Corporate Policy

The Rural Bank of Alabel (Sarangani), Inc. (RBAI), was established in January 1995. RBAI is a rural bank that prides itself in giving ordinary rural folks and small businessmen opportunities for businesses to grow by availing of the various services of the bank. From a starting capital of ₱2 million, its total assets have grown to over ₱348.2 million as of 31 December 2025. It is run by eleven (11) Board of Directors and twenty-five (25) personnel. At present, the bank has two main offices located in Alabel, Sarangani Province and Polomolok, South Cotabato and a branch-lite unit in the town of Surallah, South Cotabato. This modest growth is the result of the dedicated efforts of the Bank's personnel guided by its Vision, Mission and Core Values as a corporate body.

VISION

- ✓ To be the leading Financial Institution providing valued services in support of countryside development, operating with the trust and confidence of all its stakeholders.

MISSION

- ✓ Working together as a team, we aim to provide quality service that exceeds our clients' expectations, thus maintaining strong customer relationship;
- ✓ Adopt modern technology for the efficient delivery of services following mandated policies and guidelines;
- ✓ Create a culture which attracts, empowers, rewards, and provides growth opportunities for our employees; and
- ✓ To provide a modest return to all stakeholders.

CORE VALUES

- ✓ Faith in God and Everything that He stands for
- ✓ Integrity and Honesty
- ✓ Commitment to Excellence
- ✓ Innovation
- ✓ Customer First
- ✓ One Team, One Family

As a small bank in the area, especially in Polomolok where there are five (5) commercial banks (Land Bank, Metro Bank, Pen Bank, RCBC, and DBP), the only rural bank and various cooperatives and lending institutions, we are faced with very stiff competition. Excellent personal touch and client relations, coupled with an unblemished reputation of integrity and honesty have provided us with a very strong competitive edge in the market. Everyone in the Bank, from the Board of directors to the lowest ranking employee assists in marketing and campaigning for the Bank.

The bank's products and services are limited to the traditional products offered, mainly the deposit and loan products. The main source of revenue for the bank is derived from the interest earned in its lending operation. The bank believes that the true purpose and meaning of rural banking is to uplift the lives of the ordinary rural folks by providing them access to financial credit to improve their livelihood and way of life. Hence, bank's loan portfolio consists mainly of agricultural loans and loans to small and medium enterprises (MSMEs). This is also the reason why almost all of the bank's borrowers are individual persons instead of corporations. The bank plans to still concentrate on allocating its portfolio in these types of industries and persons by increasing its reach through branching in other areas of Region 12.

In order to finance its loan products, the bank relies on three (3) sources of cash; (i) deposits, (ii) rediscounting line, and (iii) infusion from the stockholders. As for deposits, the bank offers the traditional savings and time deposit. Depositors of the bank are small businesses and individuals within the locality and those who are availing of our loan products. The bank also offers a time deposit starting from ₱5,000.00 with a term as low as 30 days to a maximum of five (5) years and one (1) day. The time deposit yields our customers higher interest than the savings deposit.

The bank also has an existing rediscounting line from Landbank of the Philippines (LBP). This line is used as an additional support in times when loan releases far exceed the internally generated cash of the bank.

The stockholders are also proactive in ensuring that the bank has adequate resources needed to support and expand its operation. In the years 2019 and 2020, they infused a total of twenty million (₱20,000,000.00) in order to fund not only the operation but also the proposed expansion of the bank.

Financial Summary/Financial Highlights

(With Comparative Figures of 2024)

	Consolidated		Parent Bank (Solo)	
Minimum Required Data	**Current Year**	**Previous Year**	**Current Year**	**Previous Year**
Profitability				
Total Net Interest Income			31,537,986.65	30,819,812.67
Total Non-Interest Income			5,918,245.58	5,677,212.88
Total Non-Interest Expenses			23,527,167.32	22,113,956.30
Pre-provision profit			13,929,064.91	14,383,069.25
Allowance for credit losses			18,836,258.35	21,977,969.11
Net Income			11,369,116.13	10,787,301.93
Selected Balance Sheet Data				
Liquid Assets			78,400,828.25	90,138,200.53
Gross Loans			257,625,472.37	234,899,678.36
Total Assets			348,248,784.49	326,396,447.48
Deposits			200,406,018.23	180,948,971.50
Total Equity			121,943,196.77	119,401,014.03
Selected Ratios				
Return on Equity			9.42%	9.03%
Return on Assets			3.37%	3.30%
CET 1 capital ratio (for UBs/KBs)				
Tier 1 capital ratio (for UBs/KBs)				
Capital Adequacy Ratio			30.67%	30.96%
Per common share data (For UBs/KBs and publicly listed Banks				
Net Income per share:				
Basic				
Diluted				
Book value				
Others				
Cash Dividends declared			8,500,000.00	6,000,000.00
Headcount				
Officers			15	15
Staff			13	11

Financial Condition and Results of Operation

THE PRESIDENT'S REPORT
RBAI ANNUAL STOCKHOLDERS' MEETING
MARCH 07, 2026

Fellow RBAI Stockholders:

Glory to God and Peace to everyone!

Year 2025 marked the 30th Anniversary of the Rural Bank of Alabel, Inc. (RBAI). It was a Thanksgiving Year and the Giving-back celebration as well. The anniversary celebration was preceded by a Thanksgiving mass held in Alabel branch on January 10, 2025. The 30th Anniversary celebration enabled everyone to thank God for the "Seed of Entrepreneurial Spirit", He had gifted the core group of individuals who bonded together and planned to put up a Rural Bank to cater the banking needs of Alabel then, a new municipality of Sarangani Province. God's grace sustained RBAI and in 1996 another branch was established in Polomolok, where majority of the Board of Directors are residing until now. Several challenges confronted the bank like staffing problem and finding someone to led the Board of Directors, until the time when RBAI was put under Prompt Corrective Action (PCA), an adversity that tested the strength of RBAI's steel and resiliency. Good enough we got Mr. Joey P. Sobrejuanite a holder of Bachelor of Science in Commerce major in Accountancy and Mr. Angelo Balili, CPA and a seasoned businessman from Manila to help rejuvenate the bank. The board also decided to professionalized the bank and agreed to forego the declaration of dividends for five (5) long years. All resources were utilized to enhance the bank. The board also unanimously decided to hire only qualified employees to help manage the bank. Fortunately, our sacrifices brought positive results to the bank. We hurdled the PCA challenges. Then the Board agreed to put in additional fresh capital as required by the BSP.

In 2020, the RBAI branch-lite was opened in Surallah, South Cotabato. The sacrifices shared by BODs and all the Stockholders had brought good results to the advantage of RBAI. Today, RBAI had come far from where it started. However, we still hope to further strengthen and power our bank to be a catalyst for community empowerment in South Cotabato. This is a dream not difficult to achieve if everyone tows the line with warmest dedication and positivity.

Our 2025 bank operation posted a good result in most financial aspects except the past due ratio. Despite of the 2025 restructured eleven (11) accounts amounting to P35.8M. The past due ratio in 2025 is 13.96% while the past due ratio in 2024 was 21.28% which is 7.32% lower compared to past due ratio in the prior year of 2024.

There is urgency to focus more attention on the past due ratio of the bank this 2026. We understand that our borrowers are interested to pay fully their loan amortization but with the prevalent high inflation rate in the country does not warrant. Income of borrowers in 2025 was primarily utilized for family's subsistence, health care and education of their children, hence the remaining amount intended to pay for their loan amortization cannot suffice to pay the whole amount of the required loan amortization. The situation in 2025 might recur and this will result to higher past due ratio.

The present war between the US-Israel versus Iran could possibly result to higher cost of fuel that powered machineries and industries, and also, household energy and transportation cost of commodities needed. Thus, the increase in prices of goods will aggravate the present inflation rate that will challenge the paying ability of more borrowers.

RBAI fortunately reached its 30th year anniversary and is still here trying to face various banking challenges. I've noted that everyone tries to contribute to make RBAI more successful in the coming years.

So, to each and everyone, may I extend my heartfelt thanks and wishes more successes in the coming years.

Maraming Salamat po and Good Luck to RBAI Family!

NILDA C. JAMILAREN
President

Financial Highlights

Net Income After Tax	11,369,116.13
Total Assets	348,248,784.49
Total Loan Portfolio	257,625,472.37
Deposit Liabilities	200,406,018.23
Stockholder's Equity	121,943,196.77

Selected Financial Ratio

	RBAI	Industry
Return on Equity	9.42%	14.00%
Return on Assets	3.37%	2.58%
Capital Adequacy Ratio	30.67%	19.29%
Liquidity Ratio	39.12%	26.39%
Past Due Ratio	13.96%	12.56%

Financial Ratios & Analysis

- **Assets**

  For the last 30 years, RBAI's asset has been consistently increasing through the years. With an average annual increase rate of 8%, RBAI has registered an increase of ₱147.593M, from ₱200.66M in 2016 to a total of ₱348.25M in 2025.

  As a financial institution, the increase is highly attributed to the increase in loan portfolio. This is indicative of RBAI's increased reach of target markets. New borrowers are coming in not just in the municipalities where branches are located but also from neighboring areas. A good indication that the bank was able to increase its reach and was able to tap more individuals and helped them in their financial needs.

- **Liabilities**

  Three decades of serving the financial needs of its clients, and three decades of holding the trust of its depositors. RBAI has maintained an average of 10% increase in its liabilities. This hundred million increase over the last 10 years is highly attributed to the increase in the deposit liabilities, both from savings and time deposit accounts. RBAI was able to take some leverage on the increasing trend in its savings and time deposit liabilities, by internally generating funds, RBAI lessen the need to borrow funds from other financial institution and thereby reducing its funding cost.

- **Equity**

  The bank's net worth is continuously growing. Growth rate in the last 10 years is at an average of 6%per annum. The years' earnings enable the bank to accumulate capital even after giving back a modest return to every stockholder

- **Income**

  The bank has reported an income before tax of ₱13,929,064.91 which is lower by around ₱454,000.00 compared to the last year's income before tax. For the year 2025, RBAI was able to enjoy tax savings because of our written off accounts, thus registered a higher income after tax of ₱11.369M compared to 2024 which is only at ₱10.787M income. These are long outstanding and non-moving loan accounts of which collectability is highly not probable.

Income from operation constitute 99% of the total income while gain from sale of ROPA contributed only 1%. It is worth to note that RBAI's income is generated from its usual course of business and not from other sources such as ROPA or the acquired assets. This implies that operational resources are efficiently utilized to generate earnings.

- **Earnings per Share, Return on Assets & Return on Equity**

  2024 and 2025 ratios are almost the same when it comes to Return on Assets and Return on Equity. These positive ratios are a manifestation of a profitable and growing business. With a capital ratio of 30.67% and with an industry capital adequacy ratio of 19.26%, RBAI is among those RBs that complied with the minimum capitalization of ₱50M.

  RBAI's profitability ratios are a manifestation of its continuous growth, as well as its effectiveness and efficiency in using its valuable assets to generate income and produce higher returns for its stakeholders.

- **Liquidity Ratio**

  RBAI has been very liquid in its operation for the last 10 years. With a high of 45% and a low of 21%, RBAI has been well within the minimum required liquidity ratio of 20%. There is enough amount of cash to cover for possible borrower default and other risks. This means that RBAI is still on a prime position to venture into expansion of products, services and even branches.

Products and Services

- **Loans**

  The main source of RBAI's revenue comes from its lending activity covering the areas of Alabel, Polomolok, Surallah and its neighboring towns and city.

  The bank's loan portfolio reduced by 12% compared to the 2024 figures. Continuous decrease in lend out rate in the area, high inflation rate, and increased competition in the locality continues to be among the reasons for RBAI's decrease in its loan portfolio. Despite the decrease, RBAI remains in touch with its borrowers, maintaining good relationship for when the need arises, RBAI can easily extend help to its financial clients.

  The bank continues to exercise prudence in its loan granting process by taking extra caution in the loan evaluation and approval. Borrower's capacity to pay are assessed and the business climate is continuously reviewed to assess and measure risk at an early stage. Credit Committee members are very hands on when it comes to checking and assessment of borrowers, they themselves are present in client visitations so as to establish the correctness of data as gathered by the Account Officers.

To minimize concentration risk, the bank manages its loan portfolio by spreading it to various sectors and industries. Among the industries served by the bank are agricultural, micro, small and medium enterprises (MSMEs) and loan for personal consumptions. As of year ending December 31, 2025, the loan portfolio mix consists of 30% agricultural loans, 21% business loans from small and medium enterprises and 49% for other purpose loans.

The risk of default in lending is always present. The investment scams years ago continue to haunt the borrowers especially those in the agriculture industry. After effects of the pandemic as well as the African Swine Flu still lingers and continue to affect the cash flows of some of RBAI's borrowers causing their accounts to be past due. Despite these, RBAI continues to uplift the morale of the clients by offering them remedial initiatives such as restructuring. In 2025, 11 accounts have been restructured amounting to ₱35.8M. After assessing the cash flows of the borrowers, longer terms were approved to ensure that the income generation of clients will be sufficient to cover for the amortizations due.

The ₱35.977M past due accounts is 13.96% of the total loan portfolio of the bank, just 1.4% higher compared to industry average of 12.56%. Though still an item for consideration, the decrease in past due accounts can be seen positively on the side of the bank. These accounts though delinquent are fully collateralized and allowance for credit losses are adequately provided. The bank is hopeful that some of these classified past due accounts can be recovered soon considering that monthly payments are still coming in and client relationships are maintained.

Despite the huge amount of past due accounts, the bank is still protected as 93% of the total loan portfolio is secured by real estate mortgage and only, 7% is unsecured.

- **<u>Deposit Liabilities</u>**

The bank's deposit liability is composed of savings and time deposit accounts. The current product mix is 53.06% savings and 46.93% for time deposits. The bank intends to maintain a 60-40 mix in its deposit portfolio to manage the interest expense of the bank. The deposit liability has registered a high of ₱19.45M increase compared to last year's figures. This also showed that RBAI continues to serve a wide range of depositors and that the trust and confidence of its depositors are with us.

Savings deposit has been the cheapest source of liquid assets by the bank yielding only 1.5% per annum. Time deposit offering of the bank yields a much higher interest rate than that of the savings deposit. Interest rate ranges from 2.75% - 5.5% per annum. The huge increase in time deposit can be traced down to the long-term time deposit offering of the bank which yield a 5.5% interest.

The high interest rate offered for RBAI's time deposits has caused us to have a funding cost of 3.01% which is 17.5% higher compared to peer industry average of 2.56%. Thus, the bank should manage a balance between keeping our customers and managing our funding cost.

Corporate Governance

RBAI have been thriving for the last 30 years catering to the needs of the farmers and fisherfolks within the SOCSARGEN area. Despite struggles in the operation and the whole rural banking industry, RBAI has been very resilient and was able to grow its capital base by 6% for the last 10 years. This is even after the fact that RBAI was able to give back an enormous amount of dividend since 2019. This is just a manifestation that the bank was able to generate enough income to ensure smooth operation and provide returns to various stakeholders. This growth can be attributed to the active participation of its internal stakeholders - the Bank's stockholders and employees - who continue to trust and believe in the business principles that it upholds.

RBAI is governed by 11 Board of Directors. Board meetings are held monthly with special meetings called if necessary. In 2025, 12 regular meetings, 2 special meetings were conducted. Annual stockholders' meeting was held in March. Attendance in the board meetings is 96%. The conduct of an Annual Stockholders' Meeting becomes a significant avenue of transparency for the bank to effectively communicate to its stockholders accurate and timely financial reports, plans and even celebrate the Bank's successes. The bank utilizes both the face-to-face meeting and teleconferencing.

In pursuit of excellence, RBAI aims to apply the highest possible standard of corporate governance in its banking operation. The Board of Directors and the management lead continuing efforts to ensure that the bank's action plans were consistent with its vision and mission. The BODs even joined in the 2025 team building activity to gain new insights in managing people in today's work landscape.

The Credit Committee, headed by Director Romulo M. Nolasco, ensures that all loan applications are scrutinized and reviewed prior to approval. By doing so, the bank is ensured that resources are being lend out to credit-worthy individuals and repayment are more probable.

The Audit committee, headed by an Independent Director, Mrs. Elvira T. Bernadas, assists the Board in its oversight functions and adopts a more proactive role of ensuring accountability. The committee monitors the internal controls to safeguard the overall objectivity of the financial reporting and internal controls processes.

The compliance and the internal audit functions, which is under the direct supervision of the Audit and Compliance Committee, also play a vital role in ensuring that the bank is compliant with regulatory bodies governing banks such as Bangko Sentral ng Pilipinas, Philippine Deposit Insurance Commission, Securities and Exchange

Commission, the Bureau of Internal Revenue and other regulatory bodies in the banking industry.

Human Resource

RBAI is currently employing 25 employees to handle the Alabel, Polomolok and Surallah operations. 7 employees is assigned in Alabel, 7 for Polomolok, 8 for the Cental Office and 3 for Surallah operations.

True to its mandate of providing for the needs of its employees, the bank ensures that personnel are given adequate compensation commensurate to their position and designation. The bank has provided for a provident fund, retirement benefit and medical benefits for every regular employee as part of its initiative of giving back to its people.

To ensure that employees are kept abreast of the various regulations from different regulatory bodies, and to ensure continuous education, employees are enrolled in various webinars and trainings.