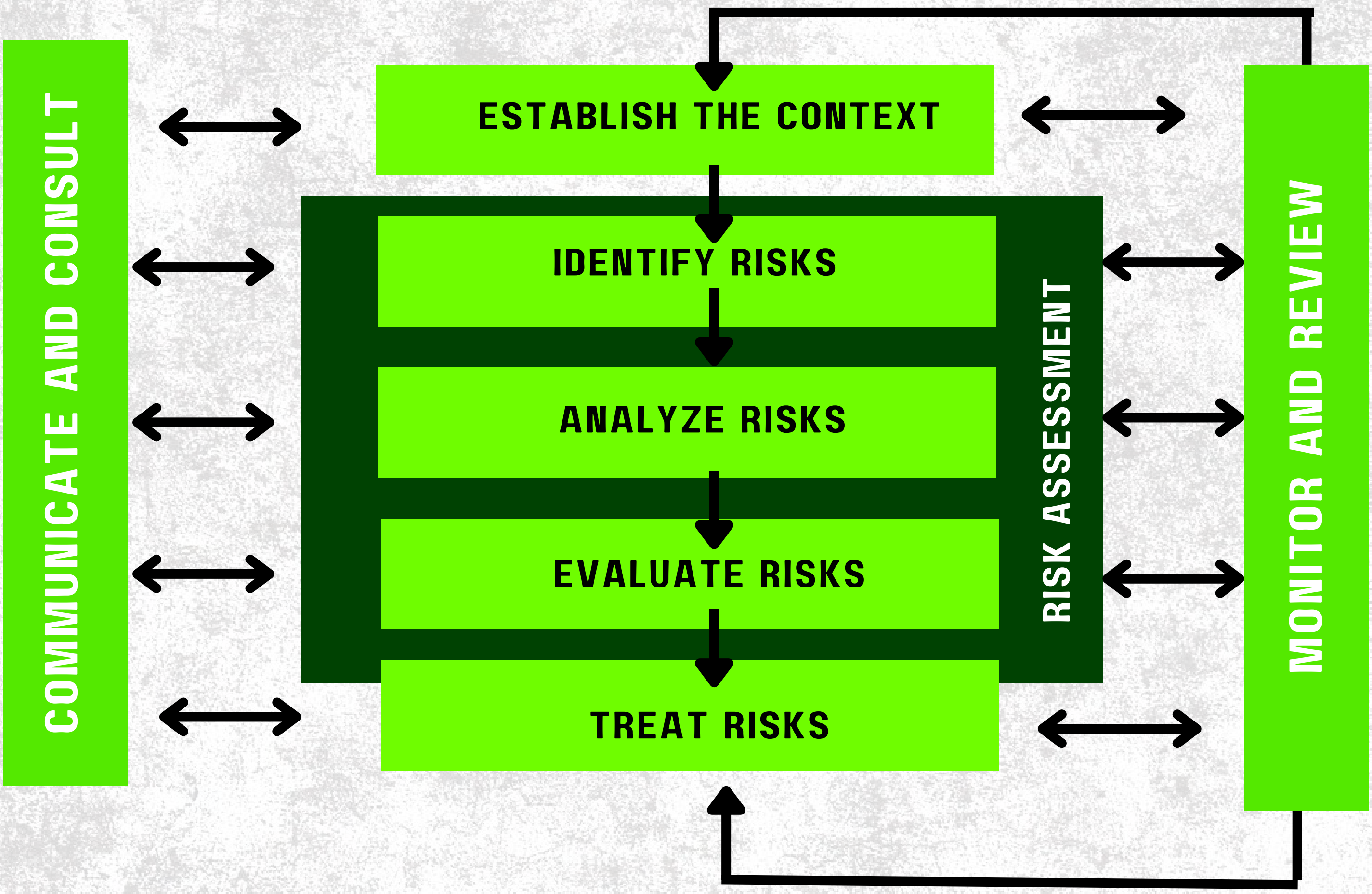
- Report on any instances of non-compliance with this Policy or the risk management process in general;
- Inform management of any new risks as the result of business activity; and
- Ensure controls in place over risk are operating properly.

RISK MANAGEMENT REPORT

Report to the Board

Not withstanding oversight of the risk management function has been delegated to the RMAC, the Board considers it crucial that it be kept abreast of developments in risk management within BancoLagawe. RMAC Reports are tabled at Board meetings for review and comment. Any actions that arise from a Board meeting will be automatically delegated to the Committee for implementation and reporting.

RISK MANAGEMENT PROCESS



RISK MANAGEMENT PROCESS

1 ESTABLISH THE CONTEXT

As a precursor to establishing a risk management strategy , it is important to understand the environment within which the Bank is operating. This requires the Bank to consider, among other things:

- The internal context- culture, business structure, reporting lines, resources, capabilities (people and systems);
- The external context- business, political, financial, and regulatory environments;
- The legal and compliance framework and the scrutiny of the regulators;
- The requirements of its key alliance partners, including Rural Bankers Association of the Philippines (RBAP) members, key suppliers, key customers, and other business partners;
- The actions of its representatives, including employees and the third-party outsourced service providers);
- The industry framework, to align bank objectives with industry standards; and
- Corporate goals and objectives for the bank.

BancoLagawe develops on an annual basis a Business Strategic Plan that outlines its goals, objectives and visions for the upcoming year and immediate future years. The Bank determines what risks it faces in following this Business Plan and what its approach will be in handling them, whether to manage, avoid or otherwise deal with them.

2 IDENTIFY THE RISKS

Corporate Officers and Branch Managers, with assistance from the Compliance Officer, are responsible for generating and reviewing a list of risk factors that may compromise the Bank's operation, financial or reputational position now or in the future.

Particular focus is given to risks that compromise the Bank's ability to provide banking services to, or adversely impact customers. This emphasis is given in light of the Bank's desire to continue to grow, develop and add value to its share and other stakeholders.

3 ANALYZE THE RISKS

A risk matrix is used to rate the risk. Those risks with a high likelihood and an extreme consequence will attract a significant rating, and it will be incumbent upon the bank to either place tight controls around the risk or avoid it completely.

Each risk is to be analyzed in terms of how likely the event is to occur and the consequences of each risk's potential impact on the organization.

4 EVALUATE THE RISKS

The evaluation process involves the application of risk controls to the risks identified. Once the control (s) have been determined for the risk, they should be given a rating. The risk rating should be used to determine future action to be taken for that risk or a group of risks with similar properties.

5 RESPOND TO THE RISKS

BancoLagawe must respond to all risks, which involves identifying the options available to treat risks, assessing the options and implementing a treatment plan based on the accepted option. The appropriate level of response to a risk will be based on a number of factors, including resources (human and financial), worst-case scenario, versus practical likelihood and return on investment.

Positive Outcomes. Risks identified as having positive outcomes, such as exploiting a business opportunity may be treated in a number of ways:

(a) ***Seek out the opportunity***– where practicable, a treatment plan should be adopted that seeks out the opportunity (which may include a new business venture, acquisition or other method of entering a market or activity);

(b) ***Change likelihood*** – an opportunity is more likely to present itself or be realized where the likelihood of the event occurring is enhanced.

(c) ***Change consequence*** – all steps should be taken to increase an existing opportunity by way of synergies, increased resources or greater focus on the business activity.

(d) ***Sharing the opportunity*** – potential barriers to exploiting an opportunity may be removed by the involvement of another party to provide additional resources or capabilities. Adopting alternate organizational structures, entering joint ventures or licensing arrangements may allow for the further exploitation of a current opportunity or development of a new opportunity.

(e) ***Retaining the opportunity*** – no action being taken, satisfied that the opportunity is being appropriately exploited or put to benefit for the company.

Negative Outcomes. Risks identified as negative outcomes, such as financial or reputational loss may be treated in a number of ways:

(a) ***Accept the risk*** – this should be an informed decision made after careful consideration of the likelihood and consequence of the risk. It should also be made in light of the Risk Threshold set by the Board;

(b) ***Avoid the risk*** – all reasonable steps should be taken to avoid risk, such as ceasing a business activity or terminating contracts;

(c) ***Share/ Transfer the risk*** – involving another party to spread the risk may be beneficial to allow the Bank to continue participating in an opportunity presented by that risk. Insurance may be taken to transfer the risk inherent in many business operations. Outsourcing functions where the Company's expertise may be lacking, diversifying investments or insurance (PI insurance, D&O insurance); or

(d) ***Treat the risk*** – place further control mechanisms and encourage the risk to be reviewed appropriately. This can be as simple as improving the culture of compliance and risk management or restructuring business units.

6 MONITOR THE RISKS

Risk must be monitored to ensure the risk management process is effective. Risk monitoring is the responsibility of all bank employees at all levels with varying responsibilities. Where possible, risk monitoring shall form part of the current framework of policy review, audit, and compliance processes and shall maintain a regular review in line with the Bank's risk management policies.

AML GOVERNANCE AND STRUCTURE

BancoLagawe's Anti-Money Laundering Program serves as a comprehensive operating guideline for the use of the Bank's Officers and employees in implementing the Anti-Money Laundering Law (Republic Act No. 9160, as amended) and other relevant rules and regulations issued by the Bangko Sentral Ng Pilipinas and the Securities and Exchange Commission to combat money laundering. In particular, the adopted AML program aims to achieve the following:

1. To promote adequate awareness regarding the rationale of the enactment of the anti-money laundering law and its importance to the general economy. It is also paramount that employees understand the concept of money laundering as a crime and the various activities and stages by which it is perpetrated in the economic system and through the different financial institutions.
2. To establish specific policies and procedural guidelines to ensure proper identification of customers and facilitate tagging and reporting of transactions as required under the law.
3. To ensure that officers and staff of the Bank clearly understand the responsibilities of the institution and each individual employee in carrying out the requirements of the anti-money laundering law and the accountabilities and penalties attached to non-compliance with such requirements.

GOVERNANCE STRUCTURE

- **Board of Directors**
  - Ultimate Responsibility
  - Oversees AML compliance, approves policy updates, and ensures alignment with AMLA/TFPSA regulations.
- **Senior Management**:
  - **President/CEO**: Chairs PEPs Committee, approves high-risk relationships (e.g., PEPs).
  - **Chief Compliance Officer (CCO)**:
    - Develops/updates AML policies and manuals.
    - Liaises with AMLC/BSP/SEC.
    - Submits Covered Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs) to AMLC.
    - Maintains STR logs and oversees ongoing monitoring.
  - **Head of Branch Operations (HBO)**: Reviews preliminary STRs before escalation.
  - **Management Committee (MANCOM)**:
    - Evaluates STRs for consistency with AMLC red flags.
    - Approves/rejects STR filings.
- **Branch Managers and Branch Anti-Money Laundering Officers(jointly)**

Conduct customer due diligence (CDD), risk classification, and initial interviews.
Detect/document suspicious transactions.
Update customer records based on risk/materiality.
Safeguard AML records
Monitor high-risk accounts (e.g., PEPs).
Support STR documentation.
Tag customer risk levels (Low/High) in systems.

BASIC PRINCIPLES TO COMBAT MONEY LAUNDERING

The bank adopts the following principles and policies in its institution-wide drive to combat money laundering:

1. High ethical standards- Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system.
2. Know your customer - Know sufficiently your customer at all times and ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time preventing suspicious individuals or entities from opening or maintaining an account or transacting with the covered institution by himself or otherwise.
3. Sound risk management- Adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors, and controls risks associated with money laundering and terrorist financing;
4. Compliance with laws- Comply fully with these rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with the superior and principled culture of compliance; and
5. Full cooperation with AMLC - Fully cooperate with the Anti-money Laundering Council (AMLC) for the effective implementation and enforcement of the AMLA, as amended, and its IRR.

DUTIES AND OBLIGATIONS OF THE BANK IN RELATION TO THE AML LAW

As a covered institution under the anti-money laundering law, the bank is required to implement and observe the following:

1. To ensure that the true and full identity of all bank customers is established and to understand the nature of the customer's business;
2. To preserve and store all records of all business transactions for a period of at least 5 years;
3. To report covered and suspicious transactions to the anti-money laundering council within five (5) working days from the occurrence thereof, unless supervising authority prescribes a longer period or upon verified/confirmed knowledge of the bank on the basis for such suspicious transaction.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

BancoLagawe is guided by a seasoned and highly capable Board of Directors comprised of eleven (11) members—nine (9) regular directors and two (2) independent directors—each bringing extensive professional expertise, including deep experience in banking, finance, and rural development. Directors are elected annually during the stockholders' meeting and serve for a term of one year, allowing for continued responsiveness to institutional priorities and stakeholder expectations.

All board members are required to meet stringent qualifications as outlined in the bank's Corporate Governance Manual and must comply with the Bangko Sentral ng Pilipinas' (BSP) "fit and proper" rule, as well as other relevant regulatory requirements. Independent directors may serve for a cumulative maximum of nine (9) years, in accordance with BSP regulations. However, the bank may retain their institutional knowledge and leadership capabilities by re-electing them as regular directors following the end of their independent directorship.

Strategic Role and Institutional Stewardship

The Board of Directors plays a pivotal role in shaping BancoLagawe's strategic direction, institutional policies, and long-term sustainability. Their mandate includes:

- Establishing and upholding the bank's vision, mission, and strategic objectives;
- Approving policies and operational guidelines that align with regulatory expectations and development goals;
- Monitoring management performance through robust oversight mechanisms;
- Ensuring sustainable profitability and operational resilience in alignment with stakeholder interests.

By ensuring sound governance and prudent risk oversight, the Board ensures the bank's continued competitiveness and social impact in the rural banking sector.

Corporate Governance Principles

BancoLagawe's corporate governance framework is anchored in globally recognized best practices and guided by four core principles:

- Accountability: The Board and executive management are accountable to shareholders, regulators, clients, and the broader community. They are entrusted with stewardship over the bank's assets and long-term integrity.
- Transparency: The bank adheres to the highest standards of disclosure and transparency in its financial reporting and operations, building stakeholder trust through open communication.
- Fairness: BancoLagawe upholds equitable treatment for all stakeholders, including shareholders, depositors, borrowers, employees, and partner institutions. Decision-making is based on merit, objectivity, and ethical practice.
- Efficiency: Operational efficiency is pursued through continuous improvement, resource optimization, and innovation in service delivery—ensuring the bank remains adaptive and customer-responsive.

Driving Sustainable Growth Through Leadership

Leveraging the diverse expertise and strategic acumen of its Board of Directors, BancoLagawe is well-positioned to advance its mission of inclusive rural development. The Board's collective leadership ensures that the bank remains forward-looking, resilient, and responsive to the evolving financial needs of its customers and the community. Through sound governance and principled leadership, the bank strengthens its foundation for long-term, sustainable growth.

SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

In addition to the qualifications for membership in the Board provided for in the Corporation Code, Securities Regulation Code and other relevant laws, additional Board Member qualifications, which include, among others, the following:

- College education or equivalent academic degree;
- Practical understanding of the business of the corporation;
- Membership in good standing in relevant industry, business or professional organizations;
- Previous business experience;
- Filipino citizen with at least one (1) share of the bank's capital stock;
- He must have attended a special seminar on corporate governance for board of directors conducted or accredited by the BSP.

Board nominees are selected by the Bank's stockholders. The Corporate Governance Committee reviews the qualifications of the nominees and applies the "fit and proper" rule in its evaluation. The committee considers the qualifications as stated above and possible conflicts of interest in determining suitability to be nominated to the Board.

Senior Management nominees are selected in accordance with the Bank's succession policy for employees.

BOARD'S OVERALL RESPONSIBILITY

To ensure a high standard of best practice for the corporation, its stockholders, and other stakeholders, the Board should conduct itself with honesty and integrity in the performance of the following duties and responsibilities:

- Establish a rigorous selection process for directors who can provide valuable insights and impartial judgment in crafting robust corporate strategies and policies. Appoint skilled, ethical, and motivated executive officers. Implement a comprehensive succession planning initiative for leadership roles.
- Develop and implement strategic policies to guide major capital investments and initiatives that sustain the corporation's long-term resilience and prosperity.
- Conduct regular assessments to oversee the execution of these policies and strategies, including scrutinizing business plans, operational budgets, and overall management performance.
- Ensure the corporation's unwavering adherence to all relevant laws, regulations, and industry best practices.
- Cultivate an investor relations program to keep shareholders informed of significant corporate developments.
- Identify and engage with stakeholders impacted by the corporation's operations, fostering transparent and timely communication practices.
- Establish a robust system of checks and balances within the Board, periodically evaluating its effectiveness to uphold the integrity of decision-making processes and reporting mechanisms. Continuously review the internal control system to uphold its sufficiency and efficiency.
- Identify critical risk areas and performance metrics, diligently monitoring these factors to proactively address potential threats to the corporation's operational and financial stability.

BOARD'S OVERALL RESPONSIBILITY

- Develop and enforce policies and protocols to uphold the transparency and integrity of transactions involving related parties across corporations, joint ventures, subsidiaries, associates, affiliates, major shareholders, officers, directors, and their immediate family members. This includes managing interlocking director relationships effectively.
- Establish an Audit Committee, along with any additional necessary committees, to support the Board in fulfilling its duties effectively.
- Implement an alternative dispute resolution system within the corporation to facilitate the amicable resolution of conflicts between the corporation and its shareholders, as well as with third parties and regulatory bodies.
- Schedule meetings as required, ensuring accurate minutes are maintained. Emphasize the importance of independent viewpoints during Board deliberations.
- Ensure that the Board operates within the limits set by the articles of incorporation, by-laws, and pertinent laws, regulations, and statutes.
- Designate a Compliance Officer with a minimum rank of vice president. In the absence of such an appointment, the corporate secretary will fulfill the role of compliance officer.
- Furnish stockholders with comprehensive quarterly assessments of the corporation's performance, standing, and future outlook. This should encompass interim reports and any disclosures that could impact the corporation adversely, in addition to fulfilling reporting obligations to regulatory bodies as mandated by law.

MAJOR ROLE AND CONTRIBUTION OF THE CHAIRMAN OF THE BOARD

The Chairman of the Board holds a central leadership role within BancoLagawe's corporate governance framework. As the presiding officer of the Board of Directors, the Chairman is entrusted with steering the Board's collective efforts in guiding the strategic direction, oversight, and long-term sustainability of the institution.

The Chairman is responsible for ensuring that the Board operates with efficiency, cohesion, and purpose. This includes facilitating balanced and inclusive discussions, ensuring all directors are equipped with the necessary information and resources to make sound, evidence-based decisions, and leading the formulation of the bank's strategic objectives. Through this role, the Chairman helps translate BancoLagawe's mission into actionable long-term strategies that respond to both market opportunities and developmental goals.

A core component of the Chairman's leadership is the cultivation of trust and mutual respect among Board members. By fostering a collegial and collaborative environment, the Chairman encourages open communication, constructive deliberation, and consensus-driven decision-making—strengthening the Board's effectiveness as a strategic body.

The Chairman also plays a key role in upholding the principle of accountability, ensuring the Board remains answerable to shareholders, depositors, regulators, and the wider community. This includes championing transparency in governance practices and reinforcing responsible decision-making processes that reflect the interests of all stakeholders.

In addition, the Chairman serves as a guardian of ethical conduct and good governance. By modeling integrity, impartiality, and professionalism, the Chairman sets a high standard for ethical leadership. This includes promoting adherence to established governance policies, regulatory compliance, and internal controls that ensure fairness, transparency, and prudent management across all levels of the institution.

Through visionary leadership, principled governance, and a steadfast commitment to institutional values, the Chairman of the Board plays a pivotal role in positioning BancoLagawe for continued growth, resilience, and inclusive impact.

BOARD COMPOSITION

DIRECTOR	TYPE OF DIRECTORSHIP	PRINCIPAL STOCKHOLDER REPRESENTED	NUMBER OF YEARS SERVED AS DIRECTOR	NUMBER OF SHARES HELD	PERCENTAGE OF SHARES
WIGBERTO E. TANADA	NON-EXECUTIVE	direct shares held	25 years	10,437	0.15%
EDICIO G. DELA TORRE	NON-EXECUTIVE	direct shares held	6 years	10,944	0.16%
		PRRM		2,892,838	41.78%
WILLIE A. DAMASCO	NON-EXECUTIVE	direct shares held	17 years	438,528	6.33%
		LUZVIMINDA DAMASCO		53,739	0.78%
		ALDERSGATE		464,109	6.70%
THERENCE G. BATULON	EXECUTIVE	direct shares held	5 years	315,429	4.56%
		JANETTE BATULON		103,941	1.50%
		PEARL ANDREA BATULON		14,773	0.21%
MIRIAM RUTH D. TUGAWIN	NON-EXECUTIVE	direct shares held	15 years	319,314	4.61%
GLENN ROY V. PARASO	NON-EXECUTIVE	direct shares held	16 years	228,124	3.29%
		GEMINI PARASO		3,956	0.06%
MARLON P. PALOMO	NON-EXECUTIVE	direct shares held	20 years	4,556	0.07%
JOHN G. TAYABAN	NON-EXECUTIVE	direct shares held	3 year	59,337	0.86%
		MA. TERESA TAYABAN		29,337	0.42%
DEXTER B. DUGYON	NON-EXECUTIVE	direct shares held	4 years	77,013	1.11%
		EVA MARIE DUGYON		159,356	2.30%
GLORIA C. BULAYO	INDEPENDENT	direct shares held	4 years	100,000	1.44%
		JAYSIE BULAYO		38,189	0.55%
FIDEL A. DINCOG	INDEPENDENT	direct shares held	2 year	43,549	0.63%

ABUNDIO EDICIO G. DELA TORRE

CHAIRMAN

- Filipino-82 years old
- Director since 2019

EDUCATIONAL BACKGROUND

- **Bachelor of Arts in Philosophy, Christ the King Seminary, Quezon City**
- **Master of Arts in Philosophy, Christ the King Seminary, Quezon City**

Other Present Position

- **Philippine Rural Reconstruction Movement, President**
- **Education For Life, Chairperson**
- **GMPI, Global Mindanaw, Chairperson**

Past Position

- **TESDA, Director General 1998 - 2001**
- **Philippine Coconut Authority, Board Member, 2014- 2018**

DR. WILLIE A. DAMASCO

VICE CHARMAN

- Filipino- 79 years old
- Vice - Chairman of the Board since 2007

EDUCATIONAL BACKGROUND

- Doctor of Medicine, University of the East
- Residency Training Nueva Vizcaya Doctor's Hospital

Other Present Position

- Salubris Medical Center, Chairman of the Board
- Aldersgate College, Inc., Chairman of the Board

Past Position

- MMG Hospital, CEO & Chairman of the Board 1998- 2002
- Nueva Vizcaya Doctors' Hospital, Director 1978 - 1982
- Vizcaya Kidney Center, Director 1979- 19 2
- IPH, Director 1995- 1998

THERENCE G. BATULON

PRESIDENT/CEO

Filipino-47 years old

President and CEO since 2020

EDUCATIONAL BACKGROUND

Bachelor of Science in Accountancy, St. Mary's University

PAST POSITIONS IN THE BANK

- Bookkeeper
- Accountant
- Administrative Officer
- Chief Accountant
- Assistant Branch Manager
- Branch Manager
- AVP/ Head of Technical Support Unit
- Vice President/ Head of Operations and Marketing

Other Present Position

NVAT-Director since 2020

CCVRB - Treasurer since 2019

KOINONIA Church- Vice Chairman since 2018

Past Position

PCCI- Treasurer 2017

PCCI- Vice Pres 2018

Ifugao and Global Enterprises- Savings and Loans 1999

DR. GLENN ROY V. PARASO

DIRECTOR / TREASURER

- Filipino-63 years old
- Director since 2008

EDUCATIONAL BACKGROUND

- Premed, UE Recto
- Doctor of Medicine, University of the East
- Master in Public Health, University of Wales

Other Present Position

- Mary Johnston Hospital, Executive Director

Past Position

- Cooperative Movement to Encourage Vasectomy, Director 2005- 2013
- General Board of Global Ministries, Director 2015
- Resources for the Blind, Inc. Director

MARLON P. PALOMO

DIRECTOR

- Filipino-63 years old
- Director since 2004

EDUCATIONAL BACKGROUND

- Bachelor of Science in Architecture, Araullo University
- Master in Entrepreneurship, Asian Institute of Management
- NGO for Rural Development Management, Fundacion El Taller

Other Present Position

- Millennium Harvest Credit Corporation, Chairman
- Kooperatibang Likas ng Nueva Ecija, Chairman
- Philippine Rural Reconstruction Movement-Nueva Ecija Chapter, Chairman
- Philippine Rural Reconstruction Movement, Vice President
- Vizcaya Fresh Organic Advocates Chairman

Past Position

- Dept. of Agrarian Reform, OIC-Director IV 1998 - 1999
- Dept. of Agrarian Reform, Consultant 1998
- Philippine Rural Reconstruction, Manager; Deputy

MIRIAM RUTH D. TUGAWIN

DIRECTOR

Filipino-65 years old

Director since 2009

Past Position

BancoLagawe President and CEO
2009- 2019

Philippine Coalition for the International Criminal Court, Project Coordinator 2006

Kanlungan Center Foundation, Inc., Program Coordinator 1993-2001

Service Foundation, Inc., Community Organizer
1992 - 1993

Educational Background

Bachelor of Science in Social Work, University of the Philippines- Diliman

Master of Arts in Women and Development, University of the Philippines- Diliman

DEXTER B. DUGYON

DIRECTOR

Filipino-48 years old

Director since 2021

Other Present Position

Rasco Farm- Proprietor

EDUCATIONAL BACKGROUND

Bachelor of Science in Civil Engineering-
Saint Mary's University

JOHN G. TAYABAN

DIRECTOR

Filipino-61 years old

Director since 2022

EDUCATIONAL BACKGROUND

Bachelor of Science in Psychology
Saint Louis University

Master of Science in Psychology
Saint Louis University

Doctor of Psychology
Cagayan State University

Other Present Position

Saint Mary's University-
Vice President for Administration
2019

Past Position

Saint Mary's University-
Head- Publishing
2007- 2019

GLORIA C. BULAYO

INDEPENDENT DIRECTOR

- Filipino-47 years old
- independent Director since 2021

EDUCATIONAL BACKGROUND

- Bachelor of Science in Accountancy, Saint Mary's University

Other Present Position

- Bulayo Drugstore, Proprietor
- Joshkhurt Pharmacy, Proprietor

Past Position

- Moral Nanoz and Assoc - Junior Auditor 2000 - 2001
- Tam- an Cooperative- Posting Clerk, Admin and Finance Officer, Internal Audit
- Banaue Mountain Resort- Posting Clerk, Bookkeeper
- Joshkhurt Computers and Enterprises - Manager

FIDEL A. DINCOG

INDEPENDENT DIRECTOR

- Filipino-71 years old
- independent Director since 2023

EDUCATIONAL BACKGROUND

- Bachelor of Science in Agriculture, Baguio State University
- Master in Rural Development, Nueva Vizcaya State Institute of Technology
- Master in Entrepreneurship, Asian Institute of Management

Past Positions in BancoLagawe

- Senior VP/COO - 2012 to 2014
- Vice President /COO - 2009 to 2012
- Assistant Vice President /Operations Manager - 2008
- Branch Manager - 2006 to 2008
- Assistant Manager - 2000 to 2005

Past Position

- Central Cordillera Agriculture Program Zone Chief 1989- 1991
- Central Cordillera Agriculture Program Area Team Leader 1992 2000
- Farm Systems Development Coordinator - Operations Supervisor, 1979- 1984

BOARD LEVEL COMMITTEES, MEMBERSHIP & FUNCTION

To aid the Board in the task of corporate governance, the following committees have been created:

Risk Management and Audit Committee (**RMAC**): To assist in fulfilling its responsibilities, RMAC is responsible for the development and oversight of the risk management program of the Bank.

1. Reviewing and, if satisfied, recommending the compliance policy proposed by senior management and forwarding it to the full Board for final approval.
2. Reviewing the mandate of the Head Internal Auditor and Chief Compliance Officer to ensure fulfillment of the requirements of his position and of the BSP or any other regulatory authority to which the Bank is subject.
3. Reviewing the effectiveness of the compliance system.
4. Reviewing the results of the Internal Auditor/CCO's investigation and follow-up (including disciplinary actions) of any fraudulent acts or non-compliance.
5. Reviewing the finding of any examinations by regulatory agencies, external and internal auditors and CCO.
6. Obtaining periodic updates from CEO and CCO regarding compliance.
7. Satisfying itself that all regulatory compliance matters have been considered in the preparation of the financial statements.
8. Reporting to the Board of Directors its conclusions on the effectiveness of the Bank's implementation of the compliance policy.

The RMAC consists of five (5) members, the Chairman of whom is an Independent Director. The Committee reports to the Board, following the committee meetings. The report may take the form of an oral report by the chair or by any other member of the Committee designated to make the report.

RMAC members are composed of Chairman Fidel A. Dincog and members, Director Miriam Ruth D. Tugawin, Director John G. Tayaban, Director Glenn Roy V. Paraso and Director Marlon P. Palomo.

The Board maintained only the Risk Management and Audit Committee (RMAC) as a regular Board-level Committee, having been classified as a simple bank. The Credit Committee is convened with the sole purpose of approving and disapproving loan applications within its level of authority designated by the Board. The Corporate Governance Committee convene only when necessary as directed by the Board.

BOARD LEVEL COMMITTEES, MEMBERSHIP & FUNCTION

The **Corporate Governance Committee** has the following general duties and responsibilities:

1. Ensure the effectiveness of the Board and due observance of the corporate governance principles and guidelines;
2. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board;
3. Oversee periodic performance evaluation of the Board and its committees;
4. Take leadership in shaping good corporate governance of the Bank.

Corporate Governance Committee members are Chairman Glenn Roy V. Paraso, and members- Independent Director Gloria C. Bulayo and Director Abundio Edicio G. Dela Torre.

The **Credit Committee** is delegated with the authority to:

1. Approve loan applications amounting to P2 million up to less than P3 million, subject to compliance with regulatory guidelines and the bank's credit policies;
2. Approve ROPA disposals through Sales Contract Receivable (SCR) regardless of amount, subject to confirmation by the Board of Directors.

The Credit Committee consists of three (3) members of the Board of Directors with expertise in credit analysis, credit risk assessment, and relevant bank operation procedures, namely: Chairman Willie A. Damasco, and members, Director Dexter B. Dugyon and President/CEO Therence G. Batulon.

The Board shall appoint each member of the Committee during a regular board meeting and shall serve as such until a successor is duly appointed. A member of the Committee may be removed by a majority vote of the Board.The duration of service for Committee members shall span one year. Any vacant positions that arise are to be promptly occupied by the appointed successor, ensuring the fulfillment of the remainder of the term of office.

The Chair of the Committee shall be elected by a majority vote of the members of the Committee.

DIRECTOR'S ATTENDANCE TO BOARD AND COMMITTEE MEETINGS

REPUBLIC OF THE PHILIPPINES)
Province of Ifugao)
Municipality of Lagawe) SS

SECRETARY'S CERTIFICATE

I, JANETTE R. BATULON, Filipino, of legal age, married, with residence address at Baguinge, Kiangan, Ifugao, Philippines, after having been duly sworn in accordance with law, hereby depose and say that:

1. I am the duly elected Corporate Secretary of Lagawe Highlands Rural Bank, Inc.,(*herein referred to as the "Bank"*) a bank existing and organized under and by virtue of the laws of the Philippines, with principal address at 59 JP Rizal Ave., Poblacion East, Lagawe, Ifugao;

2. That during the year March 2024 to March 2025, the following re-elected members of the Board of Directors have satisfied the attendance required by BSP Circular 1129 on Board of Directors' Meetings summarized as follows:

Name of Director	Total No. of Meetings (A)	Number of Physical Attendance (B)	Physical Attendance % to Total Meetings (C) (B/A)	Number of Virtual Attendance (D)	Total Attended Meetings (E) (B+D)	Attended Meetings % to Total Number of Meetings (F) (E/A)
Wigberto E. Tanada	5	3	60%	2	5	100%
Willie A. Damasco	13	9	69%	2	11	85%
Therence G. Batulon	13	13	100%	0	13	100%
Glenn Roy V. Paraso	13	11	85%	0	11	85%
Miriam Ruth D. Tugawin	13	11	85%	2	13	100%
John G. Tayaban	13	10	77%	2	12	92%
Abundio Edicio G. dela Torre	13	9	69%	0	9	69%
Marlon P. Palomo	13	13	100%	0	13	100%
Dexter B. Dugyon	13	10	77%	2	12	92%
Gloria G. Bulayo	13	10	77%	2	12	92%
Fidel A. Dincog	13	11	85%	2	13	100%

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of April 2025, at Lagawe, Ifugao, Philippines.

JANETTE R. BATULON
Signature over Printed Name
Affiant

SUBSCRIBED AND SWORN to before me on the date and place above-mentioned, affiant exhibiting his/her Tax Identification Number 914-603-918.

ATTY. ANGELITO C. BACLIG
Notary Public
NOTARY PUBLIC
ROLL NO. 32023
NOTARIAL COMMISSION NO. 23-24
UNTIL DECEMBER 31, 2026
PTR NO. 2[illegible] / JAN. 7, 2025
IBP NO. 501253 / JAN. 7, 2025
SOLANO, NUEVA VIZCAYA

Doc. No. 570;
Page No. 101;
Book No. 1;
Series of 2025

Name of Committee Members	Risk Mgmt & Audit Committee	Corporate Governance Committee
Number of Meetings (2024)	4	3
Glenn Roy V. Paraso	75%	100%
John G. Tayaban	100%	
Abundio Edicio G. dela Torre		67%
Gloria C. Bulayo		100%
Fidel A. Dincog	100%	
Miriam Ruth D. Tugawin	100%	
Marlon P. Palomo	100%	

LIST OF SENIOR MANAGEMENT

THERENCE G. BATULON
PRESIDENT/CEO

OLIVIA G. GABUL
AVP/HBO

OFELIA M. DECORO
AVP/HBO

DIANA DEAN C. ATIENZA
HEAD INTERNAL AUDITOR/
CHIEF COMPLIANCE OFFICER

ROLAND B. REYES
CHIEF ACCOUNTANT/ FINANCE AND INFORMATION TECHNOLOGY SECTION HEAD

JANETTE R. BATULON
EXECUTIIVE ASSISTANT TO THE PRESIDENT/ CORPORATE SECRETARY

THERENCE G. BATULON

- Filipino-47 years old
- President and CEO since 2020

EDUCATIONAL BACKGROUND

- Bachelor of Science in Accountancy, St. Mary's University

Other Information

Served the Bank since 1999 in various capacities as Bookkeeper, Accountant, Administrative Officer, Chief Accountant, Assistant Branch Manager, Branch Manager, Assistant Vice President, and Head of Technical Support Unit.

PRESIDENT & CEO

OLIVIA G. GABUL

Filipino-48 years old

AVP/HBO

EDUCATIONAL BACKGROUND

Bachelor of Science in Accountancy, UC - BCF (University of Cordilleras)

Other Information

Joined the Bank in 2012.

- Chief Accountant (February 2012- September 2012)
- AVP/Chief Compliance Officer (October 2012- 2018)
- Head, Admin and Finance (2018- 2023)
- Concurrent Corporate Secretary (2018-2020)
- Concurrent Human Resource Officer (2018- 2020)
- Head of Branch Operation (Ifugao and Cordon 2023-present)

ASSISTANT VICE PRESIDENT & HEAD OF BRANCH OPERATIONS (IFUGAO & CORDON)

OFELIA M. DECORO

Filipino-46 years old

AVP/HBO

EDUCATIONAL BACKGROUND

Bachelor of Science in Commerce - Major in Banking & Finance
Saint Mary's University

Other Information

Worked in the bank as:

- Micro Finance Officer 2002– 2006
- Loans and Marketing Deputy- 2006
- Cashier 2007
- Loan Officer 2008 – 2010
- Branch Manager 2011 – 2014
- Asset Recovery Officer– 2014
- RMARS Head 2015 – 2017
- Credit Review Officer 2018 – 2019
- Brach Manager 2019 - 2020
- Head of Branch Operations- 2021- present

ASSISTANT VICE PRESIDENT & HEAD OF BRANCH OPERATIONS (NUEVA VIZCAYA)

DIANA DEAN C. ATIENZA

Filipino-44 years old
HIACCO since 2018

EDUCATIONAL BACKGROUND

Bachelor of Science in Accountancy,
St. Mary's University

Other Information

Joined the Bank in 2017 as Internal Auditor, assumed the position of Head Internal Auditor and Chief Compliance Officer in 2018.

HEAD INTERNAL AUDITOR/ CHIEF COMPLIANCE OFFICER

ROLAND B. REYES

Filipino -38 years old

EDUCATIONAL BACKGROUND

- **Bachelor of Science in Accountancy,**
  St. Mary's University
- **Juris Doctor- Post Grad (units only)**
  St. Mary's University

Other Information

Worked in the bank as:

- Branch Accountant- 2008– 2009
- Concurrent Chief Accountant- 2010- 2012
- Concurrent Chief Accountant and Risk Management Officer- 2012- 2013
- Chief Accountant – 2023
- Chief Accountant/ Finance & Infotech Section Head- 2023 - present

CHIEF ACCOUNTANT/ FINANCE AND INFORMATION TECHNOLOGY SECTION HEAD

EDUCATIONAL BACKGROU

JANETTE R. BATULON

Filipino-48 years old

EDUCATIONAL BACKGROUND

Bachelor of Science in Accountancy,
St. Mary's University

Other Information

Joined the Bank in 2024 as Executive Assistant to the President/CEO

EXECUTIVE ASSISTANT TO THE PRESIDENT/ CORPORATE SECRETARY

PERFORMANCE ASSESSMENT PROGRAM

BancoLagawe's Board of Directors is committed to upholding high standards of corporate governance through continuous self-evaluation and performance enhancement. To this end, the bank has institutionalized a Board Performance Assessment Program designed to evaluate the collective effectiveness of the Board and the individual contributions of its members. This program is aligned with established governance best practices and the bank's overarching strategic objectives.

The assessment is conducted on an annual basis, enabling the Board to identify strengths, address areas for improvement, and ensure that its governance practices remain responsive to the bank's evolving needs.

Assessment Process Overview
The Board Performance Assessment Program consists of three structured phases:

1. Self-Assessment by Individual Directors
Each director begins the process by completing a comprehensive self-assessment questionnaire. This tool is designed to facilitate personal reflection on their performance, participation, and compliance with their roles and responsibilities as members of the Board and of any board-level committees to which they belong.

2. Review and Evaluation by the Corporate Governance Committee
The Corporate Governance Committee reviews the completed self-assessments and convenes to evaluate both individual and collective Board performance. As part of this process, the Committee may also solicit 360-degree feedback from fellow board members, senior management, and select stakeholders to obtain a more holistic perspective on effectiveness, decision-making, and leadership dynamics.

3. Consolidation, Approval, and Recommendations
Upon completing its review, the Corporate Governance Committee consolidates the findings and submits a report to the full Board. The Board then formally reviews and approves the assessment results, using the findings as a basis for recommending performance improvement measures. These may include targeted training, committee restructuring, or enhancements to board processes and engagement.
Through this structured approach, BancoLagawe ensures that its governance practices remain transparent, accountable, and performance-driven, reinforcing the Board's ability to provide effective strategic oversight and deliver long-term value to stakeholders.

PERFORMANCE ASSESSMENT PROGRAM

The Performance Standards

The performance standards that are used to assess the performance of the board are based on the following criteria:

- **Fulfillment of the Board's Key Responsibilities:** The board's key responsibilities include setting the bank's strategic direction, overseeing the bank's management, and ensuring the bank's compliance with applicable laws and regulations.
- **Quality of Board-Management Relationship:** The board-management relationship is critical to the success of the bank. The board needs to have a strong working relationship with management in order to effectively oversee the bank's operations.
- **Effectiveness of Board Processes and Meetings:** The board's processes and meetings should be effective in order to ensure that the board is able to fulfill its responsibilities.
- **Board Structure:** The board's structure should be appropriate for the size and complexity of the bank.

Performance Assessment Program for Senior Management and Staff

To ensure alignment with its strategic objectives and sustain a culture of high performance and accountability, BancoLagawe has instituted a structured Annual Performance Evaluation Program for its senior officers and staff. This program forms an integral part of the bank's broader performance management framework and reinforces its commitment to professional excellence, organizational effectiveness, and continuous improvement.

Evaluation Process

The performance evaluation process is guided by clearly defined performance standards tailored to the roles and responsibilities of each position. The assessment follows a multi-step process:

1. Individual Self-Assessment

Each employee, including senior management, initiates the evaluation by completing a self-assessment, which provides an opportunity to reflect on accomplishments, challenges, and alignment with job responsibilities and institutional goals.

2. Supervisor Review and Evaluation

The immediate supervisor of each employee conducts a comprehensive performance review, which includes analysis of the self-assessment and an independent evaluation of the employee's achievements, competencies, and areas for development.

3. Approval and Oversight

The compiled assessment results are submitted to the President/Chief Executive Officer (CEO) for final review and approval. For staff in independent or control functions (e.g., Risk Management, Compliance, Audit), the evaluation results are escalated to the Risk Management and Audit Committee, and subsequently to the Board of Directors, in accordance with governance protocols and to ensure objective oversight.

Purpose and Organizational Impact

The performance assessment program is a vital mechanism for fostering organizational discipline, accountability, and leadership development. Specifically, the program aims to:

- Ensure that all staff and senior officers are effectively fulfilling their responsibilities;
- Identify individual strengths and areas for improvement;
- Promote a performance-oriented culture rooted in accountability and self-reflection;
- Support professional growth and training initiatives;
- Align individual efforts with the bank's mission, values, and strategic goals.

ORIENTATION AND EDUCATION PROGRAM

BancoLagawe is committed to ensuring that its directors and senior management are adequately qualified to fulfill their respective roles. To this end, the bank has implemented an orientation and education program that includes the following:

- **Regular updates on regulations, new laws, and current market developments:** During board meetings, directors receive regular updates on regulations, new laws, and current market developments. This helps directors to have a good understanding of both the business and regulatory environments.
- New directors receive appropriate orientation training that covers the bank's history, operations, and corporate governance practices. This training helps new directors to understand their roles and responsibilities.
- All directors are required to attend a seminar on corporate governance that follows the BSP-prescribed syllabus. This seminar helps directors to understand their fiduciary duties and the importance of good corporate governance.
- Senior management and staff undergo different training programs on relevant subjects. These training programs are designed to help employees to develop their skills and knowledge and to stay up-to-date with the latest developments in the banking industry.

Personnel Development Program

The bank's orientation and education program identifies the type of training or seminar to be accorded to each employee. It also includes the training provider(s), the projected date of training, and the estimated costs for each training.

The total cost of the personnel development program becomes part of the annual "Training and Seminar Expense" budget of the bank. BancoLagawe's orientation and education program is an important part of the bank's commitment to good corporate governance. The program helps to ensure that the bank's directors, senior officers and staff are adequately qualified to fulfill their respective roles and that they have the knowledge and skills necessary to help the bank to achieve its strategic objectives.

RETIREMENT AND SUCCESSION POLICY

Retirement Policy for Senior Management and Staff

A bank employee who has served the bank for at least five (5) years, shall retire upon reaching the age of sixty (60) and shall be entitled to retirement pay based
on the following computation:

NO. OF YEARS IN SERVICE	COMPUTATION
5 to 9	Latest salary **x** 0.5 **x** no. of years in service
10 to 14	Latest salary **x** 1.0 **x** no. of years in service
15 to 19	Latest salary **x** 1.5 **x** no. of years in service
20 years and above	Latest salary **x** 2.0 **x** no. of years in service

The latest salary shall include the employee's basic salary, cost of living allowance, and tenure pay. An amount is being allocated by the bank periodically to fund the retirement plan. The Retirement Fund is being managed by a reputable insurance company that shall assist the bank in registering the program with the BIR.

Early Retirement Benefit

In recognition of an employee's commitment as determined by his/her length of service with the bank, the bank designed an Early Retirement Benefit for employees who chose to retire after serving the bank for at least twenty- five (25) years "unbroken service" even without reaching the mandatory retirement age of 60 years old and shall be entitled to lumpsum retirement pay as in the Normal Retirement Benefit.

Separation Benefit

In recognition of employee tenure with the bank, a bank employee who voluntarily resigns from BancoLagawe with at least fifteen (15) years of "unbroken service" shall be entitled to a lump sum separation benefit. The benefit shall be computed = Latest salary x 0.5 x no. of years in service. Provided, however, that any employee who is involuntarily separated from the service of the bank for reasons such as retrenchment, redundancy, death or similar company policies shall be entitled to the Normal Retirement Benefits. However, any employee whose service is separated/terminated by the bank for cause due to the employee's own fault, misconduct, dishonesty or fraud shall forfeit all his benefits.

Retirement Policy for the Board of Directors

The bank acknowledges the Stockholders' ultimate right to elect the directors. However, a director who ascertains that he/she is no longer fit and proper to perform the functions of a director shall refuse nomination or may opt to retire if already elected. Elected directors serve for a term of one (1) year and may be re-elected. There is no specific retirement age for members of the Board.

RETIREMENT AND SUCCESSION POLICY

Succession Policy for the Board

The Corporate Governance Committee shall apply due diligence to determine the suitability of every person who is being considered for appointment or reappointment as a director of the Bank based on his/her educational qualification, experience & track record, and every such person shall meet the "fit and proper criteria", as BancoLagawe may stipulate from time to time.

BancoLagawe keeps and updates a list of qualified candidates being considered for a director position. The candidates are nominated by the principal stockholders of the Bank.

Succession Policy for Senior Management

Senior Management shall periodically review and consider the list of senior managerial personnel due for retirement/ attrition within the year. It shall also consider the new vacancies that may arise because of business needs/upgrade of Department(s)/ Branch Office(s).

Further, it shall be based on the recommendation of the Head of Human Resources and the Senior Management:

1) Shall evaluate the incumbent after considering all relevant criteria like experience, age, health, leadership quality, etc. and recommend to the Board whether the concerned individual (i) be granted an extension in term/ service or (ii) be replaced with an identified internal or external candidates.

2) Shall identify the competency requirements of key positions, assess potential candidates, and develop required competencies through planned development and learning initiatives. The Senior Management may utilize the services of professional search firms to assist in identifying and evaluating potential candidates.

3) May recommend to the Board to appoint other suitable external candidates (s) as special recruitment in senior managerial level based on job roles and competency in order to provide a continuous flow of talented people to meet the organizational needs.

4) Where it is decided to appoint an external candidate, timely and planned steps shall be taken for the selection of a suitable candidate so that the appointment is made well before the retirement/relieving of the concerned officer to ensure a smooth transition.

5) The recommendation of the Senior Management shall be elevated to the Board for approval. The head of Human Resources shall, from time to time identify high-potential employees who merit faster career progression to positions of higher responsibility and formulate, administer, monitor & review the process of skill development and identify the training requirements.

6) Every member of the senior management team shall always endeavor to add capability in-house and mentor officials with potential working under him to handle his responsibility in his absence by exposing him to all aspects of work being handled by him.

7) In the event of any unexpected occurrence in respect of any member in the core management team, the next person as per the organization chart (as far as practicable) shall take interim charge of the position, pending a regular appointment in terms of the succession plan.

REMUNERATION POLICY FOR THE BOARD AND SENIOR MANAGEMENT

BancoLagawe is committed to attracting, retaining, and motivating high-performing directors and senior management personnel who are crucial for achieving the Bank's strategic objectives. This Remuneration Policy outlines the principles and practices that guide the determination of compensation and incentives for these key personnel groups.

Budget and Approval Process

- The total remuneration and incentives budget for the Board of Directors and Senior Management is established through a rigorous process.
- The Board of Directors, after considering relevant factors, proposes an annual budget for Board and Senior Management compensation and incentives.
- This proposed budget is then submitted to the Bank's Stockholders for confirmation during the Annual Stockholders' Meeting. This ensures transparency and alignment with shareholder interests.

Compensation Principles

- BancoLagawe benchmarks its compensation and incentives against industry best practices and relevant market data. This ensures that the Bank offers competitive packages to attract and retain top talent.
- Remuneration for senior management is designed to be performance-based, with a portion of compensation linked to the achievement of predetermined individual and Bank-wide performance goals. This alignment incentivizes strong performance and reinforces the connection between individual contributions and overall success.
- The specific compensation and incentives package for each position considers various factors. These include the complexity of the role, the level of responsibility undertaken, and the inherent risks associated with the position. This ensures that compensation reflects the value and significance of each role within the Bank's leadership structure.
- The Board of Directors is committed to ensuring transparency in the application of this Remuneration Policy. The principles and factors considered when determining remuneration packages will be clearly communicated to all relevant parties.

Salary Grade Scheme

- BancoLagawe maintains a structured salary grade scheme that establishes a baseline compensation framework. This scheme considers factors such as experience, qualifications, and market competitiveness.
- The salary grade scheme serves as a foundation upon which individual compensation packages are built. Additional considerations, such as performance, role complexity, and responsibilities, are then factored in to determine the final compensation package for each position.

BancoLagawe strives to create a compensation and incentives program that is competitive, performance-driven, and reflects the unique contributions of its Board of Directors and Senior Management team. This approach fosters a culture of performance excellence, attracts and retains top talent, and aligns the interests of directors, senior management, and shareholders with the long-term success of BancoLagawe.

RELATED PARTY TRANSACTIONS

In accordance with the regulations, policies, and guidelines on Corporate Governance issued by Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC) and other regulatory bodies, BancoLagawe recognizes the need to strengthen its policy on related-party transactions and other similar situations so as to prevent or mitigate abusive transactions with related parties and avoid risks of conflict of interest.

This is also in consonance with BancoLagawe's adherence to the highest principles of good governance as the bank subscribes to the philosophy of integrity, accountability, and transparency in doing business.

Similarly, Philippine Accounting Standard (PAS) 24 Related Party Disclosures provides that an entity should disclose information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

POLICY

1. Bank's DOSRI and other related party transactions shall be allowed provided that these comply with applicable regulatory limits/requirements and dealings are conducted at arm's length basis. Said transactions shall only be made and entered into, substantially on terms and conditions not less favorable than those with other customers of comparable risks.

2 . If an actual or potential conflict of interest arises on the part of members of the Board, stockholders, and management, he/she is mandated to fully and immediately disclose the same and should not participate in the decision- making process relating to the transaction.

Any member of the Board who has an interest in the transaction under discussion shall not participate therein and shall abstain from voting on the approval of the transaction.

No Director may engage in any Board or Committee discussion or approval of any related party transaction in which he or she is a related party. However, such Director must provide to the Board or Committee all material information reasonably requested concerning the transaction.

3. Materiality threshold for related party transactions (RPTs), except DOSRI transactions, shall be set at P1,500,000.00. RPTs that exceed the materiality threshold shall require approval from the Board of Directors. RPTs that fall below the materiality threshold shall be approved by the President & CEO except for transactions of his/her related parties which shall be elevated to the Board.

4. All DOSRI transactions shall require the approval of the Board of Directors.

5. As embodied in the "Whistle Blowing Policy," BancoLagawe encourages employees to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs. Any personnel, officers or directors who have been remiss in their duties in handling RPTs shall be subject to disciplinary actions with due process, as stated in the Bank's Code of Conduct.

TRANSACTIONS NOT CONSIDERED RPTS

Following transactions shall not be deemed related party transactions for purposes of this policy/guidelines:

a) Executive Officer and Director compensation arrangements;

b) Transactions available to all employees in general, such as: deposit transactions, and in the future- credit card availments, regular trade transactions involving purchase and sale of securities traded in the active market; and

c) Transactions granted under the Bank's fringe benefit program.

GUIDELINES AND PROCEDURES

1. All credit and non- credit Related Party Transactions go through the normal business processes of the Bank given the delegated discretion after due consideration to existing DOSRI regulations and SB limits.
2. On credit transactions, the Head of Credit Initiation and Management Section shall determine if a transaction is a related party transaction.

The following information, to the extent relevant, with respect to the proposed Related Party Transaction should be disclosed in the evaluation:

i. A general description of the transaction/s including the material terms and conditions;

ii. The name of the Related Party and the basis on which such person or entity is a Related Party;

iii. The Related Party's interest in the transaction/s including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction/s;

iv. The total value of the proposed transaction and the share of the Related Party's interest in the transaction/s;

v. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result or in connection with the proposed transaction; and

vi. Any other material information regarding the transaction/s or the related party.

3. Non- credit transactions shall be evaluated by the Head of Sections where the transactions will be processed.

4. Persons responsible for the evaluation of RPTs may ask guidance from the Risk Management & Audit Committee (RMAC) through the Chief Compliance Officer or Internal Auditor.

5. After going through the process, it shall be submitted/ elevated to the proper approving authorities for ratification/ approval.

6. The Chief Compliance Officer shall prepare a monthly report of all related party transactions to the Risk Management and Audit Committee for the latter's information. Said committee shall be provided with all pertinent documents and material facts that support the transaction.

7. A Board resolution, as evidence of approval for DOSRI loans will be submitted within the prescribed period set by the BSP.

8. On a quarterly basis, the Chief Compliance Officer shall ensure submission of the required report to BSP using the existing report format.

DOSRI TRANSACTIONS

1. Only one (1) DOSRI Loan with a principal balance of P4,200,000.00 was released in 2024. By the end of the year, it registered an outstanding balance of P3,948,000.00
2. Lease Agreement for the office space of Lamut Branch-lite was approved by the Board in November 2023. Office building is owned by Director Dexter B. Dugyon.
3. DOSRI deposits for 2024 totalled P30,275,920.

MATERIAL RELATED PARTY TRANSACTIONS

By the end of year 2024, the Material Related Party Transactions on the Bank's record consists of:

1. Total credit accommodations with outstanding balance of P20,781,778.00, consist 3.38% of the total loan portfolio;
2. Total RPT deposits for 2024 totalled P15,468,662.00

INTERNAL AUDIT AND COMPLIANCE FUNCTION

INTERNAL AUDIT FUNCTION

The Internal Audit is an independent, objective assurance, and consulting function operating within BancoLagawe (Lagawe Highlands Rural Bank) to examine, evaluate, and improve the effectiveness of risk management, internal control, and governance processes of the bank (BSP Cir. 871, Sec.). The internal audit activity adds value to the organization and its stakeholders when it provides objective and relevant assurance, and it contributes to the effectiveness and efficiency of governance, risk management, and control processes (IAA's Standards: Revised October 2010).

AUTHORITY AND INDEPENDENCE:

The Internal Auditor requires organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

INDEPENDENT FUNCTION: NO CONFLICT OF INTEREST ALLOWED

Even though the IA may be formally part of the management structure of the bank, it does not participate in any management decision process or accept any responsibility in the execution of bank activities. This organizational structure is designed to allow the IA to be independent and to effectively accomplish its purpose.

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, the IA will be independent of the activities it audits. The IA will not have direct responsibility for, or authority over, any of the activities reviewed and will not engage in activities that should normally be reviewed by the internal auditor. This directive will not preclude the IA's proactive involvement with management in planning processes, committees, or special assignments that have been approved by both the President/ CEO and the Risk Management and Audit Committee (RMAC).

The IA may advise management (must, when it is about compliance, risk management, and internal controls) and the Board of Directors (BOD) regarding how to better execute their responsibilities.

The Internal Audit review and appraisal process does not in any way relieve other persons in the bank of the responsibilities assigned to them. Responsibility for complying with policies and procedures as well as correcting deficiencies rests with the respective employees and management.

HIERARCHICAL INDEPENDENCE: INDEPENDENCE REPORTING LINE

The primary customer of the IA is the entity charged with oversight of management's activities. This is typically, the RMAC, a sub-committee of the BOD. To provide hierarchical independence, the IA reports to the RMAC Chairman as to the performance of his duties.

The definition and regular revision of the scope of the function should be agreed upon by the IA and the RMAC. The IA's annual work plan, which for practical reasons must be discussed between the auditees, is subject to the approbation of the RMAC and BOD.

The internal rules and practices of the IA provided for in the Internal Audit Manual are of the responsibility of the Internal Auditor.

INDEPENDENT STATUS: GUARANTEES AGAINST RETALIATIONS

The independence of the IA in the performance of his duties should be guaranteed in the staff rules. The RMAC should have sole competence for the final decision on appointment and dismissal of the IA, and for his remuneration, activity appraisal, and career advancement. The IA is liable to disciplinary action but only with the concurrence of the RMAC and expressed approval of the BOD. This could happen if the IA is negligent in the performance of his duties.

INDEPENDENT COMMUNICATION RIGHT

The IA reports directly to the RMAC and the BOD. There should be a report from the IA to each ordinary RMAC meeting and if deemed necessary to the BOD. Such reports should be addressed directly to the RMAC Chairman with a parallel copy to the President/CEO.

Although the Internal Auditor is paid by the bank, the human resource budget of the IA, in particular, should be protected from interference from Management. The typical risk is that the audit's budget subject to the approval of the President/CEO is a source of potential interference or friendly pressure to self-limit the Internal Auditor's draft budget, in advance of the normal budgeting process of the bank.

ACCESS TO INFORMATION

Information is of key importance to organize, prepare, and perform internal audits. The IA will have full, free, and unrestricted access to all activities, records (in both paper and electronic format), property and personnel necessary to accomplish the stated purpose. Documents and information given to the IA will be handled by the IA in the same prudent manner as by those employees normally accountable for them, with stringent regard for safekeeping and confidentiality.

Reasonable restrictions would be limited to things such as personal information in personnel records such as health information. Unduly restricted access to information is a major impediment to the IA and indicates the bank is not truly supportive of the IA's mandate and the bank's commitment to sound governance.

PROFESSIONAL COMPETENCE

The Internal Auditor is a professional and competent individual who collectively has the knowledge and experience necessary for the conduct of an effective internal audit on all areas of the bank's operations. The skill set of the internal audit staff shall be complemented with appropriate audit methodologies and tools as well as sufficient knowledge of auditing techniques in the conduct of audit activities.

DUE PROFESSIONAL CARE AND PROFESSIONAL ETHICS

The Internal Auditor shall act with integrity in carrying out his duties and responsibilities. He should respect the confidentiality of information acquired in the course of the performance of his duties and should not use it for personal gain or malicious actions. The Internal Auditor shall avoid conflicts of interest. Internally- recruited Internal Auditor shall not engage in auditing activities for which he has previous responsibility before a one-year "cooling-off" period has elapsed. The Internal Auditor shall adhere at all times to an established Code of Ethics for Internal Auditors.

DUTIES AND RESPONSIBILITIES

- Prepare and submit an annual audit plan to the board for approval.
- Prepare and submit monthly audit reports to the RMAC for approval.
- Report audit findings to the RMAC/ Board during the monthly meetings.
- Conduct periodic audits on the implementation of internal controls, policies on all aspects of operations, and regulations of the Bangko Sentral ng Pilipinas (BSP), Philippine Deposit Insurance Corporation (PDIC), Bureau of Internal Revenue (BIR) and other regulatory agencies.
- Supervise and maintains the bank's system of internal control and ascertain that it is adequate and functioning properly.
- Examine and recommends the establishment of appropriate internal controls and appropriate measures to ensure that established policies, procedures and controls are followed.
- Perform a continuous program of verification and conducts his examination in such a way as to ensure management of the general reliability and validity of all reports.
- Assess the accuracy, reliability and effectiveness of the management and financial information system, including the electronic information system.
- Conduct periodic confirmation of accounts with bank depositors and borrowers.
- Assess/ obtain documents that are necessary to perform the duties and responsibilities of an Internal Auditor.
- Performs such other functions as may be assigned by the Board in connection with the examination, evaluation and appraisal of the bank operations.

NATURE OF WORK

The IA must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

GOVERNANCE

The IA must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics within the bank;
- Ensuring effective organizational performance management and accountability;
- Communicating risk and control information to appropriate areas of the bank;
- Coordinating the activities of and communicating information among the board; external and internal auditors and management.

The IA must evaluate the design, implementation, and effectiveness of the bank's ethics-related objectives, programs and activities. It must assess whether the information technology governance of the bank supports the bank's strategies and objectives.

RISK MANAGEMENT

The IA must evaluate the effectiveness and contribute to the improvement of risk management processes. It must evaluate risk exposures relating to the bank's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

The IA must evaluate the potential for the occurrence of fraud and how the bank manages fraud risk.

During consulting engagements, the internal auditor must address risks consistent with the engagement's objectives and be alert to the existence of other significant risks. The Internal Auditor must incorporate knowledge of risks gained from consulting engagements into their evaluation of the bank's risk management processes.

When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

CONTROL

The IA must assist the bank in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The IA must evaluate the adequacy and effectiveness of controls in responding to risks within the bank's governance, operations, and information system regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets;
- Compliance with laws, regulations, policies, procedures, and contracts.

SCOPE

The scope of IA shall include:

- Examination and evaluation of the adequacy and effectiveness of the internal control systems;
- Review of the application and effectiveness of risk management procedures and risk assessment methodologies;
- Review of the management and financial information systems, including electronic information system and electronic banking services;
- Assessment of the accuracy and reliability of the accounting system and of the resulting financial reports;
- Review of the systems and procedures of the safeguarding assets;
- Review of the system of assessing capital in relation to the estimate of organizational risk;
- Transaction testing and assessment of specific internal control procedures; and
- Review of the compliance system and the implementation of established policies and procedures.

COMPLIANCE FUNCTION

Directing the compliance officer and concurrently the internal auditor to function mainly as a compliance officer.

1. The Compliance Officer who is concurrently the Internal Auditor shall be directed to function mainly as the compliance officer of a bank, until such time that the two functions are segregated. (BSP Circular 598).
2. The Compliance Officer will directly report to the Board of Directors. During his/her tenure, s/he may be removed/ transferred only with the approval of the Board and through an internal administrative procedure in which his negligence in discharging compliance function or his serious acts of omission and commission in other financial or administrative matters is established and recorded in a transparent manner.

INDEPENDENCE OF COMPLIANCE FUNCTION

1. The sole task of the Compliance Officer is to carry out compliance functions for the management of the bank's compliance risk. The Compliance Officer will function in an independent environment and should be kept away from any conflict of interest with other functions of the bank (i.e. the staff of Compliance Officer will perform only compliance responsibilities). The Compliance Officer should not be assigned with any other operative functions of the bank, even if temporary.
2. The Compliance Officer and his/her staff will have the right on their own initiative to communicate with any staff member and obtain access to any records or files necessary to enable it to carry out its responsibilities. It will also have the right to conduct a review/ investigation of possible breaches of the Compliance Program and to request assistance from specialists within the bank (I.T Specialist, Legal Officer) or engage outside experts to perform this task under advice to the Board of Directors or the Compliance Officer in his discretion finds it appropriate.
3. The Compliance Officer and his/her staff will be free to report to the Board of Directors or the Risk Management and Audit Committee (RMAC), on any irregularities or possible breaches disclosed by its investigation without fear of disfavor from management or other staff members.

SCOPE OF COMPLIANCE FUNCTION

The laws, rules and standards applicable to banking generally cover matters such as observing proper standards of market conduct, managing conflicts of interest, settling government taxes, treating customers fairly and ensuring the sustainability of customer advice. The following statutory, regulatory and internal guidelines, contractual guidelines and codes govern the banking business on the basis of the above principles.

Statutory Guidelines:

- R.A 7653 "The New Central Bank Act"
- R.A 9160 Anti-Money Laundering Act of 2001
- R.A 9178 An Act to Promote the Establishment of Barangay Micro Business
- Enterprises (BMBEs), providing incentives and benefits therefor, and for other purposes
- Magna Carta for Small Enterprise
- National Internal Revenue Code of the Philippines
- Act No. 3135, Mortgage Law
- Chattel Mortgage Law (Act No. 1508)
- R.A 3765, The Truth in Lending Act
- Labor Code of the Philippines
- Social Security System (SSS) R.A No. 9501 or the Magna Carta for Micro, Small and Medium Enterprises.
- The Agri-Agra Reform Credit Act of 2009
- R.A 1405 (Law on Secrecy of Bank Deposits)
- Barangay Micro Business Enterprises (BMBE's) Act of 2002
- The Revised Corporation Code of the Philippines
- Implementing Rules and Regulations and amendments of the above statutes
- Any other Act related to banking that is in force at present or may come into exercise in the future.

Regulatory Guidelines:

- BSP Manual on Regulation of Banks
- Guidelines issued by the Bangko Sentral ng Pilipinas from time to time
- Guidelines issued by the Rural Bankers Association of the Philippines from time to time
- Guidelines issued by Securities and Exchange Commission from time to time.
- Guidelines issued by PDIC from time to time.
- Guidelines issued by SSS from time to time.
- Guidelines issued by PhilHealth from time to time.
- Guidelines issued by BIR from time to time.
- Philippine Institute of Certified Public Accountants guidelines on Accounting Standards
- Any guidelines/ instructions issued from time to time by other Government agencies that affect the Bank.

Internal Guidelines:

- Bank Policies
- Bank Contracts and Agreements entered into by Management

The aforesaid statutory, regulatory, contractual guidelines and internal guidelines shall be the scope for operation of the compliance function in the bank. The Board of Directors may modify the scope as deemed fit to widen or strengthen the compliance function. The Compliance Officer will identify the function of the bank that fall under each guideline and also will assess the risk level of each function.

Board Supervision

The Board of Directors/ RMAC will be responsible for putting in place the compliance function policy in the bank for managing compliance risk. It will also oversee the implementation of the policy by the Compliance Officer. It will take a quarterly review of the compliance function and conduct annual assessments of the Compliance Officer's effectiveness and progress, if necessary.

Top Management Responsibilities

1. Top management will be responsible for ensuring that the compliance function is properly established within the bank. They will ensure the following in the implementation of the compliance function:
    - They will identify and assess the compliance risk facing the bank with the assistance of the Compliance Officer and formulate plans to manage them.
    - They will resolve the compliance issues effectively and expeditiously with the assistance of the Compliance Officer.
    - They will make prompt reporting to the BOD/RMAC on any material compliance breaches/ failures.
2. Quarterly reviews will be submitted to the BOD/ RMAC in such a manner as to assist them to make an informed judgment on whether the bank is managing its compliance risk effectively.
3. Top Management of the Bank will be expected to comply with laws and regulation that affects their function.
4. Accountability will be examined for all compliance breaches/ failures and appropriate disciplinary action will be taken against the erring staff members.

Compliance Officer's Responsibilities

1. Within the scope set for the compliance function, the Compliance Officer will have the following duties and responsibilities with all sincerity and integrity for achieving the objective of the compliance function:
    - The Compliance Officer will identify the business functions of the bank that fall under each statutory and regulatory guideline.
    - The Compliance Officer will assess the level of compliance risk in each business line, product and process into High, medium and Low Risk and accordingly formulate proposals for mitigation of the risk.
    - The Compliance Officer will ensure prompt dissemination of statutory and regulatory guidelines and instructions for compliance to the Head Office unit, Branches/ Offices and Closely monitor the compliance of the guidelines.

2. Compliance Officer of the bank will be responsible overall for coordinating the identification and management of the bank's compliance risk and supervising the activities of the compliance function staff. He will ensure the following:

- Identify and assess the compliance risk through all business levels of the bank and submit plans to manage the risk to the BOD/RMAC.
- Submit a report to the BOD during BOD regular Board meeting on the level of compliance risk.
- Promptly report to the Board of Directors/ RMAC instances of all material compliance failures which may attract significant risk of legal of regulatory sanctions, financial loss or loss reputation.
- Act as the nodal point of contact between the bank and the Bangko Sentral ng Pilipinas.

Compliance Officer's Participation in Board Committees

1. The Compliance Officer will be a member of the Risk Management and Audit Committee.
2. S/He may be an invitee to any of the Board Committees.

Senior Management

1. It will be the responsibility of the Senior Management to provide the Compliance Function with sufficient and appropriate staff to ensure that the compliance risk within the bank is managed effectively. It will identify the staff that preferably have knowledge of law, accountancy and information technology and also adequate practical experience in various business lines and audit/inspection functions. The compliance staff should have a sound understanding of compliance laws, rules and standards and their practical impact on the banks operations.
2. In order to keep the compliance staff up-to-date with developments in the areas of banking laws, rules and standards, the compliance officer and staff should attend relevant seminars or trainings if available.

Role of the Bank Officers, Managers and Staff

1. The bank officers, managers and staff will put in place systems for meticulous compliance of statutory, regulatory and internal guidelines by all concerned under their control while carrying out the business operations. Any breaches/ failures of compliance noticed by them in their area of operations should be promptly reported to the Compliance Officer or his/her staff. The Compliance Officer and his/her staff will scrutinize such breaches/failures of compliance and guide the functional departments with measures for rectification and prevention.
2. The officers, managers and staff should extend their cooperation to the Compliance Officer and his staff for the success of compliance functions in the bank. They should promptly submit the information requested by the Compliance Officer and his/her staff for their assessment of compliance. They should also strictly follow the instructions and guidelines issued by the Compliance Officer on compliance matters. A cooperative working relationship between Compliance Officer and his staff and would help to identify and officers, managers and staff manage compliance risks at an early stage.

Compliance Program

1. The Compliance Program should be reviewed annually covering the following aspects:
    - Compliance failures if any during the preceding year and consequent losses and regulatory action and also steps taken to avoid recurrence of the same.
    - List of all major regulatory guidelines issued during the preceding year and steps taken for implementation.
    - Independence of compliance function.
    - System of internal control to minimize compliance risk.
    - Progress in rectification of significant deficiencies pointed out in the internal audit, external audit and BSP Examination reports and position of implementation of recommendations made there in.

Implementation

The compliance function is a preventive, as well as a corrective remedy put in place for safeguarding the bank from compliance risks that may cause financial loss by way of penalties and compensations or reputational damage which bank cannot afford in the current highly charged and competitive environment among banks. The Compliance Function shall continue to be one of the key elements of our Corporate Governance Philosophy.

INTERNAL CONTROL RESPONSIBILITIES OF THE BOARD

The Board is responsible in setting a control environment that:

1. Ensures the bank is properly and effectively managed and supervised;
2. A management that actively manages and operates the corporation in a sound and prudent manner;
3. The organizational and procedural controls supported by effective management information and risk management reporting systems;
4. An independent audit mechanism to monitor the adequacy and effectiveness of the corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets and compliance with laws, rules, regulations and contracts;
5. The minimum internal control mechanisms for the performance of the Board's oversight responsibility are as follows:
    - Definition of the duties and responsibilities of the CEO who is ultimately accountable for the corporation's organizational and operational controls;
    - Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
    - Evaluation of proposed senior management appointments;
    - Selection and appointment of qualified and competent management officers;
    - Review of the corporation's human resource policies, conflict of interest situations, compensation program for employees and management of succession plan.

DIVIDEND POLICY

BancoLagawe recognizes the importance of returning value to its shareholders. This Dividend Policy outlines the framework for determining dividend distributions, ensuring a balance between rewarding our shareholders and maintaining the Bank's financial health.

- Following the end of each fiscal year, the Board of Directors diligently reviews the Bank's financial performance. A crucial aspect of this review involves determining the distributable profits available for that period.
- In making this determination, the Board prioritizes the Bank's long-term sustainability. This includes assessing the financial resources required to support operational needs and investment plans for the following twelve months. By balancing dividend distributions with future financial requirements, the Bank ensures it can continue serving customers and delivering long-term value to shareholders.
- The Stockholders play a vital role in the dividend distribution process. The Board proposes a dividend payout consistent with the Bank's approved operating and investment plans. This proposal is then presented to the Stockholders for ratification during the Stockholders' meeting. This collaborative approach fosters transparency and alignment between the Bank's management and its shareholders.
- The Board of Directors meticulously considers several key factors when determining the final dividend amount for each fiscal year.
    - Debt-to-Equity Ratio: A healthy debt-to-equity ratio indicates the Bank's financial stability and ability to manage its debt obligations. The Board considers this ratio to ensure dividend distributions do not jeopardize the Bank's financial strength.
    - Financial Operating Needs: The Bank's ongoing operational requirements are also factored into the dividend decision-making process. Sufficient resources must be allocated to support essential banking operations and ensure the delivery of high-quality services to our customers.
- BancoLagawe's commitment to its dividend policy is demonstrated by our actions. In 2024, the Bank declared cash dividends of P10.5 Million to shareholders on record as of December 31, 2023. This distribution reflects our dedication to sharing our financial success with our valued shareholders.

CORPORATE SOCIAL RESPONSIBILITY

In the wake of a devastating fire that completely razed several residential homes in Liyang, Boliwong, BancoLagawe swiftly answered the call for urgent assistance. Displaced families, temporarily sheltered at the local elementary school, were in critical need of food, clothing, bedding, kitchen utensils, and hygiene supplies.

As a committed and compassionate neighbor, located just five minutes from Poblacion East, BancoLagawe extended immediate support to the affected community. This act of solidarity underscores the bank's enduring commitment to social responsibility and its role in uplifting communities in times of crisis.

DONATION DRIVE FOR FIRE- AFFECTED FAMILIES IN BOLIWONG, LAGAWE, IFUGAO

APRIL 12, 2024

CORPORATE SOCIAL RESPONSIBILITY

As part of BancoLagawe's ongoing commitment to education and youth development, the bank conducted outreach visits to Labbu Elementary School in Nueva Vizcaya on December 4, 2024, and Julongan Elementary School in Kiangan, Ifugao on December 6, 2025.

During these engagements, the team facilitated age-appropriate financial literacy sessions, aiming to instill foundational financial awareness among young learners. In addition, hygiene kits and school supplies were distributed to support students' health and academic preparedness.

To create a joyful and memorable experience, the activities also included snacks, prizes, and interactive parlor games, fostering a sense of fun and community spirit. These initiatives reflect BancoLagawe's holistic approach to development—investing not only in financial inclusion but also in the well-being and future potential of the children in the communities it serves.

LABBU ELEMENTARY SCHOOL
DECEMBER 4, 2024

CORPORATE SOCIAL RESPONSIBILITY

JULONGAN ELEMENTARY SCHOOL
DECEMBER 6, 2024

CONSUMER PROTECTION PRACTICES

ROLES AND RESPONSIBILITIES OF OVERSIGHT BODIES

Board of Directors

- The Board of Directors (BOD) has the ultimate responsibility for the level of customer risk assumed by BancoLagawe. Accordingly, the Board approves the Bank's overall business strategies and significant policies, including those related to managing and taking customer risks.
- The Board of Directors takes steps to develop an appropriate understanding of the customer risks the Bank faces through briefings from auditors and experts external to the organization.
- The Board of Directors provides clear guidance regarding the level of customer protection risk acceptable to the Bank and ensures that senior management implements the procedures and controls necessary to comply with the policies that have been adopted.
- The BOD is responsible for developing and maintaining a sound Customer Protection Risk Management System that is integrated into the overall framework for the entire product and service life-cycle.
- Each director has a level of knowledge commensurate with the nature of his or her role in managing the Bank's customer protection program. This can be done through attendance to training and seminars, interaction with experts, and regulatory personnel knowledgeable of this line.
- The Board reviews and approves appropriate customer protection policies to limit risks inherent in the Bank's significant business lines, activities, or products, including ensuring effective oversight of any third-party providers that provide products and services for the Bank.
- The Board periodically reviews and approves customer protection risk exposure limits to conform to any changes in the Bank's strategies and addresses the extent of protection assumed by the customers when new products are introduced.

Senior Management

1. Senior management is responsible for implementing a program to manage the customer compliance risks associated with the Bank's business model, including ensuring compliance with laws and regulations on both a long-term and a day-to-day basis. Accordingly, management should be fully involved in its activities and possess sufficient knowledge of all major products to ensure that appropriate risk controls are in place and that accountability and lines of authority are clearly delineated.
2. Senior Management also is responsible for establishing and communicating a strong awareness of, and need for, effective customer protection risk controls and high ethical standards.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

1. The BOD and Senior Management periodically review the effectiveness of the Customer Protection Risk Management System (CPRMS) including how findings are reported and whether the audit mechanism in place enables adequate oversight.
2. The BOD and Senior Management must ensure that sufficient resources are devoted to the customer protection program.
3. They must ensure that customer protection program's weaknesses are properly addressed and corrective actions are taken in a timely manner.
4. The Board and Senior Management are sufficiently familiar with and are using adequate record-keeping and reporting systems to measure and monitor the major sources of customer risk to the Bank.
5. The Board and Senior Management must ensure that the depth of staff resources is sufficient to operate and manage the Bank's customer protection activities soundly and that employees have the integrity, ethical values, and competence that are consistent with prudent management philosophy and operating style.
6. The Board and Senior Management anticipate and respond to customer protection risks that may arise from changes in the Bank's competitive environment and to risks associated with new or changing regulatory or legal requirements.

BancoLagawe recognizes the importance of measuring risks in relation to the degree and extent of risks in financial customer protection. In this view, the Bank has established two (2) approaches in measuring the effects of failure to follow the required protection standards or principles, namely;

The Bank classifies its risk according to probability or the likelihood of occurrence of the risk:

RARE- the happening of the customer protection risk is not expected to come soon;

LIKELY- the happening of the customer protection risk is not expected at the moment;

CERTAINLY- the happening of customer protection risk is definite or imminent.

The Bank classifies the level according of customer protection risks accordingly:

LOW- the impact of customer protection risk to the Bank is nil or minimal;

MEDIUM- the impact of customer protection risk to the Bank is moderate or within the tolerable level of the Bank;

HIGH- the impact of customer protection risk to the Bank is above the Bank's tolerable limit and has adverse effects on the reputation.

Based on existing financial customer protection standard risks as identified and profiled by the Bank.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

CONSUMER PROTECTION RISK CONTROL, TECHNIQUES, AND STRATEGIES

BancoLagawe has professional and experienced members of the Board of Directors and Senior Management. The Bank provides strategies and techniques in order to avoid the identified risks and their effects on the customer and the Bank by the following preventive measures:

- **Disclosure and Transparency**

  In order to avoid the risks related to disclosure and transparency, the Board of Directors and Senior Management issued the following strategies and control measures to avoid the risks:

  1.) The Bank must conduct regular training/ seminars on a per schedule basis to all its employees in order for the latter to be familiarized with current products and services;
  2. All employees in charge should explain the terms and conditions related to a certain product and service prior to signing up the relationship contract to include corresponding policies and procedures, right and responsibilities of the clients;
  3. The Marketing Head of the Bank must see to it that brochures, flyers advertisement materials are updated and do not contain adverse or deceptive information. The information is clear, accurate, and easily understood by the Bank's clients.

- **Conflict of Interest**

  BancoLagawe resolves and prevents conflict of interest among the customers and bank employees through the following measures:

  - A Director should inhibit in the approval process of his own loan.
  - When a borrower is the subject of credit investigation and property appraisal by the Bank's employee who is closely associated with the borrower, the Bank assigns the job to another Loan Account Officer/ Bank Appraiser.

- **Protection of client information**

  Bank's strategies are to put prevention and control measures in order to protect the client's information are enumerated hereunder:

  - The Bank must have well defined IT processes and procedures and a designated IT department to handle the entire system;
  - All computers being utilized for storing and retrieving data and information of customers must have an automatic log-off and log-in.

- **Fair Treatment**

  BancoLagawe sees to it that fair treatment is provided to all its customers by employing the following preventive measures:

  - Loan products must be priced based on competition lending rate after surveys are conducted;
  - The Bank should involve its customers in designing its loan and deposit products by getting their opinion or ideas through the suggestion box system.
  - The Bank must focus on the capacity of the customer and not rely mainly on collateral or guarantees.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

- **Remuneration Structure**

  In order to encourage responsible conduct of business by bank employees, fair treatment, and avoid conflict of interest, the Bank must:
  - Come up with an incentive scheme to reward productive employees in soliciting deposits or loans, collection of past due and previously written-off loan accounts:
  - Disclose to customers that bank employees receive incentives from soliciting their accounts

- **Effective recourse**

  In order for Management to address properly and timely the complaints or requests of customers, the Bank has come out with preventive measures:
  - The Bank must establish a customer care center that will receive and act on customer inquiries, complaints, or requests:
  - The Bank must establish its own Customer Assistance Management System which encompasses policies and processes such as: processing time, responding to customers, and customer access like setting up a dedicated phone line or help- desk for customer response;
  - The Bank should provide a poster showing the information on how to file a complaint/ request visible at the lobby or website of the Bank.

- **Financial Education and Awareness**

  In order to address the identified risks, the Bank should perform the following preventive and control measures under financial education and awareness standard:
  - The Bank must initiate financial education to empower customers to provide knowledge and skills and understand the information from products and services offered by the Bank;
  - The Bank must develop financial awareness program which could improve the knowledge and understanding of customers regarding their rights and obligations and to make an informed decision in availing Bank's product and services. The program must meet the literacy of level of its customers such that features of products and services should be translated to the local dialect of the customers if needed.

- **Customer protection risk monitoring and management information**

  Effective risk monitoring requires the Bank to identify and manage all significant risk exposures including compliance risk. Identifying such risk throughout its operations is important to ensure that the Bank modifies its compliance management program as needed to respond to any internal or external changes that affect the institution.

  Risk monitoring activities are supported by appropriate MIS that provides senior management and directors with timely information on the customer protection compliance risk exposure of the Bank, as well as with regular and sufficient information for line managers engaged in the day-to-day management of the Bank's activities.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

The Bank uses Management Information System to organize and report data to senior management. Customer protection compliance issues of the Bank are included in the IT System and also in a Register or logbook. Internal Auditor ascertains whether the MIS is helpful to ensure that relevant information gets escalated from the branches to the compliance function and then to senior management.

Internal Auditor discusses with senior management the Bank's approach and methodology for identifying customer protection risk. Management should be able to articulate its understanding of customer protection compliance risk. Comprehensive reporting and monitoring systems allow for more frequent reporting, tighter monitoring of complex compliance activities, and the aggregation of risks on a fully consolidated basis across all business lines and activities.

- **Customer protection risk reporting**

  Reports of the Bank for both internal and external are prepared and presented in accordance with the Customer Assistance Management System (CAMS) of the Bank.

  Internal reporting refers to the reports prepared by the Customer Assistance Officer (CAO) and submitted to the Head, Customer Assistance Officer which is being summarized and actions are being recommended to the Senior Management or Board of Directors.

  These reports are presented to the SM and BOD on a monthly basis and reported to the BSP (external) on a quarterly basis within one (1) month after the cut-off period of the preceding month.

- **Internal controls**

  In evaluating the adequacy of BancoLagawe's internal controls and audit procedures pertaining to customer protection, the Internal Auditor/s consider/s whether the following conditions are met:

  1. The system of internal controls is appropriate for the type and level of risks posed by the nature and scope of the Bank's customer protection activities.
  2. The Bank's organizational structure establishes clear lines of authority and responsibility for monitoring adherence to financial customer protection policies, procedures and limits.
  3. Reporting lines provide sufficient independence of the control areas from the business lines and adequate separation of duties throughout the organization.

Specifically, the internal controls applicable to customer protection include:

1. A review of Branch's documentation and filing of customer complaints;
2. Test the process of the Branch's complaint mechanism and system.

- **Financial consumer protection policies and procedures**

  BancoLagawe has policies and procedures to address the different identified risks of financial customer protection. These are placed in different standards to protect the customer during the life-cycle of his/her relationship with the Bank. They are embedded in different aspects of operations of the Bank as emboldened either in Bank's manual, forms, advertisements, websites or posters installed in the lobby or other places as the Management deems fit. Such policies and procedures are enumerated and explained hereunder:

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

OVERSIGHT BODIES

1. **Policies**

- The Risk Management and Audit Committee/ Board of Directors (BOD), shall oversee the implementation of the financial customer protection program of the Bank;
- The Senior Management shall implement the policies and procedures of this Manual:
- The Senior Management shall see to it that complaints are reported on a regular (monthly) basis.

2. Procedures

- Board of Directors/ Senior Management
    1. Approves the Financial Customer Protection program of the Bank
    2. Along with No. 1), approves the composition of the Customer Assistance Group and issuing a memorandum appointing the Consumer Assistance Officers (CAO) and the Head Consumer Assistance Officer (HCAO). This is reflected in the Consumer Assistance Management System (CAMS) of the Bank.
- Head, Consumer Assistance Officer (HCAO)
    1. Cascades the program to all bank employees through training.
    2. Retrieves reports from Customer Service Assistants (CSAs) who are designated as Customer Service Officers.

DISCLOSURE AND TRANSPARENCY

1. **Policies**

- Management, through its Branches, shall provide up-to-date information about the Bank's loans, deposit products, and other services to customers. This information shall be accessible over the counters, with clear, simple to understand statements, accurate or not misleading information, and include any potential risks for the customers. It shall include the rights and responsibilities of the Bank and the customer, including mechanism for either party to end the banking relationship, such as: termination, pre-termination, full payment, as well as details of fees, pricing, and any potential penalties that the customer may incur.
- Key information shall be explained by the Bank's front employees to the customers as deemed necessary including the Bank's terms and conditions in all its products and service, and shall be characterized by the following, to wit:
    1. Must be concise.
    2. Must be easily understandable of presented in a manner that facilitates customer's comprehension, such as using the local dialect.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

- Prior to signing the contract of obligation or contract of deposit, the Bank personnel shall explain in full their terms and conditions and the regulatory requirements, such as: payment of real estate tax, comprehensive insurance on improvements subject to collateral, among others, surrender of passbook or time deposit certificate in case of termination of an account on the affidavit of loss for that matter.

2. Procedures

Cashiers/ Tellers

1. Greet the customer; asks what can the Bank do for the client; provides brochure/flyer to deposit/ loan applicant;
2. Interviews the customer. Determines the banking needs, for example, whether deposit to be offered is regular or time deposit; for loan account, whether borrower needs a lower or higher principal loan, short-term or long-term repayment, the customer is particular to interest rate, among others;
3. Explains the terms and conditions and policies related to product/service to be availed by the customer including but not limited to the term of deposit/loan, interest rate, service charges, penalties, etc.
4. Explains to the customer that any changes in the interest rate on loans or deposits shall be visibly shown in "standees" or posters located at the lobby of the branch.

CONFLICT OF INTEREST

1. **Policies**

   1. The Bank has existing policies pertaining to conflict of interest involving customer service as follows:
      - In granting loans to DOSRI, processing of loan should be conducted at the arms- length transaction, i.e., terms and conditions being applied to the customer are similarly applied to DOSRI, such that if the loan is a Director, the latter shall inhibit in the approval process.
      - The Bank should inform the customer for any direct or indirect claim (lien) by a third party, including bank employees, to a ROPA which is the subject of sale to the client;
      - No employee, director, or officer of the Bank should accept a commission or incentive arising from insuring a customer to the accredited insurance company.

2. Procedures

The minimum procedures that the bank will undertake shall be as follows:

DOSRI LOAN

1. **Board of Directors**
   - Board of Directors concerned inhibit from the deliberation of loan;
   - Review the application/ files/ documents and approve/ disapprove the loan;
   - Prepares Board Resolution for the approval of DOSRI Loan.

2. Operations Department
   - Processes for the release of the DOSRI Loan
   - Prepares DOSRI Loan and Other Accommodation Report together with Board Resolution for transmittal to BSP.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

PROTECTION OF CLIENT INFORMATION

1. **Policies**

- For Information Technology (IT) concerns, the following minimum policies shall be in place in addition to provisions under the IT Risk Management Manual:

  The IT Specialist shall directly supervise all IT concerns of the Bank;

  - Bank shall have a manual of IT policies and procedures and control administration concerning IT risks;
  - Only authorized users shall be allowed to access the computer system dedicated to the storage of data and information of customers within their respective jobs/tasks.
  - For personnel administration the policies should include:
    1. The HR Officer shall orient all employees on their first day that includes the code of conduct in customer service.
    2. All employees, probationary or regular, shall sign an employment contract which includes a provision to strictly observe security and confidentiality of customer information.
  - All brochures, flyers, or information posted through the monitor of ATM if any, and the website shall contain instructions for the customer to follow in order to protect their deposit/loan account with the Bank.

2. **Procedures**

- **IT Officer/ Specialist**
  1. Reviews the computerized system of customers' process flow of information to determine if there are data which are utilized by non-users;
  2. Installs automatic log-off, log-on, possibly 5-minute after inactivity, to all computer users of customer information who do not have this protection.
- **HR Officer**
  1. Provides all employees personnel handbook which contains policies on customer service and protection of client information;
  2. Prepares and implements a training plan for all employees with priority given to employees who have direct face-to-face contact with customers.
- **Operations Head/ Marketing Department**
  1. Checks the existence of provisions for customer protection in all brochures, flyers, or websites.
- **Chief Compliance Officer**
  1. Assesses compliance to customer protection standards;
  2. Reports any deviation or risk area to the Board of Directors, through the Risk Management and Audit Committee (RMAC);
  3. Monitors compliance of branches to noted deviation or risk areas.
- **Internal Auditor**
  1. Reviews the documents and process to determine the efficiency and adequacy of policies related to the protection of client information;
  2. Reports audit findings, exceptions or weaknesses of policy to the Board of Directors through the Risk Management and Audit Committee (RMAC).
- **Board of Directors/ Risk Management and Audit Committee** (**RMAC**)
  1. Provides action on reported Bank's weaknesses on client protection.

FAIR TREATMENT

1. **Policies**

- It shall be an integral part of the culture of the Bank for its employees to deal professionally, honestly, and fairly with its customers.
- All employees shall provide special care and attention to customers with special needs and physical defects.
- The Bank Management shall ensure that the products and services offered are advantageous, appropriate, helpful and suitable to the banking needs of its customers.

2. **Procedures**

- **Branch Manager and Cashiers/Tellers (Jointly)**
    1. Asks the customer to accomplish application for new accounts (deposit) or loan application for loan and allow the client to certify the given information;
    2. Informs the customer that the Bank will conduct verification and provide the proper services based on the given information;
    3. Explains to the borrower that the information may be shared with other financial institution(s) or individuals with whom he/she may give written consent or by any order of a competent court;
    4. Manager conducts regular branch meetings to cascade important policies and procedures on customer protection to the members of the branch including disciplinary actions to be imposed in case of customer mistreatment, serious infractions or harrasment.

- **HR Officer**
    1. Checks the employee performance evaluation form if it contains customer protection that focus on quality service as one of its parameter;
    2. Cascade to all employees that such parameter shall be part of the annual performance evaluation.

- **Senior Management/ Corporate Governance Committee**
    1. Approves the impositions of disciplinary action for breach of customer protection and services by employees.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

REMUNERATION STRUCTURE

1. **Policies**

- For transparency, employees may disclose the remuneration structure or incentive scheme to customers when making solicitations of loan or deposits. This can be disclosed only when customers initiate the inquiry and should be handled in a tactful manner.
- A Bank employee who has direct face-to-face contact with customers shall be evaluated, in addition to their current job performance, based on the following:
    1. Customers' satisfaction (in terms of the number of cases settled/ served);
    2. Compliance with regulatory requirements, best practices guidelines, and Code of Conduct in certain principles related to the best interests of customers.

2. Procedures

- **Branch Manager and Loan Account Officer**
    1. Clarifies with the customer the presence of an incentive scheme in the solicitation of products and services, if known to the customer;
    2. Assures the customer that the incentives scheme is not related to interest rates or service charges imposed on the customer.

- **HR Officer**
    1. Checks the employee performance evaluation if it contains remuneration structure parameters;
    2. Provide training to all front-line personnel who handle customer service

- **Customer Assistance Officer** (**CAO**)
    1. Conducts investigation for any complaint against an employee;
    2. Provides result of investigation to the Head CAO.

- **Senior Management**
    1. Approves or recommends the imposition of disciplinary action for breach of customer protection and services by employees.

EFFECTIVE RECOURSE

1. **Policies**

- The Senior Management shall provide financial customers efficient means for resolving complaints with their financial transactions by putting in-place mechanisms for complaint handling and redress.
- The Senior Management shall establish an effective Customer Assistance Management Systems (CAMS) for approval by the Board of Directors.
- The CAO shall maintain an up-to-date log and records of all complaints from all customers subject to the complaints procedure. The minimum contests of the logbook are as follows:

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

-Details of each complaint
-Date of complaint was received
-Summary of Bank's Response
-Details of any relevant correspondence or records
-Action taken to resolve each complaint
-Date of complaint was resolved

- The Head CAO shall conduct an analysis of patterns of complaints from customers on a regular basis including investigating whether complaints indicate an isolated issue or widespread issue for customers.
- All Staff handling complaints should have appropriate experience, knowledge, and expertise.

2. Procedures

- **Customer Assistance Officer**
  1. Maintains an up-to-date log and records of all complaints from all customers subject to the complaints procedure;
  2. Prepares summary of complaint report; and
  3. Forwards summary of complaint report to the Head CAO.

- **Head CAO**
  1. Undertakes analysis of patterns of complaints from customers on a regular basis including investigating whether complaints indicate an isolated issue or widespread issue for customers; and;
  2. Presents Complaint Analysis Report to the Senior Management for review and recommend actions for approval by the Board of Directors.

- **Senior Management**
  1. Reviews the summary of complaint report; and
  2. Acts on complaints if the action is within its authority. Formulates policy and/or recommends actions to be approved by the Board of Directors if the complaint/request requires it.

- **Board of Directors**
  1. Approves recommended action by the Senior Management and/or RMAC.

FINANCIAL EDUCATION AND AWARENESS

1. **Policies**
   - Financial education shall be integral to the good governance of BancoLagawe.
   - The Bank shall design a financial education and awareness program that will benefit its customers, such as:
     1. Contribute to the improvement of the client's knowledge;
     2. Understand the customer's rights and responsibilities, basic information, and risks of financial products and services; and
     3. Ability to make informed financial decisions and participate in economic activities.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

- The Bank shall design its financial education and awareness materials to the level of literacy of customers like the dialect spoken and the use of simple and clear statements.
- In delivering public awareness campaigns and information for customers, Bank's focus can be in the form of:

  -budgeting or financial planning
  -saving, investing
  -retirement planning
  -self-protection against fraud

- Branches shall distribute to customers, before opening a deposit account or apply a loan, a pamphlet on questions that customers need to ask.
- The Bank shall develop updated financial education tools for customer responsibility to ask the right questions, such as:

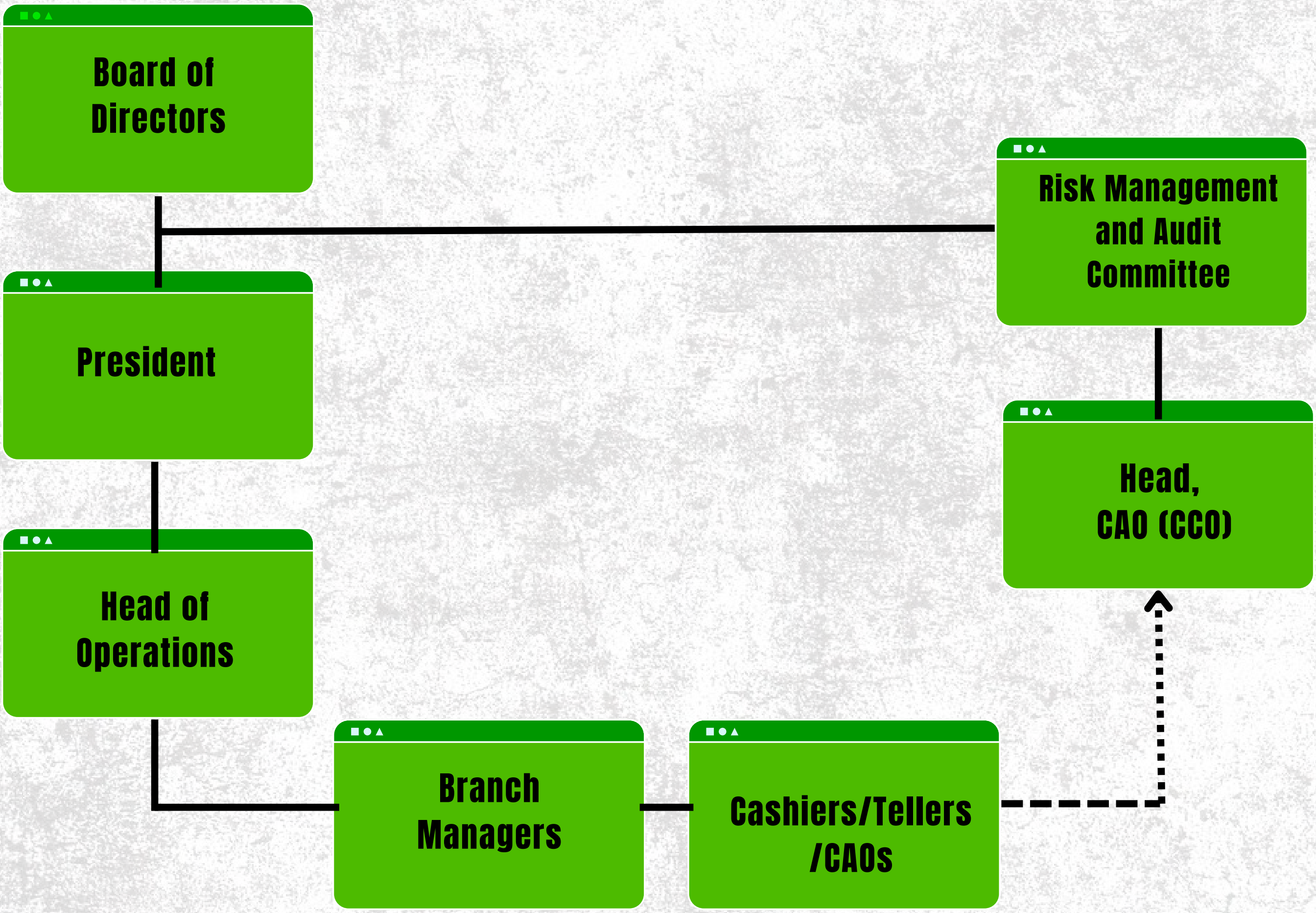
  -customized advice and guidance (face-to-face)
  -printed brochures, flyers, posters training videos (debt/money/savings management), newsletters, websites

- The Bank shall provide via the internet or through printed publications unbiased and independent information to customers through comparative information about the price and other key features, benefits and risks, and associated fees and charges of deposits, loans, and other products and services.
- Regularly track, monitor, and assess campaigns and programs and use the results of the evaluation for continuous improvement.
- **SENIOR MANAGEMENT**
  1. Recommends financial education awareness program to the Board of Directors
- **BOARD OF DIRECTORS**
  1. Approves the financial education and awareness program; and
  2. Prepares board resolution.
- **SENIOR MANAGEMENT**
  1. Directs the Marketing Department to prepare brochures, pamphlets containing the important features, data and information related to products and services of the Bank;
  2. Directs the IT Manager to posts important features, data and information related to products and services of the Bank;
  3. Instructs the Head CAO to distribute the flyers and brochures to all CAOs.
- **HR OFFICER**
  1. Prepare memorandum instructing all CAOs to meet their branch officers and staff and explain the contents of the flyers and brochures; and
  2. Forwards the memorandum, flyers, or brochures to all CAOs.
- **LOAN ACCOUNT OFFICER**
  1. Provides flyers or brochures to customers as they visit the Bank;
  2. Explain the main features, data and information per flyer or brochure.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

CUSTOMER ASSISTANCE MANAGEMENT SYSTEM (CAMS)

BancoLagawe follows its existing operational channel in handling customer complaints. It has designated its Customer Assistant Officers to serve as the Branch's Customer Assistance officers (CAOs), while the Chief Compliance Officer is designated as Head of the Customer Assistance Officers. The Branch CAO reports complaints to the Head CAO who, in turn reports and discusses to the Management Committee the report on complaints and then to the Board, through the Risk Management and Audit Committee (RMAC), which will provide action based on the recommendations of the Head of CAOs. The structural chart for CAMS is presented below:



CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

ROLES OF CUSTOMER ASSISTANCE OFFICER (CAO)

The Branch CAOs shall have the following functions and responsibilities:

1. Receives and acknowledges customer concerns, either complaint or request. A Complaint/ Request Form shall be provided to the customer to file the complaint with the Bank;
2. Records customer's concerns in a logbook. A database of concerns is encoded in the computer.
3. Makes an initial review and investigation of the concerns of the customers. He/She shall see to it that the primary cause of the customer's concern is identified properly;
4. Processes concerns of the customer. The CAO shall immediately address the concern of the customer. If the concern requires Head CAO's assistance, send immediately the concern to her/him;
5. Provides official reply to the customer;
6. In order to determine whether the Bank has satisfactorily addressed the concern of the customer, requests client feedback;
7. Prepares and submits a summary report to Head Customer Assistance Officer.

ROLES OF HEAD CUSTOMER ASSISTANCE OFFICER

In order to monitor the functions of the CAOs and implementation of the CAMs, the Head CAO shall conduct the following:

1. Monitors the customer assistance process being undertaken by the CAOs. Ensures that all CAOs are doing their functions properly and accurately and that timely submission of the report of complaints are done;
2. Keeps track, identifies, and analyzes the nature of complaints and recommends solutions to avoid recurrence. The nature of complaints could be poor personnel service, process, or defective property of the Bank;
3. Reposts to Senior Management the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence and the suggestions for process or personnel competency or Bank's property needing improvement; and
4. Ensures immediate escalation of any significant complaint to the Risk Management and Audit Committee (RMAC) Chairman for proper disposal.

CAPABILITY BUILDING TRAINING

In order to gain skills and knowledge on how to handle customer concerns, Bank personnel shall undergo the following training:

1. Solid interpersonal skills/customer service;
2. Basic and advanced listening skills;
3. Written and verbal communication skills;
4. Handling financial customer feedback;
5. Dealing with difficult people;
6. Problem solving and conflict resolution;
7. Bank's corporate structure, products and services

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

BancoLagawe continues to develop its employees' training needs which shall include customer protections. The Bank shall identify the type of training or seminar to be accorded to each employee, including the customer protection aspect.

PUBLICATION OF CUSTOMER ASSISTANCE MANAGEMENT SYSTEM

The Bank shall publish its CAMS in clear and simple language through any of the following:

1. Posting of summary details of CAMS in the lobby of the Main Office and its branches.
2. The Bank shall also print the CAMS in brochures or flyers to be given to all customers who sign up for new loan or deposit services.
3. The Bank shall revise its Application for New Account forms for deposits and loan forms to include the CAMS.
4. The CAMS shall be posted in the Bank's website.

CUSTOMER ASSISTANCE CHANNEL

Customers may lodge their complaints or requests to any of the Bank's channels:

1. Walk-in or personal visit
2. Letter or e-mail
3. Telephone/ cellphone

Each branch of the Bank shall maintain a Customer Assistance help desk with cellphones allotted for customer concerns and service. Loan Account Officer (LAOs) shall be in charge of the Customer Help Desk.

The Bank shall post to all lobbies of branches a poster where customers know how and where to lodge their concerns.

The Bank shall provide special lanes for senior citizens, customers with disabilities (CWDs), pregnant women, women with children as part of its prioritization scheme in serving customers.

The Bank shall also provide an alternative mode of resolution, such as: conciliation, mediation, and arbitration, in order to achieve, settlement of issues at the Bank's/branch's level.

Each branch has a suggestion box where the customer can provide comments or even concerns. On a daily basis, the Branch CAO responds to the concerns or suggestions of clients.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

CUSTOMER ASSISTANCE PROCESS AND TIMELINES

STEP	ACTION/S TAKE BY BANK STAFF	RESPONSIBLE TIME	PERSON IN CHARGE	FORMS
1.Receiving and Acknowledgement				
a. Walk-in clients: -Fill out the complaint form	Accommodates the walk-in complainants and assists in filling-out the complaint form	1 minute	Customer Assistance Officer	Complaint Form
b. Complaints/Inquiry/ Request made thru Phone	Answers the phone call while filling-out the form with details on the complaints, inquiry, or request	Immediately	Customer Assistance Officer	Complaint Form
c. Complaints/Inquiry/ Request made thru mail	a. Receives by stamping the document with the time and date the document is received; b. Sends a letter acknowledging receipt of the document.	Upon receipt of the Letter Within 2 days	Customer Assistance Officer	
d. Complaints/Inquiry/ Request made thru e-mail	Sends an initial acknowledgement e-mail	Within the day of receipt	Customer Assistance Officer	
2. Processing and Resolution				
	Investigate the complaint or request. • If a branch personnel's attitude or character is involved in the complaint, the Branch CAO shall personally discuss the matter with the concerned employee; • If a Bank's process/ procedure or property is involved in the complaint, the CAO shall course through the complaint to the	Within 2 days	Customer Assistance Officer	

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

STEP	ACTION/S TAKE BY BANK STAFF	RESPONSIBLE TIME	PERSON IN CHARGE	FORMS
	Analyze the nature of complaints and prepare the recommended solution(s): For unresolved concerns, forward to the HCAO; • HCAO shall analyze the nature of the complaint/request and obtain necessary documents as a basis for recommending solutions	Within 4 days	Customer Assistance Officer HCAO	
	Review and approve the recommended solutions; Forward the concern to the ManCom	Within 5 days	HCAO	
	The HCAO shall meet with the concerned Department Head, discuss, and find the reason of such a complaint/request. He/ She shall possibly act immediately to the complaint/request. If the problem requires the concurrence of the ManCom and/or Board of Directors, discuss the matter with the ManCom or include the complaint/request in the agenda during the meeting of the Board or the designated committee. The Head CAO shall ensure that an action from the ManCom and/or Board of Directors is obtained.	Within 6 days	HCAO	
	Prepare a memorandum letter addressed to the Branch CAO endorsing the result of action or reply taken from the ManCom and/or Board of Directors, through the RMAC.	Within 7 days	HCAO	Memorandum
	Provide an official reply to the Customer.	Within 9 days	Customer Assistance Officer	Letter
	Obtain feedback.	Within 15 days	Customer Assistance Officer	Feedback Survey Forn

However, if the complaint/ request of the customer is complex and requires third-party intervention in the investigation process, the resolution could be done within, but not exceeding forty-five (45) days. Thereafter, the resolution shall be issued within two (2) days.

Receiving and Acknowledging Concerns Process

In order to process accurately the complaint/request, the Bank shall obtain and record the following data from the customer:

1. Full name and contact details
2. Nature of complaint or request and its details
3. Resolution requested
4. Signature of complaint/requester
5. Name of Bank employee directly handling / in charge of the complaint

The CAO shall explain the customer assistance process and timelines. The Bank shall provide an assurance to the customer that the Bank is attending to the complaint or request, and that complainant shall be kept well-informed on the progress of the complaint or request until a resolution is obtained.

Process in Investigating and Resolving Complaint/Request

In investigating and resolving complaint or request of the customer, the Bank shall conduct the following procedures within nine (9) days upon request of the complaint/request:

1. The Branch Customer Assistance Officer (CAO) shall interview the customer to determine the main cause of the complaint or request;
2. If a branch personnel's attitude or character is involved in the complaint, the Branch CAO shall personally discuss the matter to the concerned employee;
3. If a Bank's process/procedure or property is involved in the complaint, the CAO shall course through the complaint to the Head CAO;
4. The CAO shall meet with the concerned Department Head, discuss, and find the reason for such a complaint/request. He/She shall possibly act immediately to the complaint/request. If the problem requires the concurrence of the President and/or Board of Directors, discuss the matter with the President or include the complaint/request in the agenda during the meeting of the Board or designated committee. The Head CAO shall ensure that action from the President and/or Board of Directors is obtained.
5. The Head CAO shall prepare a memorandum letter addressed to the Branch CAO endorsing the result of action or reply taken from the President or Board of Directors.
6. The Branch CAO shall in turn prepare a letter addressed to the customer.

Provided that the extension shall not exceed 45 days, if assessment and investigation of complaints/requests cannot be completed within the time frame, complainants shall be informed in writing the following:

1. Reason thereof
2. Need for an extended specific time frame
3. Date on which the complainant may expect the outcome

Confidentiality

The Bank or its personnel shall not disclose to a third part an information acquired from the customer in all stages of the complaint, except, as may be required by the conduct of the Bank's investigation or upon the written consent of the customer.

Conflict of Interest

The Bank shall ensure that complaints are investigated by a Customer Assistance Officer (CAO) who is neither directly or indirectly involved in the manner which is the subject of the complaint. The CAO shall not also investigate a complaint if the subject of a complaint is a close friend.

In either case above, the Head CAO shall investigate the complaint or request.

Customer feedback

Subject to the willingness of the customer, the CAO shall ask feedback on the following matters:

1. Over-all satisfaction (satisfied, somewhat satisfied or dissatisfied)
2. Process needing improvement
3. Personnel needing improvement
4. Property needing improvement
5. Any other suggestion for improvement of the operations of the Bank

Customer feedback shall be obtained through a feedback form from the customer. In this case, a suggestion box shall be installed in all branches of the Bank. In like manner, Bank's CAO may conduct a satisfaction survey available for walk-in complaints. The Bank, through its IT Specialist, can derive surveys via its website.

Customer feedback shall be recorded and analyzed by the Head CAO in order to improve the system and enhance personnel capabilities in handling complaints, and determine the weakness of the Bank including the need to procure new machines or improvement of Bank's façade and signage. He shall provide recommendations and/or solutions for action by the President and/or the Board of Directors. The aim of the feedback mechanism shall focus on not repeating the same complaint by other customers and to determine whether such issue is isolated or widespread or a system problem of the Bank.

Complaints recording and data management

The Bank and its branches/offices shall maintain copies of the complaints/requests received, including supporting documents within two (2) years from the date of resolution. Digital copiers of documents may be maintained by the Bank in accordance with the MIS for record keeping.

The Bank's Main Office and its branches shall maintain complaints/requests Register/Logbook with the following contents:

1. Name of the complaint
2. Subject/nature of the complaint (loans, administrative, remittances, deposits, etc.)
3. Name of personnel handling directly or in-charge of the complaint and Officer supervising the resolution of the complaint
4. Date of Receipt
5. Actions taken on the complaint or request
6. Resolutions provided
7. Date of resolution (the register must reveal the reason in case the date of the resolution falls outside the regulator deadline)
8. Other details such as, log- and details of phone calls made or received.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

The Head Customer Assistance Officer (HCAO) shall maintain:

1. Master register of all complaints received by the Bank and its branches;
2. A complaint database to identify the trend of complaint received, potential problems and customer protection risks.

The records shall be available to BSP Examiners, External Auditors and Internal Auditors during their regular or special review of records pertaining to customer protection program of the Bank.

CUSTOMER PROTECTION RISK ASSESSMENT STRATEGIES

The Bank has in placed customer protection risk assessment strategies in order to attain the following purposes:

1. It identifies and remedies any recurring or systematic problems;
2. It identifies weaknesses in the Bank's internal control or process;
3. Provides immediate solutions to the complaint in order to avoid future inconveniences for both the customer and the Bank; and
4. Aimed at improving and maintaining a long-lasting relationship between the Bank and its customers.

Strategies in assessing risks associated with consumer protection may be done by:

1. Analyzing complaints/requests data;
2. Analyzing causes of complaints/requests;
3. Considering whether such identified weaknesses may also affect other processes or products including not directly complained or requested;
4. Correcting whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

Customer complaint reporting

The Bank has adopted a manner of internal reporting in order to facilitate immediate reply to customer and avoid delay, as follows:

1. The Customer Assistance Officers (CAOs) in the branches shall submit a Summary of Complaint/Request Report to the Head Customer Assistance Officer on a monthly basis. It shall be submitted within the 10th day of the following month.

2. The Summary of Complaints/Requests Report shall be reported on a monthly basis by the Head Customer Assistance Officer (HCAO) to the ManCom for discussion of immediate resolutions and/or action plan/s, then to the RMAC and Board of Directors. Any action by the Board of Directors shall be evidenced by a board resolution. Any action by the Senior Management shall be evidenced by a Memorandum Letter addressed to the HCAO.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

The Summary of Complaints/Requests Report shall have the following minimum data:

- General category of complaints received;
- Statistics and frequency of said complaints;
- Aging of complaints or requests;
- Explanation on deviation, if any, from required resolution period; and
- General description of resolutions or actions taken to resolve the complaints or requests.
- The report shall include recommendations on how to avoid recurring complaints and suggestions for process/personnel competency improvement or property improvement if any.
- The Bank's Internal Audit report concerning the independent review conducted on the complaints report, policy recommendation, and customer protection compliance shall be elevated to the Board or Audit Committee every quarter. The Audit procedures on customer protection shall be followed under Internal Audit Function under this Manual.
- The Bank shall include complaints/requests statistics in its Annual Report. This is to provide an overview of the current year's efficiency of the Bank in resolving customer issues and concerns.
- **The Bank received no complaints in 2024.**

INTERFACE WITH BSP

BSP Reporting

- The Bank shall submit a consolidated Complaints Report to the Supervisory Data Center of the SES on a quarterly basis.
- Such report shall be reported in a format required by BSP not later than 1 month after each quarter.

Sanctions and penalties

- Administrative sanction under the Policy Manual/Code of Conduct of the Bank shall be imposed on personnel who committed violations of the policies and procedures pertaining to customer protection reporting. The Bank has also the option to file a criminal case against an erring employee should he/she is found violating the law(s) which requires the Bank to prosecute an employee.
- The Bank shall impose to an erring employee any monetary sanction or penalty imposed by the BSP for late or non-reporting of customer complaints after one (1) month after a quarter elapses.
- Pursuant to the BSP Customer Protection Framework, the Bank shall exhaust all internal remedies available to address the issues raised by the Customers in their complaints/requests.
- However, customers dissatisfied with Bank's response or action may seek assistance with the following:

Financial Consumer Protection Department
Supervision and Examination Sector
Bangko Sentral ng Pilipinas
5th Floor Multi-Storey Building
BSP Complex, A. Mabini St., Malate
1004 Manila

Telephone Numbers:
Trunk Line: (632) 708- 7701, extension nos. 2584
Direct Line: (632) 708- 7078
E-mail Address: consumeraffairs@bsp.gov.ph

ACCOUNTABILITY AND REWARDS

The Bank applies a performance evaluation system for personnel handling the complaints/ requests and may link to the rewards or remuneration system of the customer protection personnel.

This is done by including the parameters of customer service and protection in the annual employee performance evaluation which requires the person to follow the regulation as well as policies pertaining to customer protection. A sustained excellent service to the customer may merit a salary increase, while poor customer service will warrant disciplinary measures ranging from no increase in salary and/or disciplinary actions against the employee who committed violations pertaining to the customer protection program.

CUSTOMER ASSISTANCE TO PERSONS WITH DISABILITIES & NON-ENGLISH SPEAKERS

The Bank has developed steps and policies in assisting customers with disabilities and Non-English speakers.

Practically, the Bank shall take importance on the needs of the PWD's (deaf, learning difficulties, visually impaired, non-English Speakers, Senior Citizens and Pregnant Women) in ensuring that they understand the Customer Assistance Management System (CAMS). This includes:

1. The installation of CAMS to posters in all its branches.
2. Constructed concrete ramp to its buildings and offices spaces leading inside the Bank premises.
3. Given priority lane to senior citizens, pregnant women and disabled persons and children to facilitate their banking transactions with the Bank.

SUSTAINABLE FINANCE

SUSTAINABLE FINANCE

Sustainable Finance: Advancing Purposeful Growth in 2024

Sustainable finance continues to gain momentum in the Philippine banking landscape, and BancoLagawe remains at the forefront of integrating environmental, social, and governance (ESG) principles into its core operations. With its deep community ties and local market insight, the bank is uniquely positioned to champion sustainable development in underserved and rural areas.

Institutional Commitment to the SDGs
In 2024, BancoLagawe reaffirmed its alignment with the United Nations Sustainable Development Goals (SDGs) through a results-driven, multi-sectoral approach. Anchored in a refined Sustainable Finance Framework, the bank strengthened its integration of sustainability into lending, operational, and community-based initiatives.
Key SDG-aligned projects and outcomes include:

1. SDG 2: Zero Hunger
- Successfully executed Corporate Social Responsibility (CSR) initiatives at Labbu and Julongan Elementary Schools, including feeding programs, provision of school supplies, and the donation of water tank.
- Achieved a 13.6% year-on-year growth in the Agricultural Loan Portfolio, totaling ₱68.095 million by end-2024, exceeding the 5% annual target.
- Supported access to farm-to-market infrastructure through targeted loan products.

2. SDG 4: Quality Education
- Sustained an active scholarship partnership with Saint Mary's University, currently supporting five accountancy scholars.
- Conducted financial literacy sessions for students and youth groups, including nursing students at IFSU in December 2024.
- Provided donations for school infrastructure improvements and learning materials at Julongan Elementary School.

3. SDG 3: Good Health and Well-being
- Maintained the employee Medical Care Program as part of its standard employee benefits.

4. SDG 7: Affordable and Clean Energy
- Rolled out Solar Energy Loan products, with a portfolio of ₱2.1 million as of December 2024.
- Completed solar power installation plans at the Lagawe and Bambang branches in early 2025, following the Solano branch pilot in 2023. This is to help reduce operational carbon footprint and promote renewable energy use in the region.

5. SDG 8: Decent Work and Economic Growth
- Progressed toward the establishment of branch-lite units (BLUs) to improve financial access and stimulate local job creation.
- Expansion strategies remain closely tied to the bank's financial performance and capital position.

6. SDG 13: Climate Action
- Advanced efforts to embed environmental risk screening into the loan evaluation process. Although full implementation is pending, the enhancement of internal frameworks is ongoing and is expected to be fully rolled out in 2025.
- Maintains a non-financing policy for projects with known harmful environmental impacts.

Performance Monitoring and Challenges

While significant progress was made, certain targets remain partially or non-compliant:

- No trainings were conducted on sustainable finance in 2024 for staff or external partners.
- Monthly social media campaigns on sustainability themes were not consistently posted, falling short of communication goals.
- Planned partnerships and some planned medical missions were not realized due to coordination and capacity constraints.

Looking Forward - Strengthening Impact in 2025

To deepen its sustainability impact, BancoLagawe will focus on the following in 2025:

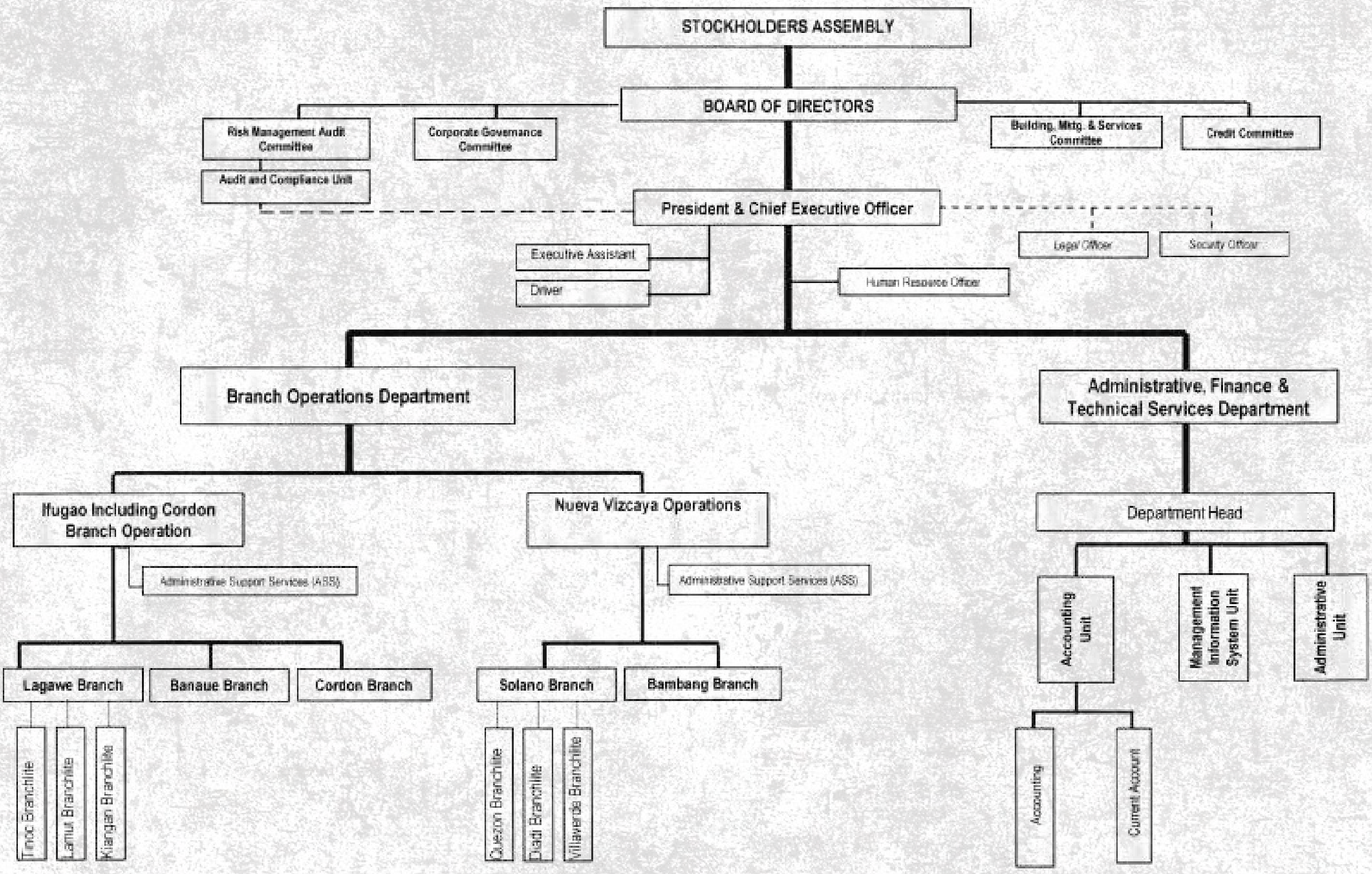
- Comprehensive revision of its Sustainable Finance Framework to ensure full alignment with evolving regulatory expectations;
- Formalize environmental and social risk assessments within credit evaluations.
- Reinvigorate stakeholder engagement through regular sustainability reporting, social media campaigns, and collaborative community partnerships.
- Prioritize capacity-building programs on sustainable finance for both internal staff and external stakeholders.
- Expand loan offerings in green sectors such as sustainable agriculture, energy efficiency, and rural enterprise development.

In 2024, BancoLagawe took meaningful strides in aligning its business model with sustainable development. By anchoring its initiatives in measurable outcomes tied to the SDGs, the bank demonstrates not only regulatory compliance but a deep, values-based commitment to social equity, environmental responsibility, and long-term community resilience.

As the global movement toward sustainable finance accelerates, BancoLagawe remains steadfast in its goal of becoming a leading green and inclusive rural bank in the Philippines.

CORPORATE INFORMATION

ORGANIZATION STRUCTURE



2024 MANAGEMENT DIRECTORY

PRESIDENT AND CEO	**THERENCE G. BATULON**	**0917-811-5481**
ASSISTANT VICE PRESIDENT/HEAD OF OPERATIONS - IFUGAO	**OLIVIA G. GABUL**	**0917-811-5481**
ASSISTANT VICE PRESIDENT/HEAD OF OPERATIONS - NUEVA VIZCAYA	**OFELIA M. DECORO**	**(078) 326-5320**
CHIEF ACCOUNTANT/ HEAD OF FINANCE AND INFORMATION TECHNOLOGY SECTION	**ROLAND B. REYES**	**(078) 326-5320**
HEAD OF INTERNAL AUDIT/ CHIEF COMPLIANCE OFFICER	DIANA DEAN C. ATIENZA	**(078) 392-0154**
LAGAWE BRANCH MANAGER	**SUDIMAY A. AQUINO**	**0905-540-0560**
SOLANO BRANCH MANAGER	**ALFREDO P. ARZADON JR.**	**0975-177-2692**
BAMBANG BRANCH MANAGER	**HARRIS D. CACLINI**	**0935-265-8057**
BANAUE BRANCH MANAGER	**EILEEN B. MAGUILING**	**0935-271-9157**

MAJOR STOCKHOLDER

NAME AND NATIONALITY	SHARES SUBSCRIBED				
	Type	Number	Amount (Php)	% of Ownership	Voting Satus
Philippine Rural Reconstruction Movement (Filipino)	Common Share	2,892,838	28,928,380.00	41.78%	Voting

MAJOR STOCKHOLDER

I. Credit Facilities

The bank offers Term Loan and Credit Line credit facilities. The Credit Line facility is a privilege that is granted to borrowers with a good credit track record for at least one (1) year and is limited to business, contractor, and agricultural loans. A good credit track record means that there is no unjustified missed payment and the client voluntarily communicates with the bank in case of delayed payment and that the missed payment is settled or the outstanding balance renewed within 30 days from the due date.

The basic differences between Term Loan and Credit Line are tabled below:

TERM LOAN	• Can have a loan duration of less than one month to more than 12 months • Paid loan amortization cannot be re-borrowed, thus, availing of loan has to undergo the whole process of loaning and approval. • Loans must be released/availed within 10 banking days from the date of approval. Note: A redo of bank check and updating of financial data shall be required if data submitted is more than 60 days from the date of approval. The updated credit proposal with the updated data shall be presented again for approval by President and CEO.
CREDIT LINE	• Has a maximum term/loan duration of twelve (12) months. • Paid principal amortization can be re-borrowed as long as the existing line has not expired. • Is limited to business, contractor, and agricultural loans. • Borrowers must have the following eligibility criteria: a) Good credit track record for at least one (1) year; b) Business – with profitable operation for the past two (2) years. c) Contractor Loan ‣Borrower must be a licensed contractor or sub-contractor of a licensed contractor ‣With good track record of at least two (2) consecutive years as a contractor/ subcontractor within the region of operation; and ‣Profitable as a contractor/ sub-contractor for the past 2 years.

A **good credit track record** means that there is no unjustified missed payment, and the client voluntarily communicates or respond to notices from the bank in case of delayed payment.

II. LOAN PRODUCTS

PRODUCT	PURPOSE OF LOAN	MODE OF PAYMENT	MAXIMUM LOAN	MAXIMUM TERM OF LOAN
AGRICULTURAL LOAN	• Farm production • Farm Improvement/ development • Purchase of Agricultural Lot and Farm Equipment	• Lumpsum, pre-deducted interest • Based on Cash Flor of the source of payment	• Depending on the crop, based on the Financial Validation Guide. • 100% of the cost of improvement/ development, to be released in tranche.	• 6 months/ depending on the gestation of crop. • 4 years
ALALAY SA AGRI-PRODUCTION (ASAP) LOAN (UNSECURED AGRICULTURAL LOAN FOR AGFPT GUARANTEE)	• Working capital for food commodity production of small farmers, small poultry and livestock raisers, and small fisher folks.	• Lumpsum, pre-deducted interest	• Palay- 40,000/ha. • Corn- 40,000/ha. • Cassava-20,000/ha. • Other short-term crops- 40,000/ha. • Tilapia-40,000/ha. • Poultry/Livestock -Layer- 860/layer -Broiler- 100/broiler -Goat- 5,000/hd -Hog breeding- 50,000/hd -Hog fattening- 5,000/hd	• 5 months • 6 months • 14 months • 7 months • 7 months • 20 months • 7 months • 7 months • 14 months • 7 months
BUSINESS LOAN	• Working capital for existing business • Emergency Working Capital or Bridge Financing • Payment of Leasehold Right (except start-up business)	• Based on Cash Flow • Lumpsum • Based on Cash Flow	• Single Borrower's Limit (SBL) based on existing bank policy, • May Exceed up to 10% of the loanable value of collateral. • 100% of the leasehold right	• 3 years • 7 days • 3 years

PRODUCT	PURPOSE OF LOAN	MODE OF PAYMENT	MAXIMUM LOAN	MAXIMUM TERM OF LOAN
BUSINESS DEVELOPMENT LOAN	• Business Development Loan-for construction of commercial building, gasoline station, resort development, among others	• Based on Cash Flor of source of payment.	• 80% of the cost of construction or development	• 5 years with maximum of one year grace period on principal
CONTRACTOR LOAN	• Mobilization fund to start a project • working capital for an on-going project.	• Lumpsum, pre-deducted interest • Lumpsum, pre-deducted interest	• 10% of contract of borrower • 60% of contract of borrower	• 6 months • 12 months
HOME LOAN (FOR FIRST HOME)	• House construction, house improvement, purchase of house & lot and expansion	• Monthly	• 80% of the cost	• 5 years
HOUSING LOAN	• This product is for housing purposes, purchase of house & lot not considered as first home of the borrower.	• Monthly	• 80% of the cost	• 5 years
ASSET ACQUISITION LOAN	• Residential lot acquisition, and Machinery/ Equipment/ Vehicle acquisition.	• Depending on the source of payment & Cash Flow	• Lot Acquisition-100% of the cost • Purchase of equipment/machineries/vehicles- 75% of cost of item to be purchased	• 5 years • 3 years

PRODUCT	PURPOSE OF LOAN	MODE OF PAYMENT	MAXIMUM LOAN	MAXIMUM TERM OF LOAN
MORTGAGE REDEMPTION	• Redemption of property mortgaged, and loan buy-out from a private individual, pawnshop or corporation.	• Depending on the source of payment and Cash Flow	• 100% of the mortgage	• 5 years
OFW LOAN	• Visa Application – Back-to-Back (on- us deposit), • Working Visa application, • Placement fees	• Monthly, lumpsum for back-to-back loan.	• Placement and Visa Application Fess- depending on country destination; Back-to-back- maximum of 90% of deposit, if deposit is in other banks and with hard collateral; 100% of amount needed if deposit is on us. (Interest is pre-deducted and all charges paid).	• Placement Fee- Up to 2 years; may have a grace period of 2 months on principal. • Visa Application (B2B Loan) - depending on the travel requirements
SALARY LOAN **Non-DepEd** **DepEd** **Fringe Benefit**	• Education expense, • Medical expense, • Home appliances, • Vehicle acquisition, • Home improvement, • Other consumption needs.	• Monthly (deducted from salary)	• 1/5 of the basic pay + regular or fixed allowances times the term of loan but the net take home pay after loan amortization should not be below P4,000 for private institutions and the annual GAA provision for government employees. Note: The percentage provided in the MOA with institutions shall be followed until amended.	• 3 years; (Except FBL - 5 years)

PRODUCT	PURPOSE OF LOAN	MODE OF PAYMENT	MAXIMUM LOAN	MAXIMUM TERM OF LOAN
			FBL max loan amount: • 1/5 of basic salary + fixed regular allowances times 60 months • Additional limit for FBL- up to the monetary value of accumulated earned sick leave at the time of application and/or loanable value of deposit or REM (combination or all) • NTHP for FBL should not be lower than P1,500,00 per pay day, including the deduction of loan amortization with other institutions where the source of payment is from salary of the employee. • Maximum of two (2) PNs for FBL	
PLEDGE DEPOSIT LOAN	• Depositors with existing Pledge deposit with BancoLagawe. Purposely of availments is for -Working capital, Education expense, Medical expense, Housing, Home appliances, and other consumption needs	• Monthly; automatic payroll deduction for salary-based source of payment	• 90% of pledge deposit	• 3 years but not to exceed the maturity date of the Pledge Deposit (Office Order # 140, Jan. 2017)

PRODUCT	PURPOSE OF LOAN	MODE OF PAYMENT	MAXIMUM LOAN	MAXIMUM TERM OF LOAN
CONSUMPTION LOAN	• Education (domestic) • Education (foreign) • Medical Expenses • Home Appliances	Depends on source of payment/ Cash Flow	• 50,000 • 800,000 • 200,000 • 50,000	• 1 year • 3 years, with option for balloon package • 2 years • 2 years
MARKET VENDORS LOAN (**for product review/ development**)	• Working Capital • Education Expense • Medical Expense • Home Appliances • Other Consumption working capital	Monthly	P 50,000.00	12 months (Office Order #140)
START-UP BUSINESS LOAN	• Purchase of Business Inventory • Purchase of business equipment and machineries	Monthly or quarterly based on cash flow	P 300,000.00	• 3 years, with option for 1 year grace period on capital

- **CLEAN/CHARACTER LOANS- POST- DATED CHECKS (PDCs)**

The bank shall grant clean/character loans with post-dated checks to existing clients who have established a good credit and deposit track record of at least one year with the bank or with other financial institutions or supplier and personally known to the manager; with permanent residence in the province where the bank operates; and with good performance of checking account for the past twelve (12) which means that there should be no returned checks due to DAIF/DAUD and no credit balance below the minimum maintaining balance. Maximum loan amount of P150,000.00 for 1st-time borrower and a full term of the loan must be completed; Maximum loan amount of P300,000.00 for existing clients already of good repayment history and following consistently at least 75% of the amortization schedules before any renewal or reloan; and maximum of P500,000.00 for existing clients with 3 cycles already of good repayment history and following consistently at least 5% of the amortization schedules before any renewal or reloan.

- **DOSRI LOAN**
  Loan accommodations to Directors, Officers, Stockholders and their Related Interests (DOSRI) shall be based on the overarching principle that the transactions shall at all times be kept above board and conducted on an arm's length basis (MORB 2017 Sec. 341).

- **Loans extended to Corporate/Organizational: (assigned Loan Product is based on the purpose)**

- **Other Requirements (as necessary). Sanitary permit from the Department of Health (DOH) and/or Environmental Compliance Certificate (ECC) from the Department of Environment and the Natural Resources (DENR) for poultry, piggery projects, hotel/lodging house, furniture shops, wood carving, mining, purchase of generator, among others.**

III. DEPOSIT PRODUCTS

PRODUCT	BRIEF DESCRIPTION	MINIMUM ADB TO EARN INTEREST
BASIC DEPOSIT	A deposit product designed to promote financial inclusion. The basic deposit account addresses the observed usual barriers which include costs, lack of money, lack of documentary requirements and perceived low utility of a bank account, among others. The Basic deposit account is expected to provide the much-needed boost in expanding formal account ownership and usage in the country, particularly among the unserved low-income markets. Eligible depositors are low risk customer who want to open deposit account but do not have standard identification documents required for a regular deposit account.	PHP 2,000.00

PRODUCT	BRIEF DESCRIPTION	MINIMUM ADB TO EARN INTEREST
REGULAR DEPOSIT	Deposit where you can withdraw and deposit anytime at any banking day.	PHP 2,000.00
PLEDGE DEPOSIT	It is a savings plan that requires a specific term of not less than three (3) years. Interest earned shall be forfeited in case of breach of contract. Monthly deposit is required and the amount shall be stipulated in the form of a contract.	PHP 1,000.00
KIDDIE/ TEEN DEPOSIT	Deposits open by students from Nursery/Kinder, Elementary, High School, and College. It can be withdrawn during school days for educational needs.	
PREMIUM DEPOSIT	It is a deposit that requires a minimum maintaining amount of Php50,000.00 to earn interests	PHP 50,000.00
SPECIAL SAVINGS DEPOSIT	These are deposits which are to be withdrawn on a pre-designated date, depending on the term of deposit.	PHP 20,000.00
LONG TERM DEPOSIT	Minimum Deposit of Php 100,000.00 with a term of five (5) years and one (1) day. Pre-termination rates apply.	PHP 100,000.00

IV. BANKING UNITS

BRANCH/ BRANCH-LITE	REGION	PROVINCIAL LOCATION	CITY/ MUNICIPALITY	BLDG. # STREET NAME, VILLAGE/ BARANGAY	CONTACT NUMBER
LAGAWE BRANCH	CAR	Ifugao	Lagawe	#59 JP Rizal Avenue, Poblacion East	0935-812-5493
BANAUE BRANCH	CAR	Ifugao	Banaue	Ilogue, Tam-an	0935-271-9157
SOLANO BRANCH	II	Nueva Vizcaya	Solano	1F Simon. Barangay Quirino	0935-536-2807/ 078-326-5320
BAMBANG BRANCH	II	Nueva Vizcaya	Bambang	NVAT Compound, Almaguer North	0935-265-8057
CORDON BRANCH	II	Isabela	Cordon	Purok 2, Brgy. Laurel	0965-682-7922
QUEZON BRANCH-LITE	II	Nueva Vizcaya	Quezon	Purok 3, Brgy. Aurora	0917-134-7996
TINOC BRANCH-LITE	CAR	Ifugao	Tinoc	Central Poblacion	0906-132-1932
DIADI BRANCH-LITE	II	Nueva Vizcaya	Diadi	National Highway, Poblacion	0906-726-5210
VILLAVERDE BRANCH-LITE	II	Nueva Vizcaya	Villaverde	Purok 3, Ibung	0936-221-2848
LAMUT BRANCH-LITE	CAR	Ifugao	Lamut	Poblacion West	0997-354-1187
KIANGAN BRANCH-LITE	CAR	Ifugao	Kiangan	Poblacion	0935- 855-7698/ 0935-812-4995

V. BANK WEBSITE

https://bancolagawe.net

AUDITED FINANCIAL STATEMENTS WITH AUDITOR'S OPINION

Alas Oplas & Co., CPAs

LAGAWE HIGHLANDS RURAL BANK, INC.
LAGAWE, IFUGAO – PHILIPPINES

FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

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

INDEPENDENT MEMBER

BancoLagawe
LAGAWE HIGHLANDS RURAL BANK, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **LAGAWE HIGHLANDS RURAL BANK, INC.** (the "Bank"), is responsible for the preparation and fair presentation of financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Alas, Oplas & Co., CPAs, the independent auditor appointed by the stockholders for the years ended December 31, 2024 and 2023, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ABUNDIO EDICIO G. DELA TORRE
Chairman of the Board

THERENCE G. BATULON
President & CEO

ROLAND B. REYES
Chief Financial Officer/Treasurer

Signed this 14th day of March, 2025.

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
7/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 7116-4366
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Independent Member of
B K R International

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors
LAGAWE HIGHLANDS RURAL BANK, INC.
Poblacion East, Lagawe, Ifugao

Qualified Opinion

We have audited the financial statements of **LAGAWE HIGHLANDS RURAL BANK, INC.** (the "Bank") which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, except for the effect on the financial statements of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Basis for Qualified Opinion

As discussed in Note 4 to the financial statements, the Bank adopted PFRS 9, Financial Instruments on January 1, 2018, except for the impairment requirements of the new standard. PFRS 9 introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts.

The Bank adopted Appendix 15 of the MORB in assessing and measuring impairment for its credit exposures. Based on our judgment, the provisioning requirements of Appendix 15 of the MORB is not consistent with the requirements of PFRS 9. Thus, this constitutes departure from PFRS. As of December 31, 2024 and 2023, the Bank's total allowance on credit losses on loans and other receivables amounted to ₱23.45 million and ₱22.79 million, respectively, as disclosed in Note 9. As the Bank has not implemented or assessed the impact of the ECL requirements of PFRS 9, any adjustments to the amounts of surplus, allowance for credit losses and related deferred tax assets as of December 31, 2024 and 2023 have not been determined due to certain limitations.

Also, as discussed in Note 4 to the financial statements, the Bank recognizes retirement benefit obligation using the accrual approach. Under this approach, the Bank accrues monthly retirement expense equivalent to certain percentage of basic compensation of employees. Under PAS 19R, Employee Benefits, retirement benefit obligations shall be recognized using an actuarial technique, the projected unit credit method, to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods. This method also involves making estimates about demographic and financial variables (actuarial assumptions), and discounting the benefit in order to determine the present value of the defined benefit obligation and the related service costs, both of which were not considered in the approach adopted by the Bank. The effect of the difference in the methods in recognizing retirement benefit obligations has not been determined due to certain limitations.

Alas Oplas & Co., CPAs

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Alas Oplas & Co., CPAs

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 30 and Revenue Regulation No. 15-2010 in Note 29 are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of **LAGAWE HIGHLANDS RURAL BANK, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
BSP A.N. (Firm) 0190-BSP, Group B, issued on August 17, 2021; valid for 2021 to 2025 audit period
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 002-013-406-000

By:

DANILO T. ALAS
Partner
CPA License No. 0027120
BOA Registration No. 0190/P-001, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-001-2024, issued on January 5, 2024; effective until January 4, 2027
BSP A.N. (Individual) 27120-BSP, Group B, issued on August 17, 2021; valid for 2021 to 2025 audit period
SEC A.N. (Individual) 27120-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 132-466-021-000
PTR No. 10466281, issued on January 2, 2025, Makati City

March 14, 2025
Makati City, Philippines

LAGAWE HIGHLANDS RURAL BANK, INC.			
STATEMENTS OF FINANCIAL POSITION			
DECEMBER 31, 2024 AND 2023			
In Philippine Peso			
	Notes	2024	2023
ASSETS			
Cash and other cash items	8	40,249,341	16,793,471
Due from Bangko Sentral ng Pilipinas	8	1,159,463	8,303,537
Due from other banks	8	136,649,638	86,190,983
Loans and other receivables – net	9	620,576,409	478,762,142
Bank premises, furniture, fixtures and equipment – net	10	46,764,301	45,001,497
Investment properties – net	11	19,147,616	18,750,954
Deferred tax assets	22	6,047,709	5,105,298
Other assets	12	17,568,384	18,457,207
TOTAL ASSETS		888,162,861	677,365,089
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit liabilities	13	580,163,235	396,986,378
Bills payable	14	141,934,882	136,915,765
Accrued interest, taxes and other expenses payable	15	10,697,870	6,983,509
Income tax payable		1,343,516	–
Other liabilities	16	44,789,292	38,835,666
Total Liabilities		778,928,795	579,721,318
EQUITY			
Common stock	17	69,240,830	63,368,150
Surplus free	18	39,993,236	34,275,621
Total Equity		109,234,066	97,643,771
TOTAL LIABILITIES AND EQUITY		888,162,861	677,365,089
See Notes to Financial Statements.			

LAGAWE HIGHLANDS RURAL BANK, INC.			
STATEMENTS OF COMPREHENSIVE INCOME			
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023			
In Philippine Peso			
	Notes	2024	2023
INTEREST INCOME			
Due from other banks	8	1,532,590	1,143,831
Loans and other receivables	9	80,386,436	55,623,010
Other investments	12	209,431	161,708
		82,128,457	56,928,549
INTEREST EXPENSE			
Deposit liabilities	13	(12,002,451)	(8,058,037)
Bills payable	14	(8,857,612)	(6,127,275)
		(20,860,063)	(14,185,312)
NET INTEREST INCOME		61,268,394	42,743,237
OTHER INCOME	19	18,716,418	27,915,616
TOTAL OPERATING INCOME		79,984,812	70,658,853
OPERATING EXPENSES	20	(57,082,559)	(47,491,230)
NET OPERATING INCOME BEFORE PROVISION		22,902,253	23,167,623
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	21	(1,347,553)	(2,183,130)
PROFIT BEFORE TAX		21,554,700	20,984,493
INCOME TAX EXPENSE	22	(5,337,085)	(5,184,718)
PROFIT		16,217,615	15,799,775
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME		16,217,615	15,799,775
See Notes to Financial Statements.			

LAGAWE HIGHLANDS RURAL BANK, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Common Stock (Note 17)	Deposit for Stock Subscription (Note 17)	Surplus Free (Note 18)	Total
Balance at December 31, 2022	50,000,000	5,687,883	28,375,846	**84,063,729**
Transactions with owners:				
Issuance of shares	1,380,267	–	–	**1,380,267**
Cash dividends	–	–	(3,600,000)	**(3,600,000)**
Stock dividends	6,300,000	–	(6,300,000)	–
Reclassification of deposit for stock subscription	5,687,883	(5,687,883)	–	–
Total transactions with owners	13,368,150	(5,687,883)	(9,900,000)	**(2,219,733)**
Comprehensive income:				
Profit	–	–	15,799,775	**15,799,775**
Balance at December 31, 2023	63,368,150	–	34,275,621	**97,643,771**
Transactions with owners:				
Issuance of shares	5,872,680	–	–	**5,872,680**
Cash dividends	–	–	(10,500,000)	**(10,500,000)**
Total transactions with owners	5,872,680	–	(10,500,000)	**(4,627,320)**
Comprehensive income:				
Profit	–	–	16,217,615	**16,217,615**
Balance at December 31, 2024	69,240,830	–	39,993,236	109,234,066

LAGAWE HIGHLANDS RURAL BANK, INC.			
STATEMENTS OF CASH FLOWS			
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023			
In Philippine Peso			
	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		21,554,700	20,984,493
Adjustments for:			
Interest income	8, 12	(1,742,021)	(1,305,539)
Interest expense – lease liabilities	16, 20	1,684,397	1,074,882
Gain on sale/disposal of non-financial assets	19	(3,630,964)	(14,838,391)
Loss on assets written off	20	67,866	–
Depreciation and amortization	20	4,644,402	4,010,309
Provision for credit and impairment losses	21	1,347,553	2,183,130
Retirement benefit expense	20, 24	2,800,000	1,200,000
Operating cash flows before working capital changes		26,725,933	13,308,884
(Increase) decrease in operating assets:			
Loans and other receivables		(143,275,400)	(73,325,915)
Other assets		649,584	(3,357,951)
Increase in operating liabilities:			
Deposit liabilities		183,176,857	47,591,261
Other liabilities		5,684,229	4,180,809
Cash generated from (used in) operations		72,961,203	(11,602,912)
Interest received		1,682,644	1,218,506
Income tax paid		(4,637,363)	(6,595,868)
Net cash generated from (used in) operating activities		70,006,484	(16,980,274)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of bank premises, furniture, fixtures and equipment	10	(3,652,275)	(4,870,136)
Proceeds from disposal of bank premises, furniture, fixtures and equipment	10	4,700	–
Proceeds from sale of investment properties	11	3,000,178	5,600,000
Net cash generated from (used in) investing activities		(647,397)	729,864
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bills payable	14	100,874,885	64,988,095
Payments of bills payable	14	(95,855,768)	(34,044,271)
Payment for lease liabilities – principal and interest	16	(3,067,027)	(2,007,151)
Proceeds from issuance of share capital	17	5,872,680	1,380,267
Dividends paid	16, 18	(10,413,406)	(3,591,901)
Net cash generated from (used in) financing activities		(2,588,636)	26,725,039
NET INCREASE IN CASH AND CASH EQUIVALENTS		66,770,451	10,474,629
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
Cash and other cash items		16,793,471	14,408,341
Due from Bangko Sentral ng Pilipinas		8,303,537	8,422,971
Due from other banks		86,190,983	77,982,050
		111,287,991	100,813,362
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Cash and other cash items	8	40,249,341	16,793,471
Due from Bangko Sentral ng Pilipinas	8	1,159,463	8,303,537
Due from other banks	8	136,649,638	86,190,983
		178,058,442	111,287,991
See Notes to Financial Statements.			

BREAKDOWN OF CAPITAL COMPONENTS
(from AFS balances as of 31 December 2024

Tier 1	
Paid-up Capital	69,240,830.00
Surplus Reserve	-
Deposits for Common Stock Subscription	-
Retained Earnings	23,775,621.00
Undivided Profits	16,217,615.00
Total Tier 1	109,234,066.00
Deductions from Tier 1 Capital	
Deferred Tax Asset, Net of Deferred Tax Liability	6,047,709.00
Net Tier 1 Capital	103,186,357.00
Tier 2	
Perpetual and Cumulative Preferred Stock Treasury Shares	-
General Loan Loss Provisions	5,274,072.00
Total Tier 2	5,274,072.00
Deductions from Tier 2 Capital	
Perpetual and Cumulative Preferred Stock Treasury Shares	-
Net Tier 2 Capital	5,274,072.00
Net Tier 1 Capital	103,186,357.00
Net Tier 2 Capital	5,274,072.00
Total Qualifying Capital	108,460,429.00
Capital Requirement for Credit Risk	673,701,871.47
Capital Requirement for Market Risk	-
Capital Requirement for Operational Risk	73,334,656.84
Total Risk Weighted Assets	747,036,528.31
Total CAR Ratio (TQC/TRWA)	14.52%
Tier 1 CAR Ratio (Net Tier 1 capital/TRWA)	13.81%