RURAL BANK OF BAGABAG (N.V.), INC
BAGABAG, NUEVA VIZCAYA

2024
ANNUAL REPORT

Our Vision

To be the most trusted rural bank that provides quality financial services in the province and in neighboring regions.

Our Mission

We are a trusted Bank who helps our clients in countryside communities to achieve financial stability. We balance heart for service and adherence to sound business practices and established laws.

Our Purpose

" We Empower the Countryside "

Our Core Values

S – ervice Oriented

E – xcellence

R – espect

V – alues Driven

I – ntegrity

C – ompassion

E – xtra Mile

"Your progress, our success"

Our Brand

Rural Bank of Bagabag (NV), Inc. is known for financial strength and providing excellent banking services through innovation and technology to achieve total customer satisfaction.

Financial stability manifested by strong capital position, profitability, growth in total resources, and growth in loan porfolio.

Excellent banking services by ensuring that costumers' transactions are delivered without delays and not compromising the existing policies and procedures of the Bank. Also, Bank's staff are welcoming and approachable to any inquiries or concerns.

Innovation and technology by outsourcing highly qualified system provider and investing in information and technology equipments to improve processess and provide excellent banking services to clients.

Being a simple bank, it provides retail banking products and services that are designed to cater the needs of all types of clients.

2. FINANCIAL SUMMARY AND HIGHLIGHTS

Minimum Required Data	**2024**	**2023**
Profitability		
Total Net Interest Income	66,310,566.00	64,835,036.00
Total Non-Interest Income	**16,189,928.00**	**10,570,033.00**
Total Non-Interest Expenses	**44,337,976.00**	**37,510,934.00**
Pre-provision profit	**38,162,518.00**	**37,894,135.00**
Allowance for credit losses	**15,429,238.00**	**5,321,936.00**
Net Income before Income Tax	**22,733,280.00**	**32,572,199.00**
Income Tax Expense	**5,382,756.00**	**7,815,484.00**
Net Income	**17,350,524.00**	**24,756,715.00**
Selected Balance Sheet Data		
Liquid Assets		
Gross Loans	**546,422,910.00**	**480,517,582.00**
Total Assets	**678,712,248.00**	**651,823,365.00**
Deposits	**434,066,595.00**	**417,301,721.00**
Total Equity	**223,579,031.00**	**206,228,507.00**
Selected Ratios		
Return on equity	**8.07%**	**11.99%**
Return on assets	**2.61%**	**3.79%**
Capital Adequacy Ratio	**29.57%**	**29.31%**
Others		
Cash dividends declared	**0**	**25,169,898.00**
Headcount		
Officers	**27**	**13**
Staff	**26**	**37**

3. FINANCIAL CONDITION AND RESULTS OF OPERATION

President's Report

To our fellow stockholders present here today, I would like to thank the Lord Almighty for giving us the opportunity to be together in this 2025 Annual Stockholders Meeting.

Allow me to give you a glimpse of our Bank's brief history and performance in the year 2024.

It was in November 6, 2023 that we bankrolled another initiative where we signed a Consultancy

Agreement with Bernardo Monedero, CPA, Business Consultant for a re-engineering package which is Risk averse and regulatory compliant. He has a wide experience in handling numerous financial and Non-financial clients during his corporate years who came also from the biggest public accounting firm before going into banking.

His team is made up of four (4) Consultants who have retired from the commercial banking industry. We eyed for them based on their successful track record with other rural banks, their knowledge and vast experience particularly in the field of:

- Branch Banking
- Credit Packaging
- Marketing
- Internal Audit and Risk Management
- Financial Analysis
- Budgeting
- Regulatory Compliance
- Human Resource Management
- Product Branding and Pricing
- Finance and Controllership

The first order of business was the formation of a new “Table of Organization’. With the new TO, every Employee from President to the utility know where they are in the organization, their level of authority and are fully aware of their duties and responsibilities.

The Business Planning meeting and workshop started on January 12 – 13, 2024. The first day was a dialogue and training of the management group and the second day always held on Saturday required The presence, training and involvement of the entire staff. Subsequent meetings and workshops were done every first week of the month up until November 2024. Constant communication, inquiries, and monitoring of progress were done through cellphone calls and zoom meetings.

A major structural change was done on all the offices in order to have a smooth flow of service to our clients. Particular to this structural change is lowering the counter to serve as Sundries Teller or Customer Service. Likewise, the location of the manager’s desk immediately at the front and the Account Officers desk aligned with the rest of service desk. It should be mentioned that this structural change garnered positive feedback from our clients in all our offices since the client felt easy access to their banking inquiries and needs.

This structural changes were formed to institutionalize the four (4) major cuts in business, namely:

- Marketing
- Operations
- Support
- Oversight

All the above activities were reinforced by frequent communication, monthly trainings, meetings and finally rolling out of the written policies and procedures (Operations Manual System). Please see attached Table of Contents regarding the OMS.

CORE BANKING SYSTEM

RB Softech is our core banking system digitally transformed and fully migrated on September 1. 2023. Although we are still obliged to keep the old core banking system, Cyber One, for a period of ten (10) more years in case we need to refer some old records.

THE BOARD of DIRECTORS

As of the close of the year, in November 2024, due to some missing requirements of two members of the Board and with the approval of BSP, three highly qualified retired bankers came on Board namely:

Director Johnson Saquing
Director Allan Anthony Cadang
Director Teresita Hernaez

The Re-engineering contract will come to close sometime in March 2025. We are scheduled on a Business Review on February 7-8, 2025. We are indeed satisfied with the outcome of the Re-Engineering program as we are now an organization moving in one direction of knowing where we are and where we want to be in the next five years and hopefully further beyond.

CHALLENGES AHEAD
Past due remains at an average of 41% consolidated. This is a work in progress involving a joint effort of loans marketing and remedial department.

Real and Other Properties Acquired (ROPA)
Of the total 122 properties acquired, they have committed to buy back their properties as evidence by their down payments deposited in the bank.

Finally, let me take this opportunity to thank you all those who have made this year a resounding success. To our officers and staff, for their industry, dedication, enthusiasm and loyalty to the financial institutions who have been very supportive of our efforts to keep relevance to the community we are serving.

Again, thank you and God Bless us all!

Pura C. Romero

a. Bank's Operations and result of operations for the fiscal year

Total Assets (In thousand pesos)	Total Deposits (In thousand pesos)	Total Net Income (In thousand pesos)	Total Due from Other Banks (In thousand pesos)
2024 – 678,712,248 2023 – 651,823,365	2024 – 434,066,595 2023 – 417,301,721	2024 – 17,350,524 2023 – 24,756,715	2024 – 110,961,339 2023 – 110,618,129

The total assets, deposits and due from other banks increased except the net income of the Bank. The increase is as follows: 26.8M, 16.76M, .343M. The non-performing loan has contributed to the significant decrease in the income of the Bank as additional provision for probable losses was booked.

Highlight of Major Activities During the Year that Impact Operations

During the first quarter of 2024, the bank's re-engineering consultants conducted the 2-day seminar on the 2024 Business Planning wherein all employees have attended. This seminar provides the framework to guide decision-making, monitor performance and navigate challenges. There were also various trainings conducted by the team during Saturdays aside from the one-on-one lecture/coaching with the concerned personnel in every Department covering the Human Resource, Internal Audit, Credit Packaging and Financial Analysis. There was also a quarter business review wherein milestones of every quarter were presented to assess if KRA/Goals and actions plans were achieved, partially achieved or not achieved. In this way, Management are obliged to adjust their strategies early if they are off-track.

During the last quarter of 2024, three retired bankers joined and completed the seats in board. Two of them were appointed as members of the Audit and Risk Management Committee (ARMC), with decades of experience in credit policies, risk management and financial planning. They have also initiated to conduct a 4- Saturday session/training in the January 2025 to share their knowledge on Credit Processes, ROPA Management, Internal Controls and other bank processes for the improvements of the credit operation of the Bank.

As such, various amendments in the policies and manuals provided by the re-engineering team has been made to improve and align with the current set-up of the bank. There was also a continuous hiring by the HRDO to fill up various positions to effectively carry out the purpose of the bank's re-engineering program.

b. Major Strategic Initiatives of the Bank

- Lowering the Past Due Ratio
- Intensive Disposal of ROPA
- Strengthen Loan Monitoring and Collection
- Trainings for Officers and Employees
- Strengthen Internal Control System to monitor credit, operational and liquidity risk.

c. Challenges, Opportunities and Responses during the year

The increasing trend of past due ratio is the critical problem of the bank which threatens both profitability and regulatory compliance.

Through the re-engineering program, a quarter business review was conducted to measure performance of branches and take strategies to lower the past due ratio. As collection strategy, 90 days past due accounts were assigned to the Account Officers wherein the 90 days past due loans were turned over to the Remedial Department. The Remedial/ Collection Assistants call and visit the borowers to follow up on missed payments and negotiate payment plans.

The Board also required the Remedial Department to report monthly during board meetings to tract trends in default, recoveries and NPL ratios. With this, the board takes corrective action like stringent lending standards, enhancing collection strategies and amendments in the approving authorities.

4. RISK MANAGEMENT FRAMEWORK

a. Overall risk management culture and philosophy:

Risk Management Policy Statement

The Bank's risk management system embeds risk management into the awareness and day-to-day activities of the Bank's officers and employees. The Bank takes risks inherent to its operations and ensures that its risk management system is aligned with the Bank's strategic goals and objectives. Thus, managing these risks forms an essential part of the Bank's business. The aim of risk management within the Bank is to provide reasonable assurance that the risks associated with achieving the business objectives is understood and that these risks are addressed appropriately at all levels within the organization. This is achieved by ensuring that at all times:

1. Risks are properly identified, assessed, managed and reported;
2. Risk ownership is taken and communicated;
3. Resources are effectively and efficiently allocated to manage risks;
4. Risks that could significantly affect the employees, the Bank, the suppliers or the clients are suitably managed;
5. The Bank is compliant with regulatory and legal requirements.

General Risk Management Functions

The general functions of Risk Management are the following:

1. Develop and implement risk management framework and program;
2. Review the Bank's risk profile and identify new and emerging risks;
3. Assess and measure risks;
4. Recommend policies, systems and procedures to control risks and address risk management effectiveness gaps;
5. Evaluate the effectiveness of risk mitigation strategies; and
6. Monitor risks based on external and internal conditions and continually enhance risk management process.

b. Risk Appetite and strategy:

The Bank has an overall **conservative** risk appetite. The Bank will act in accordance with this risk appetite statement to achieve strategic objectives. The Bank manages six (6) interrelated categories of risk to effectively supervise and ensure a safe and sound banking system. The Bank has a **low** appetite for liquidity, reputational, and strategic risks and a **moderate** appetite for credit, compliance and operational. Risk management practices will not prevent challenges but will enable the company to operate proactively.

The Bank considered a number of factors to determine its tolerance for each of the above risks. This Risk Appetite Statement characterizes the Bank's tolerance for each risk as low, moderate, or high, according to the following definitions:

Low – The level of risk will not substantially impede the ability to achieve the Bank's mission, goals, or strategic objectives. Controls are prudently designed and effective.

Moderate – The level of risk may delay or disrupt achievement of the Bank's mission, goals, or strategic objectives. Controls are adequately designed and are generally effective.

High – The level of risk will significantly impede the ability to achieve Bank's mission, goals, or strategic objectives. Controls may be inadequately designed or ineffective.

The Bank has significant exposure to the following risks namely, Credit Risk, Operational and Strategic Risk, Compliance Risk, Liquidity and Interest Rate Risk, Reputational Risk.

Risk Exposure	Objective	Risk Management Strategy
Credit Risk - is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations.	-To operate under a sound credit granting process; -To maintain appropriate credit administration, measurement, monitoring and control processes over credit risk.	-The Bank has credit policies in place, regular internal control reviews and compliance tests to monitor the granting of credit and management of credit exposures.

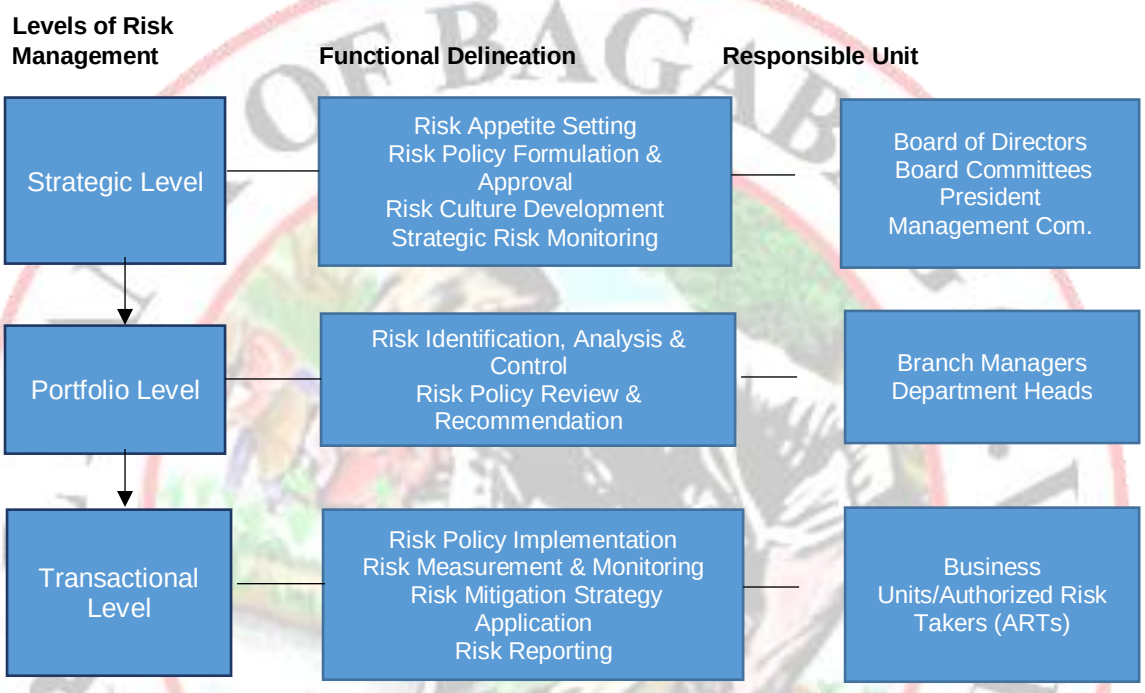
		-The Bank manages its credit risk mainly through the application of transaction limits and close risk monitoring. -It is the Bank's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.
Strategic Risks - is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.	-To come up with timely and sound business decisions that are aligned with established strategic goals and responsive to industry changes.	-The Bank has established short-term and long-term strategic goals. -Actual results are periodically compared against set key performance indicators. -Establish succession policies to ensure business continuity.
Operational Risk – is the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events	-To define the operational risk management strategy and ensure that it is aligned with the overall business objectives and strategic directions.	-Establish risk appetite, risk limits and tolerance tresholds. -Establish procedures on resolving limit breaches, reporting and escalation processes.
Liquidity Risk – is the current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses	-To ensure that adequate funding is available at all times; -To meet commitments as they arise without incurring unnecessary costs; -To be able to access funding when needed at the least possible cost;	-The Bank constantly monitors and manages its liquidity position on a daily basis; maturity gaps on a monthly basis. -The Bank maintains adequate liquid assets and reserves. -A committed stand-by credit facility from LBP is also available to ensure availability of funds when necessary. -The Bank selectively invests in low-risk and readily withdrawable securities.
Interest Rate Risk in the Banking Books (IRRBB) - is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect a bank's banking book positions.	-To maintain an adequate yield to match or reduce the net interest cost from its borrowings. -To reduce the impact of short-term fluctuations on earnings.	-Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged to its borrowers are optimal and benchmarked against the rates charged by other banks. -The Bank is not exposed to interest rate risk since its financial assets and financial liabilities have fixed rates.
Reputational Risk - is the current and prospective impact on earnings or capital arising from negative public opinion	-To promote a culture of high standards of ethical behavior; -Establish a reputation as a reliable and trustworthy bank deserving of the highest level of respect from its various publics clientele and colleagues, the industry, financial institutions, and the general public.	-Adopt a code of conduct of ethical behaviors to ensure compliance and adherence to the standards by all officers and employees, with corresponding disciplinary actions for infractions and non-compliance.
Compliance Risk - is the current and prospective risk to earnings or capital arising from violations of, or	-To protect the Bank from fines, payment of damages, and the	-The Bank to establish adequate policies and procedures and internal controls to comply with

nonconformance with laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards	voiding of contracts due to non-compliance.	existing and new rules and regulations of various regulatory agencies. -Institute standards of employee behavior and corresponding sanctions for non-compliance.

c. Risk Governance Structure and Risk Management Process

Risk Governance Structure:

The Risk Management is performed at three different levels: Strategic Level; Portfolio Level; and Transactional Level.



Risk Management Process:

The risk management process consists of four (4) parts:

1. **Risk Identification** - evaluates the Bank's exposure to events that could impact its day-to-day operations and estimates the impact those events could have on the Bank's operation, revenue and reputation. This requires a sound understanding of its strategic and operational objectives.
2. **Risk Assessment** -The Bank's risks are evaluated and measured based on likelihood of impact and risk management effectiveness (if there are risk management strategies in place.
3. **Risk Management and Control** - is the implementation of policies and procedures that will help avoid or minimize risks.
4. **Monitoring** - Risk management is an ongoing process and does not end once risks have been identified and mitigated. Risk management policies are revisited every year to ensure policies are up-to-date and relevant.

d. AML governance and culture:

The Bank regards anti-money laundering as an ongoing priority process that is part of the bank's over-all risk management program whose overarching objective is to safeguard the interests of its key stakeholders, reputation, brand and value-creating activities. The Bank is continuously updating the existing Money Laundering and Terrorist Financing Prevention Program (MLTPP) geared toward the promotion of high ethical and professional standards and the prevention of the Bank being used for money laundering and terrorist financing. To ensure that the Bank will not be used as a money laundering site, the Bank has in place sound risk management policies and procedures to ensure that risks associated with money-laundering are identified, assessed, monitored, mitigated and controlled, as well as to ensure effective implementation of AMLC rules and regulations. Among them, policies and procedures for recruitment, adequate customer identification and KYC, Covered (CTR) and Suspicious (STR)

Transactions reporting, record keeping and retention, continuous personnel training, monitoring and internal control.

The responsibility for ensuring that the MLTPP is strictly observed and will need to be kept constantly reviewed for relevance, usefulness and incorporation of changes in policies and procedures is the ultimate responsibility of the Board of Directors.

5. CORPORATE GOVERNANCE

a. Overall corporate governance structure and practices:

Rural Bank of Bagabag (N.V.), Inc. is committed to good corporate governance practices, processes and systems, specifically the principles of fairness, transparency, accountability and responsibility. These practices provide the framework within which the Board of Directors and management pursue the strategic objectives of the Bank and ensure its long-term viability for the benefit of shareholders. The board level committees: ARMC was organized with specific charter to ensure they provide strong oversight of strategic activities of the Bank, resulting in sound business decisions that benefit shareholders. Protecting shareholder interests and ensuring the integrity of the Bank's financial information are central to every aspect of the Bank's governance.

As per Bank's by-laws, the Board of Directors consists of seven (7) members, majority of them are independent. The Board of Directors meets once per month and strives to make timely decisions regarding the Bank's business strategies and other important management matters and to exercise appropriate oversight of business execution.

b. Selection process for the board and senior management:

The Board of Directors is tasked to implement a selection process to ensure a combination of competent directors and key officers who can add value and contribute independent judgment to the formulation of sound corporate policies. The Board has prescribed qualification criteria for members of the Board among others, ability, integrity and expertise necessary for the position.

The Board likewise evaluates the proposed senior management appointments of the Bank and selects qualified and competent supervisory officers.

Position	Process Adopted	Criteria
(i) Executive Directors and Non-Executive Directors	Any stockholder may submit the names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 15 of the year during which the election of directors will be held, or such other date as the Board may prescribe. The Screening Committee composed of 1 incumbent Director, Internal Auditor and Acting Compliance officer determines the qualifications and disqualifications, if any, of the nominees.	The Corporation prescribes the following qualifications: (a) He shall hold at least one (1) share of stock of the Corporation. (b) He shall be at least a college graduate and have been engaged or exposed to the business for at least 5 years. (c) He shall be at least twenty five (25) years old. (d) He shall have been proven to possess integrity and probity.
(ii) Independent Directors	Any stockholder may submit names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 15 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe. The Board screens and determines the qualifications and disqualifications, if any, of the nominees.	In addition to the qualifications under the Corporation Code, the Bank prescribes the following qualifications: (e) He shall hold at least one(1) share of stock of the Corporation. (f) He shall be at least a college graduate or have been engaged or exposed to the business for at least 5 years. (g) He shall be at least twenty five (25) years old. (h) He shall have been proven to possess integrity and probity.

(iii) Senior Management Officer	The President and Vice President are elected by the directors among themselves. On the other hand, the Compliance Officer and Internal Auditor are appointed by the Board. Candidates for Senior Management are selected in the following order: (1) from within the organization; (2) from outside the organization.	(a) He must be a college graduate. (b) He must have at least five (5) years experience in a supervisory position. (c) He must be of proven moral and ethical behavior, possess good leadership and communication skills.
(iv) Supervisory Officer	Supervisory officers are appointed by Senior Management and confirmed by the Board. Candidates for Supervisory Officers are selected in the following order: (1) from within the organization; (2) from outside the organization.	(a) He shall be a college graduate. (b) He shall have at least five (5) years experience in banking operations. (c) He shall have undergone training acceptable to the BSP-SES (d) He shall be proactive and possess initiative

c. Board's overall responsibility:

The Board is primarily responsible for the approval and oversight of management's implementation of bank's strategic objectives, risk management strategies and corporate governance framework. The Board defines the corporate culture and values of the Bank.

d. Role, Accountabilities and Deliverables

The duties and responsibilities of the Chairman and President are defined by the Board.

	Chairman	**President**
Role	The Chairman shall ensure effective functioning of the board and provide leadership, including maintaining a relationship of trust. He shall: (1) ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns; (2) ensure a sound decision-making process; (3) encourage and promote critical discussion; (4) ensure that dissenting views can be expressed and discussed within the decision making process; (5) ensure that the members of board of directors receive accurate, timely, and relevant information; (6) ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and (7) ensure conduct of performance evaluation of the board of directors at least once a year.	As per by-laws, the president shall be the Chief Executive Officer of the Bank. He shall see to it that all orders and resolutions of the Board of Directors, all orders of the Monetary Board of the Central Bank of the Philippines, and all rules and regulations of the Bank are carried into effect, and shall exercise such other powers and perform such other duties as per prescribed for the Office of the President in the by-laws. The President shall have supervision and direction of the day-to-day business affairs of the Corporation. The President is accountable to the Chairman and to the stockholders and other stakeholders of the Corporation.
Accountabilities	(a) To establish **general** administrative and operating policies. (b) Unless otherwise determined by the Board, to attend and to act and vote in person or by proxy, for and on behalf of the Corporation, at any meeting of shareholders of any corporation in which the Corporation may hold stock, and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present. (c) To exercise such other powers and perform such other duties and functions as the Board of Directors may, from time to time, assign.	(a) To recommend **specific** projects for the accomplishment of corporate objectives and policies for the approval of the Chairman and the Board. (b) To ensure that the administrative and operating policies are carried out. (c) To appoint, remove or suspend any and all employees and other subordinate personnel of the Bank, prescribe their duties, determine their salaries and, when necessary, require bonds in such amounts as he may determine, to secure the faithful discharge by said employees of their official trust, subject to the approval of the Board.

		(d) To prepare such statements and reports as may be required from time to time by law with respect to corporations organized according to the laws of the Republic of the Philippines. (e) To preside at meeting of the directors and stockholders in the absence of the Chairman. (f) To exercise such powers and perform such duties and functions as may be assigned to him by the Chairman.
Deliverables	• Agenda for Meetings • Chairman's Annual Report • Statement of Management Responsibility for the Audited Financial Statements • Certificate of Attendance in Board Meetings • Annual Report • Others	• Statement of Management Responsibility for the Audited Financial Statements • Annual Report • Others

e. Board Composition

Name of Director	Type of Directorship	Name of Principal	No, of years served as director	Number of Shares	% of shares held to outstanding shares held by the bank
Pura C. Romero	Executive		>20 years	95,893	9.91%
Adelle C. Romero	Executive		10 months	59,935	6.19%
Marlyne R. Galapon	Independent			1	
Joe Vincent B. Castillo	Executive		2 years		
Johnson D. Saquing	Independent		< 2 years	1	
Allan Anthony D. Cadang	Independent		< 2 years	1	
Teresita I. Hernaez	Director				

Note: No indirect shares held by the directors.

f. Board Qualification



Pura C. Romero – Filipino, 74 yrs old. She holds a degree in Bachelor of Science in Social Work and Community Development from University of the Philipines, Diliman. She passed the Board Examination for B.S. Social Work in 1973. She is a Trustee of Jose P. Castillo Foundation, Inc. and Treasurer. Positions held at RB Bagabag – Chairman/President/General Manager (2003-2013); President (2017 to present); Vice President (2014-2015); VP for Operations (2016); Chairman (2017). She was Director of the Rural Bankers Association of the Philippines (RBAP) in 1999. She was President of the Confederation of Northern Luzon Rural Banks in 2003-2004.



Joe Vincent Z. Castillo – Filipino, 53 years old. He is a graduate of bachelor of Science in Business Administration-Major in Management at Philippine School of Business Administration, Q.C. University of the East. Positions held at RB Bagabag– General Clerk (1999-2004); Inspector/Clerk (2007-2008); Administrative Assistant (2016-2022); Officer-in-Charge-Villaverde (2022-2023); Branch Manager-Villaverde Branch(2023-2024); Marketing Division Head (2024), Branch Manager-Lamut Branch(2024-2025).



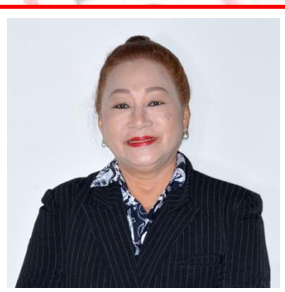
Marlyne R. Galapon – Filipino, 59 years old. She holds a degree in Bachelor of Arts from Saint Mary's University. Positions held at Metrobank – Teller, Remittance Clerk, Loan Clerk, Regional Operations Coordinator, Branch Operations Officer, Branch Manager (1988-2018).



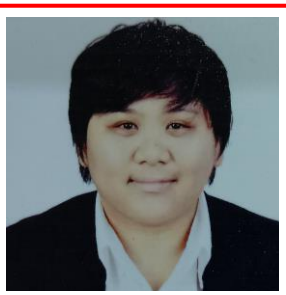
Johnson D. Saquing- *Filipino, 58 years old. He holds a degree of Bachelor of Science in Accountancy from Saint Mary's University. Positions held at Philippine National Bank (PNB) as Contractual Teller (1990), Teller (1990), Clearing Assistant (1991-1993), Cash Clerk IV (1993-1995), Investment Analyst 1 (1995), Remittance Analyst (1995-2002), Financial Manager (2002-2004), Relationship Officer (2004-2009), Sales and Service Officer (2009), Business Manager (2009-2011). Rizal Commercial Banking as Business Manager/Branch (2011-2019).*



Allan Anthony D. Cadang – *Filipino, 59 years old. He holds a degree of Bachelor of Science in Mathematics from University of the Philippines in Diliman with a Masters Degree in Business Administration graduated from Aldersgate College, Solano, Nueva Vizcaya. Positions held at Aldersgate College as College Instructor (1987-1989), PNB-Bayombong Branch –as Remittance Assistant (1989), General Clerk (1989-1990), Clearing Asst. II (1990-1993). PNB-Solano Branch - Clearing Asst. II(1993-1994), Credit Investigator III (1994-1995), Loans and Credit Officer II (1995-1997), Branch Cashier Per Pro(1997-2003), Sales and Service Head (Mgmt. Ass. II, 2003-2004). PNB Assset Management Group – as Regional Desk Head (Mgmt. Associate II, 2004-2006), Regional Desk Head (Mgmt. Associate III, 2007-2010). PNB Regional Asset Management Center – as Regional Asset Management Center Officer Mgmt. Associate III (2010-2013), Regional Asset Management Center Officer (Assistant Manager 1, 2013-2019), Regional Asset Management Center Officer (Assistant Manager 2, 2019-2021).*



Teresita I. Hernaez- *Filipino, 74 years old. She holds a degree of AB Political Science from Dr. Nicanor Reyes Memorial College and a 1 year Secretarial Course in Saint Mary's University. Positions held at Rural Bank of Bagabag (N.V), Inc. were Clerk Typist (1973-1975), Loan Clerk (1975-1980), Teller (1980-1994), Loan officer (1994-1999), Officer in Charge-Alfonso Lista Branch (1999-2000),Branch Manager – Lamut Branch (2000-2014), Director/Branch Manager (2014-2015), Director/Branch Manager (2015), Director (2015-2025).*



Adelle C. Romero- Filipino, 34 years old. She is a graduate of Bachelor of Science in Psychology from the University of Santo Tomas, Manila in 2014 and finished her Masteral in Business Administration from Miriam College, Quezon City in 2019. She is also a registered Psychometrician. She started at the Rural Bank of Bagabag(N.V.), Inc. as Management Trainee in 2020 and became the Human Resource Officer in 2023.

Management Level Committee

Committee	Functions (per Committee Charter)	Membership
Management Committee (ManCom)	a) This is a working arm of the President in carrying its functional goal of reviewing the overall financial and operating performance of the Bank Advise the Board about operational strategies, including relevant amendments to the Bank's Bylaws, to strengthen the organization and empower the Board in meeting its obligations related to good governance pronciples and abide by the company's mission; b) Devise and make recommendations for policies on issues related to Board Director service; c) Devise and make recommendations for policies that reflect best practices for overall good governance; d) Lead and facilitate periodic Board-Assessment to ensure superior performance and overall trust; e) The Committee shall ensure it understands the bank's structure, business and controls to ensure that it can adequately assess the significant risk faced by the bank.	Chief Operations Officer: Pura C. Romero Chairman: Sherlie C. Domingo Members: Main Branch Head: Joe Vincent B. Castillo Support Services Head: Adelle C. Romero Loans Marketing Head: Richmond P. Bides Credit Admin Head: Rhodora B. Casareno Collection/Litigation Head: Jensen Rusty C. Padua Controllership Head: Dianne Kriselle B. Moreno Corporate Services Head: Jimalyn G. Sagyawan Information Technology Head: Joseph M. Ortillano Lamut Branch Head: Cristofer C. Rivera Alfonso Lista Branch Head: Frank T. Bayodao Jr. Diadi Branch Head: Joy Marie D. Sibayan Villaverde Branch Head: Ray Oliver S. Eugenio
g. Board-Level Committee and Committee Members		
Audit and Risk Management Committee (ARMC)	1. **Understanding the bank's business –** To ensure it understands the bank's structure, business and controls to ensure that it can adequately assess the significant risks faced by the bank. 2. **Financial Reporting -** To oversee the bank's financial reporting process on behalf of the Board and to report the results of its activities to the Board. 3. **Risk assessment –** To review and make recommendations to the Board regarding: (a) the bank's risk management policy; (b) the adequacy of the bank's processes for managing risk; (c) any incident involving fraud or other failure of the bank's internal controls. 4. **Reporting to the Board –** To regularly report to the Board on all matters relevant to the Committee's role and responsibilities. 5. **Assessment of accounting, financial and internal controls –** To meet separately with management and the external auditors to discuss: adequacy and effectiveness of the accounting and financial controls; assessments of the effectiveness of internal controls and the process for improvement 6. **Appointment of external auditors and scope of external audit –** To approved the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting 7. **Compliance with Laws and Regulations –** (1) To review the findings of any examinations by regulatory agencies and oversee all liaison	Chairman: Johnson D. Saquing Members: Allan Anthony D. Cadang Marlyne R. Galapon

	activities with regulators. (2) To gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis	

h. Attendance of Directors

Board Meeting:

Name	No. of Meetings Held during the year	No. of Meetings Attended	Percentage of Attendance
Pura C. Romero	12	12	100%
Adelle C. Romero[2]	8	6	75%
Marlyne R. Galapon	12	12	100%
Joe Vincent B. Castillo	12	12	100%
Teresita I. Hernaez[5]	2	2	100%
Johnson D. Saquing[6]	2	2	100%
Allan Anthony D. Cadang[7]	2	2	100%

2 She was elected on 06 May 2025

5,6,7 They were elected on 12 Nov 202412

Audit and Risk Management Committee:

Name	No. of Meetings Held during the year	No. of Meetings Attended	Percentage of Attendance
Johnson D. Saquing[1]	2	2	100%
Allan Anthony D. Cadang[2]	2	2	100%
Marlyne R. Galapon	10	10	100%

1 ,2 They were elected on 12 Nov 2024

i. List of Executive Officers/Senior Management

Name	Position	Relevant Qualifications	Age	Nationality
Pura C. Romero	President	10+ years of supervisory experience	74	Filipino
Sherlie C. Domingo	Operation Division Head	B.S.C. major in Accounting, 10+ yrs supervisory and managerial operations	53	Filipino
Joe Vincent B. Castillo	Main Branch Head	B.S. Business Administration, 5+ yrs banking experience	54	Filipino
Adelle C. Romero	Support Services Head	BS Psychology , 2+ years of banking experience	34	Filipino
Richmond P. Bides	Loans Marketing Head	B.S. in Information Technology, 5+ years of banking experience	34	Filipino
Rhodora B. Casareno	Credit Admin Head	B.S. in Business Administration Major in Marketing Management, 5+ years of banking experience.	30	Filipino
Jensen Rusty C. Padua	Collection/Litigation Head	B.S. in Political Science and B.S. in Secondary Educatio, 2+ years of banking experience	35	Filipino
Dianne Kristelle B. Moreno	Controllership Head	B.S. in Management Accounting and B.S. in Accountancy, 5+ yrs banking experience	30	Filipino
Jimalyn G. Sagyawan	Corporate Services Head	B.S. in Computer Science	36	Filipino
Joseph M. Ortillano	Information Technology Head	Bachelor's degree in Information Technology 5+ yrs banking experience	37	Filipino
Cristofer C. Rivera	Lamut Branch Head	B.S. in Business Administration major in Marketing Management, 5+ years of banking experience	32	Filipino
Frank T. Boyadao Jr.	Alfonsolista Branch Head	B.S. Management Accounting, 5+ yrs banking experience, 2+ managerial operations	32	Filipino
Joy Marie D. Sibayan	Diadi Branch Head	B.S. in Mangement Accounting, 5+ years in banking experience.	32	Filipino
Ray Oliver S. Eugenio	Villaverde Branch Head	B.S. in Public Administation, 2+ years in banking experience.	40	Filipino

j. Performance Assessment Program

	Process	Criteria
Board of Directors	Annual submission Board of Directors Evaluation Form	• **AS A BOARD** The Board performs three major roles in a company: 1) it provides direction (i.e. sets the strategic direction of the company), 2) it controls (i.e. monitors the management) and 3) provides support and advice (advisory role). Board evaluation typically examines these roles of the Board and the entailing responsibilities, and assesses how effectively these are fulfilled by the Board. The evaluation of the performance of the Boards is essentially an assessment of how the Board has performed on all these parameters. a) Strategic Plan and Performance (35%) b) Board of Directors Organization (30%) c) Board's Oversight of Risks (35%)
Board Committees	Annual submission of Self Assessment Form	**Audit and Risk Management Committee (ARMC)** 1. Composition and Quality (10%) 2. Understanding the Business, Including Risks (20%) 3. Process and Procedures (15%) 4. Oversight of the Financial Reporting Process, including Internal Controls (15%) 5. Oversight of Audit Functions (20%) 6. Ethics and Compliance (5%) 7. Monitoring Activities (15%)
Individual Directors and Peer	Annual submission of Self and Peer Evaluation Form	• **SELF AND PEER EVALUATION** Individual assessment is an opportunity to evaluate board culture and dynamics and gauge whether the structure encourages open discussion. These assessments get directors thinking about their performance where they can add value, how they can leverage their unique experiences and when it may be time to step away from the role. Assessments are important feedback mechanism to aid director's growth and maximize their contributions to the board and the bank. 1.Governance Role (20%) 2. Knowledge of the Bank and the Environment (30%) 3. Effective Behavior and Relationship (20%) 4. Contribution (30%)
Senior Management	The Board of Directors of the Corporation, in exercise of its internal control functions, selects and appoints the Senior Management who possesses the ability, integrity and expertise essential for the position, and define the duties and responsibilities of the Senior Officers who is ultimately responsible for the Bank's organization and operational controls. The Chairman and President, are appraised in accordance with the Bank's Performance Evaluation System	The basis for the assessment are the duties and responsibilities of the Chairman and President, as well as key performance indicators in accordance with the Bank's By-laws and Manual.

k. Orientation and Education Program:

New Director:

To familiarize the newly elected director with the operations of the Bank, an orientation program is conducted through the Office of the President. The duties and responsibilities of a director as indicated in the MORB are being

discussed, as well as an overview of the results of operations of the Bank. Furthermore, the policies and procedures, organizational structure, the bank's code of ethics and business conduct, and financial position.The newly elected director is encourage to ask questions during the one on one orientation and shall ask copy of the materials used if he needs to.

Moreover, as stated in the MORB Section 132, new director is required to attend the Seminar on Corporate Governance for Directors.

Directors and Senior Management:
The Bank recognizes its responsibility to shape and develop the knowledge, skills and attitudes of its human resources in order to contribute to the professional development of its employees and maintain its competitive position. In terms of approach, the Bank utilized traditional classroom, experiential and mentoring approaches to deliver training.

A skill gap analysis is performed to identify training needs of senior management and other officers. Identified officers are nominated and sent to various trainings as part of the Bank's continuing education program. Seminars and trainings are done in partnership with accredited training providers.
Further, the Bank has an education benefit which provides assistance to employees who wishes to pursue further studies. The program covers free tuition and miscellaneous expenses as well as cost of major books. The Bank also extends educational loans, to meet the educational requirements of the employees and their dependents.

NAME	COURSE TITLE	DATE OF TRAINING	TRAINING INSTITUTION
Directors			
Romero, Pura Castillo	BSP Circular 1158 On The Guidelines On Recovery Plan Of Banks	4/24/2024	RBAP
Castillo, Joe Vincent Bermudez	Anti-Money Laundering & Counter-Terrorism Financing (AML/CTF) Fundamental Course	5/7/2024	Anti-Money Laundering Council (AMLC)
	AMLC Registration And Reporting Guidelines Course	5/15/24	AMLC
	Targeted Financial Sanctions Course	7/10/24	AMLC
Cadang, Allan Anthony Diza	Micro-Computer Seminar	12/2/1990	Philippine National Bank-Human Resource Development Institute
	Clearing Operations Seminar	11/16/1992	Philippine National Bank – Human Resource Development Institute
	Time Deposit Seminar	2/13/1993	Philippine National Bank – Human Resource Development Institute
	Credit Investigation & Appraisal Seminar	6/7/1993	Philippine National Bank – Human Resource Development Institute
	Signature Verification 7 Counterfeit Detection Seminar	5/8/1999	Philippine National Bank- Human Resource Development Institute
	Dimension International System (DIS) Seminar	12/17/1999	Philippine National Bank – Internet Banking Services (IBS) Team
	Cashier's Seminar	7/19/2001	Philippine National Bank (PNB) Training Division
	Dimension International System (DIS) Competency Seminar	3/15/2002	Philippine National Bank (PNB) Training Division
	Team Leader's Training	8/2/2002	1 System Incentive System Advocate (Isa), Incorporated
	Philippine Accounting Standard (PAS) 39 Seminar	8/6/2005	Philippine National Bank (PNB) Training Division
	Training For Asset Management Group (AMG) Personnel	9/19/2005	Philippine National Bank (PNB) Training Division
	Regional Asset Management Group (RAMG) Officer's Conference & Planning	10//14/2007	Philippine National Bank – Asset Management Group (AMG)
	Anti-Money Laundering & Counter-Terrorism Financing (AML/CTF) Fundamental Course	12/3/2024	Anti-Money Laundering Council
	AMLC Registration And Reporting Guidelines Course	12/5/2024	Anti-Money Laundering Council
	Targeted Financial Sanctions Course	12/9/2024	Anti-Money Laundering Council
Saquing, Johnson Daniel	Security Awareness Program	7/19/2014	Human Resource-Rizal Commercial Banking Corporation
	Anti-Money Laundering Act Certification Program	10/26/2016	Human Resource – Rizal Commercial Banking Corporation
	2016 Comprehensive Module	11/14/2016	Human Resource- Rizal Commercial Banking Corporation
	Branch Operations Aptitude Assessment	7/1/2017	Human Resource –Rizal Commercial Banking Corporation

	Branch Certification Program	1/20/2018	Human Resource – Rizal Commercial Banking Corporation
	Branch Officers Orientation	1/22/2019	Human Resource- Rizal Commercial Banking Corporation
	Debt Collection Approach And Strategies In The New Normal	10/15/2021	RBAP
Romero, Adelle C.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	6/20/2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	6/25/2024	AMLA
	Policies and Procedures Manual Write-Shop	May 13-14, 2024	RBAP, Inc. and RBRDFI
	Rural Banking 101 (Course I under the Structured Training Program for Rural Bankers)	July 6, 2024	RBAP, Inc. and RBRDFI
Domingo, Sherlie C.	Loan Origination & Underwriting Process (Course VI.2 under the Structured Training Program for Rural Bankers)	August 23, 2024	RBAP, Inc. and RBRDFI
	Basic Concepts of Credit Risk and the CRM Framework (Course VI.1 under the Structured Training Program for Rural Bankers)	August 27-29, 2024	RBAP, Inc. and RBRDFI
	Loan Administration & Operations (Course VI.3 under the Structured Training Program for Rural Bankers)	August 30-31, 2024	RBAP, Inc. and RBRDFI
Romero, Adelle C.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	6/20/2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	6/25/2024	AMLA
	Policies and Procedures Manual Write-Shop	May 13-14, 2024	RBAP, Inc. and RBRDFI
	Rural Banking 101 (Course I under the Structured Training Program for Rural Bankers)	July 6, 2024	RBAP, Inc. and RBRDFI
Maranan, Everlyn R.	Targeted Financial Sanctions (TFS) Course	August 9, 2024	AMLA
	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	June 18, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	May 9, 2024	AMLA
	BSP Cir. 1158 On The Guidelines On Recovery Plan Of Banks	April 4, 2024	Financial Supervisory Department (FSD) - BSP
	Revenue Regulation On Ease Of Paying Taxes (EOPT) Act - Part I	5/3/2024	Alas Oplas & Co., CPA's
	Revenue Regulation On Ease Of Paying Taxes (EOPT) Act - Part Ii	5/10/2024	Alas Oplas & Co., CPA's
Aluyen, Roselyn R.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	5/7/2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 10, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	May 15, 2024	AMLA
Castillo, Joe Vincent B.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 23, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 11, 2024	AMLA
Bides, Richmond P.	Targeted Financial Sanctions (TFS) Course	July 24, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	August 16, 2024	AMLA

	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
Casareno, Rhodora B.	AMLC Registration And Reporting Guidelines (ARRG) Course	August 28, 2024	AMLA
	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	August 29, 2024	AMLA
Padua, Jensen Rusty C.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 24, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	August 7, 2024	AMLA
Moreno, Dianne Kriselle B.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	May 23, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	May 9, 2024	AMLA
	Revenue Regulation On Ease Of Paying Taxes (EOPT) Act - Part I	May 3, 2024	Alas Oplas & Co., CPA's
	Revenue Regulation On Ease Of Paying Taxes (EOPT) Act - Part Ii	May 10, 2024	Alas Oplas & Co., CPA's
Ortillano, Joseph M.	Olaboutyourrights: The CIC Credit Report And Combating Abusive Debt Collection Practices	August 16, 2024	CIC Academy
	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	June 20, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 9, 2024	AMLA
	Bsp Cybersecurity&It Risk Fundamentals Roadshow 2024	December 04-05, 2024	BSP North Luzon regional Office (NLRO)
Sagyawan, Jimalyn G.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	June 20, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	June 25, 2024	AMLA
Rivera, Cristofer C.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 24, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
Sibayan, Joy Marie S.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	July 29, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 25, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
Bayodao, Frank Jr. T.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 25, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
Eugenio, Ray Oliver S.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 24, 2024	AMLA

	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
Tabangkay, Jay R M.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	7/21/2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 25, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
Marciano, Kathleen Joy B.	Targeted Financial Sanctions (TFS) Course	July 24, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
Alhomon Cherry Claire G.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	September 9, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	August 7, 2024	AMLA
Manalo, Melanie C.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course AMLC Registration And Reporting Guidelines (ARRG) Course	July 24, 2024 July 30, 2024	AMLA
Rivera, Mariz M.	Targeted Financial Sanctions (TFS) Course	July 24, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
Ramirez, Angelica B.	Targeted Financial Sanctions (TFS) Course	July 25, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	August 28, 2024	AMLA
	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
Sanchez, Bryan F.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 25, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
Cadiz, Mon Riel T.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 25, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
Agraan, Analiza M.	Targeted Financial Sanctions (TFS) Course	July 24, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
Bangkili, Jernhel R.	Targeted Financial Sanctions (TFS) Course	July 25, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA

Galindez, Kurt Russel T.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 21, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	July 25, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	July 30, 2024	AMLA
	10-Hour Basic Occupational Safety And Health Trainings (Safety Officer 1-Certification)	June 18-19, 2024	BOSH-DOLE
Rivera, Jamie Gae L.	Anti-Money Laundering And Counter-Terrorism Financing (AML/CTF) Fundamentals Course	May 7, 2024	AMLA
	Targeted Financial Sanctions (TFS) Course	August 15, 2024	AMLA
	AMLC Registration And Reporting Guidelines (ARRG) Course	August 22, 2024	AMLA

l. Retirement and Succession

The Bank complies with the **Section 132** of Manual of Regulations for Banks which states that" (1) A non-executive director may concurrently serve as director in a maximum of five (5) publicly listed companies; and (2) An independent director of a BSFI may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same BSFI, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012. "
The Board approved retirement age for a director is 80.

The Bank also has Succession Program aimed at ensuring timely availability of the required number of employees at middle manager level and up with the necessary or required education, experience, ambition and personal characteristics to fulfill the short and long term needs of the organization.

m. Remuneration Policy and Structure for Executive, Non-Executive Directors and Senior Management

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The Board of Directors shall receive no more than ten percent (10%) of the preceding year's net income before income tax. Such compensation shall be apportioned among the directors in such manner as the Board, duly assembled as a board, may deem proper.	Fixed Remuneration based on industry standards, and variable remuneration based on the financial performance of the Corporation	As to the variable remuneration, the net income of the Corporation is the basis for the variable remuneration.
Non-Executive Directors	Article III, Section 10 of the Corporation's Bylaws provide that, as compensation, the Board of Directors shall receive no more than ten percent (10%) of the preceding year's net income before income tax. Such compensation shall be apportioned among the directors in such manner as the Board, duly assembled as a board, may deem proper.	Variable remuneration based on the financial performance of the Corporation	As to the variable remuneration, the net income of the Corporation is the basis for the variable remuneration.
President & Officers	The Board decides the compensation packages for the President. Senior Management decides the compensation of the management officers	Fixed remuneration based on industry standards, variable remuneration based on the financial performance of the Corporation.	As to the variable remuneration, the net income of the Bank and performance evaluation are the basis for the variable remuneration.

n. Policies and Procedures on Related Party Transactions

Related Party Transactions:
All related party transactions must be done on an arms-length basis to safeguard the interests of the Bank as well as the minority shareholders and other stakeholders. Transactions with related parties are made at normal market prices and terms.
Directors, Officers and Employees are required to disclose the extent of their business interests in order to determine any possible conflicts of interest. Failure to disclose fully is a ground for temporary disqualification as a director.
Directors engaging in competitive business is a ground for disqualification to be a member of the Board of Directors.

Conflict of Interest:

Conflict of interest arises if an officer, employee or close relative of an officer or employee has any financial or business interest in the enterprise of any supplier, competitor, customer or any organization which may benefit from decisions or actions made by the officer or the employee in the execution of Bank's responsibilities, and the officer or employees knowledge of the Bank's confidential information, actions or future plans.

Officers and Employees:

Employees of the Bank are expected to give due time and attention in carrying out their duties and responsibilities. The basic expectation is that the employees' actions are made in the best interest of the Bank. The Bank, however, acknowledges that employees may pursue outside financial, business or other activities as long as these activities are legal and do not conflict with the regular and conscientious performance of their company obligations and do not result in damage to or misuse of Bank reputation, property, products, confidential information, influence of other resources.

Consistent with the Bank's outlook and approach on employee discipline, the Bank lays the accountability in the hands of the officers and employees to disclose possible conflicts of interest. Any possible conflicts of interest must be disclosed by the officer or employee involved to his or her immediate superior who will, in turn, review and resolve the conflict situation based on guidelines and in consultation with Management.

Details of Material Related Party Transaction:

No transaction with related party.

O. Self-Assessment Functions:

(i) Internal Audit and Compliance Functions:

The Bank is committed to establish and maintain a system of Internal Control for the efficient and effective management of its business operations, and improve the effectiveness of risk management, control and governance processes.

Internal control comprises any action taken by management, the board and other parties to enhance risk management, and increase likelihood that established objectives and goals will be achieved. The primary objectives of internal control are to ensure (1)reliability and integrity of financial and operational information; (2) effectiveness and efficiency of operation; (3) safeguarding of assets; (4) compliance with policies, plans, procedures, laws, regulations and contracts, and (5) accomplishment of established objectives.

	Internal Audit	Compliance
Structure	**Roselyn R. Aluyen – Internal Auditor**	**Everlyn B. Reyes – Chief Compliance Officer**
Roles	The Internal Audit provides independent, objective assurance and consulting services designed to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes, which helps management and the BOD in protecting the Bank and its reputation. The Internal Audit assesses and complements operational management, risk management, compliance and other control functions.	The Compliance Officer facilitates the effective management of compliance risk by advising BOD and senior management on relevant laws, rules and standards; appraising personnel on compliance issues; identifying, documenting and assessing compliance risks, among others.
Mandate/Authority	The audit function has a formal status within the organization. It is established by a Charter approved by the Board of Directors that defines the Internal Auditor's function's status, authority and independence.	The compliance function has a formal status within the organization. It is established by a charter approved by the board of directors that defines the compliance function's status, authority and independence.
Reporting Process	The Internal Auditor reports to the Board of Directors, through the Audit Committee.	The ACO reports to the BOD, through the Audit and Risk Management Committee (ARMC). Administratively, the ACO reports to the President.

(ii) Review Process adopted by the Board to ensure effectiveness and adequacy of the internal control system

- The Board, through the Audit and Risk Management Committee (ARMC) reviews and approves the risk-based internal audit work plans and compliance testing plans, including scope and audit resources/expenses; and ensure that:
  - ✓ the scope of its examination includes evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts and applicable, laws, rules and regulations, and
  - ✓ the internal auditor and compliance officer have the sufficient resources to carry out its functions;
- The Board, through the Audit and Risk Management Committee, reviews the reports and communications of independent Auditor and Compliance Officer, which shall include key findings and recommendations, internal control ratings and status of the audit plan including planned and completed engagements;

- Internal controls are reviewed as necessary and the directors' criteria for assessing the effectiveness of the internal control system is whether the internal control fulfilled its function.

p. Dividend Policy and Procedures:

In pursuant to Section 57 of Republic Act No. 8791, the bank shall not declare dividends more than its accumulated net profits after deducting therefrom losses and bad debts. Also, shall declare dividends only if at the time of declaration, it has complied with the provisions of MORB under Section 124 on Requirements on declaration of dividends.

Furthermore, it shall ensure that even after the dividend declaration, it complies with the minimum capital requirements and risk-based capital ratios.

q. Corporate Social Responsibility Initiatives

The Bank is the sole donor of the Jose P. Castillo Foundation since 2006 that provides financial assistance to public schools in Bagabag and nearby towns where bank's branches are located. Yearly, more than one thousand (1,000) of students were being supported by the Foundation.

Furthermore, the following are the significant features in the bank's Environmental and Social Risk Management Framework:

a) **Sustainability Strategic Objectives** To promote corporate accountability and transparency on the impacts of businesses on environment and society and incorporate appropriate risk mitigation measures in overall credit management. The risk appetite of the bank is low since most of the borrowers are from agricultural sector.

b) **Overview of the E & S risk management system**

An ESMS helps the Bank to:

- Identify environmental and social risk associated with clients/investees and understand the potential impact on its portfolio;
- Systematically assess and manage environmental and social risks;
- Implement the necessary steps within its risk management system including documentation and recordkeeping;
- Monitor client/investee compliance with national environmental and social regulations and international best practices and standards;
- Require clients/investees to implement mitigation measures for identified environmental and social risk;
- Identify social and environmental business opportunities; and
- Develop a good reputation among clients/investees, investors and other relevant parties in the financial market.

ESRM in the Credit Risk Management System

In defining the credit risk appetite of the bank, the environmental and social (E&S) risk shall be considered. The basis for the evaluation of E&S risks shall be type of loan, location of borrower, project and/or collateral and industry of the borrower.

c.) **Products/services aligned with sustainability standards and practices**

- **Agriculture**: In the agriculture sector, if a loan application (New/Renewal/Restructuring) involves farming/crop production activities, poultry and dairy, it has to be checked against the exclusion list, if there is any environmentally or socially adverse agricultural practices involved such as use of pesticides, agro-chemicals leading to top soil depletion, groundwater contamination, use of nitrogenous fertilizers instead of organic fertilizers leading to nitrous oxide emissions etc. Agribusiness involving sorting, packaging, distribution and sales will not require completing ESDD checklist.

MSME: In the micro/small enterprise category sector, if the following activities are involved, then a loan application worth above PhP 500 thousand will be subject to due diligence using generic ESDD checklist, in addition to the exclusion list, even if the loan amount is less:

a. Washing, dyeing and finishing units of RMG sector (water, chemical pollution)
b. Small steel re-rolling mills (operational health and safety, thermal, air pollution)
c. Brick kilns (air pollution, child labor, burning of fossil fuel)
d. Units for tanning, dressing and dyeing of leather and fur (water, chemical, air pollution)
e. Pesticides, agrochemical and nitrogen manufacturing units (land contamination, water, air pollution)
f. Chemicals and chemical products manufacturing units (safety, pollution)
g. Rubber and plastic products manufacturing units (pollution)
h. Batteries and accumulators manufacturing units (chemical pollution)

All loan applications (New/Renewal/Rescheduling/Restructuring) in the medium enterprise sector will have to undergo E&S due diligence as per the generic or sector specific ESDD checklist.

Trade, Retail and Microfinance: For all trade, retail and microfinance only the exclusion list will have to be consulted. Any transaction in the Exclusion List will have to be terminated.

d) **Breakdown of E&S risk exposures of the bank per industry or sector Environmental Risk**

Environmental issues may present themselves as temporary or permanent changes to the atmosphere, water, and land due to human activities, which can result in impacts that may be either reversible or irreversible. The following

are the types of risks that may arise due to client's business operation. The intensity and degree of risks will vary as per the type of industry, scale and location, manufacturing processes adopted, etc.

- *Air emissions and ambient air quality, Energy use and conservation, Wastewater and water quality, Water use and conservation, Hazardous materials use, Land contamination. Biodiversity and natural resources*

Social Risk

Social issues may emerge in the workplace and may also impact surrounding communities. Performance in the areas listed below can represent social risks to the client's operation:

- *Labour and working conditions, Occupational health and safety, Community health, safety, and security, Land acquisition and involuntary resettlement, Indigenous peoples, Cultural heritage*

e) **Information of the existing and emerging E & S risk and their impact on the bank E&S risks on the Operational Management System**

E&S risks events can cause severe disruption to the bank's operations. For example, severe weather events could adversely impact business continuity, offices, processes, and staff that could lead to financial losses. On the other hand, social risk concerns such as public health issues, labor issues, and human rights violations can result to vacancies, absenteeism or affect personnel morale which can adversely impact operations.

f) **Other initiatives to promote adherence to internationally recognized sustainability standards and practices**

E&S Due Diligence:

- Review the project's compliance with applicable national environmental and social regulations;
- Review the project's track record on environmental and social issues, in terms of potential non-compliance with national regulations or negative publicity;
- Review the project's compliance against international standards or industry best practice regarding environmental and social issues; and
- Documenting all required information. Every loan file should have a fully completed E&S checklist, copies of all permits, clearances (DENR clearance certificate, BFP clearances, ESAP, E&S Covenants in loan agreement and after disbursement subsequent supervision reports.

g) **Progress of Implementation of initiatives undertaken to integrate sustainability principles in their governance framework, risk management system, business strategy and operations.**

On the otherhand, the Bank approved the Environmental and Social Risk Management Framework last July 23, 2020, as per B.R. No. 22, S. 2020. On January 14, 2022, the transition plan was approved as a guide for the attainment of the desired objective. Moreover, the existing Environmental and Social Risk Management Framework was amended to promote corporate accountability and transparency on the impacts of businesses on environment and society and incorporate appropriate risk mitigation measures in overall credit management.

Even before the mandate from BSP, the bank is compliant with the solid waste management system and an advocate of protecting the environmment. As a matter of fact, most of the Internal reports are printed on the back of used bond papers to help minimize the cutting of trees for paper production. Transactions outside the bank that require transport were also trimmed down and on a scheduled basis to minimize greenhouse gases that is currently damaging the environment.

r. Consumer Protection Practices:

The Bank recognizes the value of consumer protection as the consumers are fundamental to its operations. It is imperative that at all times, the Bank must adhere to the highest service standards and responsible dealings with consumers to mitigate risk of financial harm or loss to consumers.

(i) Role and Responsibility of the BOD and Senior Management

Board of Directors	• The BOD has the ultimate responsibility for the level of customer risk assumed by the Bank. Accordingly, the Board approves the Bank's overall business strategies and significant policies, including those related to managing and taking customer risks. • The BOD takes steps to develop an appropriate understanding of the customer risks it faces through briefings from auditors and experts external to the organization. • The BOD 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 over-all 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 trainings and seminars, interaction with experts and regulatory personnel knowledgeable to 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 BOD 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	• 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. • 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.
Board of Directors and Senior Management	• 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 enable adequate oversight. • The BOD and Senior Management must ensure that sufficient resources are devoted to the customer protection program. • They must be certain the FCP weaknesses are properly addressed and corrective actions are taken in a timely manner. • 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. • The Board and Senior Management 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 a prudent management philosophy and operating style. • 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.

(ii) Consumer Protection Risk Management System

The Financial Customer Protection (FCP) framework is the guiding document of the Bank to deliver the required level of fair treatment, honesty, transparency and commitment to its customers.

The Bank follows key protection principles in building up its good relations to its clients. Each principle is embedded in its operations, such as;

- client education of their obligation on repayment of their loans,
- the disadvantages on their part when their loans become past due,
- disclosure of their principal, interest rates, insurance and any other charges
- credit extension, if necessary
- renewals and the benefit of paying part of the principal every renewal
- benefits derived from opening and regularly depositing to a savings account and
- other banking activities involving the participation of the clients that is beneficial to the clients as well as to the Bank.

The Bank ensures that the principles are carried out effectively and efficiently by its employees through proper and regular orientation of bank products and services and training on policies and procedures.

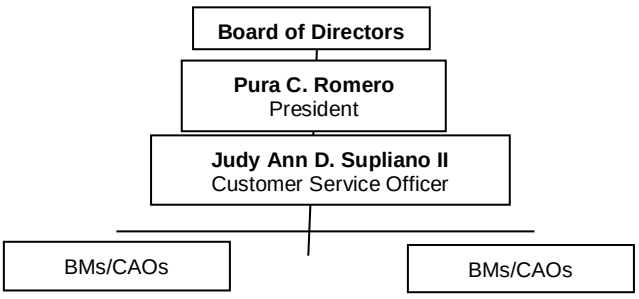
The Customer Protection Risk Management System (CPRMS) is a means by which a Bank can identify, measure, monitor and control customer protection risks inherent in its operations. The risks belong to the financial customer or the Bank. The CPRMS is proportionate to the size, structure and complexity of operations. It provides the foundation for ensuring the Bank's adherence to CP standards of conduct and compliance with customer protection laws, rules and regulations in order to prevent risk to the Bank and any harm or financial loss to the customer.

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

(iii) Consumer Assistance Management System

Structure:

The Bank follows its existing operational channel in handling customer complaints. It has designated its Branch Managers to serve as the Customer Assistance Officers (CAOs). The CAOs reports to the President for the latter to present and discuss the report on complaints to the Board which will provide action based on the recommendations of the CAOs and/or the VP Operations. The structural chart for CAMS is presented below:



Roles of Customer Assistance Officer (CAO)

The Branch Managers who are designated as CAOs s have the following functions and responsibilities:

1. Receives and acknowledges customer concerns, either complaint or request. A Complaint/Request Form is to 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 concerns of the customer. He/ She sees 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 or from the VP, send immediately the concern to them;
5. Provides official reply to the customer. The reply shall be approved by the Head CAO and the VP for Operation;
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.

Customer Assistance Channels

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

a) walk-in or personal visit b) letter or e-mail c) telephone

Each branch of the Bank maintains Customer Assistance Help-Desk with the Bank's cell phone number as its hotline for customer concerns and service. The Branch Managers will be designated as the Customer Assistance Officer in charge of the Customer Assistance Help-Desk.

The Bank has a "Suggestion Box" placed in a conspicuous place or at the desk of the Branch Manager which is accessible to all clients where the customer can provide comments or concerns. On a daily basis, the Branch Manager opens this box and responds to the concerns or suggestions of clients.

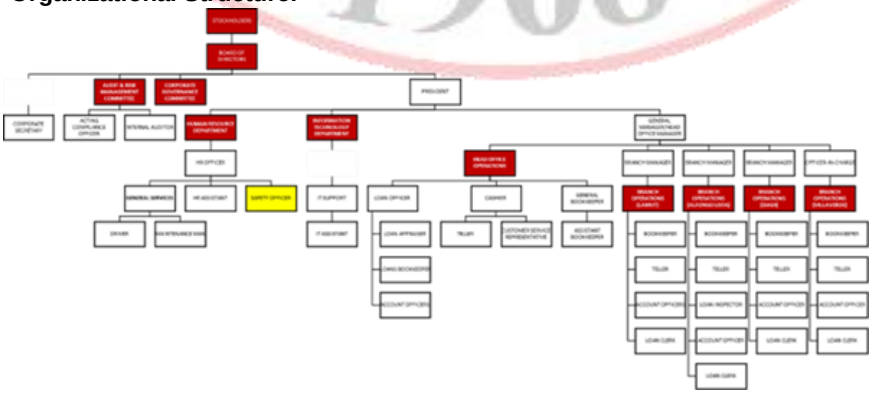
The Bank provides special lane/Teller for senior citizen, customer with disabilities (CWDs), pregnant women, women with children as part of its prioritization scheme in serving customers.

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

STEP	PROCEDURE	RESPONSE TIME	PERSON IN CHARGE	FORMS
1	Approach the Customer Assistance Officer (CAO)	1 minute	Customer Assistance Officer	
2	Fill-out the Complaint Form	30 minutes	Customer Assistance Officer	Complaint Form
3	Submit the Complaint Form to Customer Assistance Officer	1-3 minutes	Customer Assistance Officer	Complaint Form
4	Refer the Complaint to the Head CAO	Within 1 Day	Customer Assistance Officer	Complaint Form
5	Investigate the complaint or request	Within 2 Day	Customer Assistance Officer	
6	Analyze the nature of complaints and prepare the recommended solution(s)	Within 4 Days	Head CAO (Area Head)	Memo
7	Review and approve the recommended solutions	Within 7 Days	VP/President	Memo
8	Provide official reply to the Customer.	Within 9 Days	Customer Assistance Officer	Letter

6. Corporate Information:

a. Organizational Structure:



Name of Key Officers	Positions
Pura C. Romero	President
Sherlie C. Domingo	Head,Operations Division/Head, Remedial Management
Adelle C. Romero	Head, Support Division
Everlyn R. Maranan	Chief Compliance Officer
Roselyn R. Aluyen	Internal Auditor
Richmond P. Bides	Loan Marketing Head
Frank T. Bayodao Jr.	Branch Manager- Alfonso Lista Branch
Rhodora B. Casareno	Head, Credit Administration
Joe Vincent B. Castillo	Branch Manager- Main Office
Ray Oliver S. Eugenio	Branch Manager- Villaverde Branch
Dianne Kriselle B. Moreno	Head,Controllership
Joseph M. Ortillano	Head, Information Technology
Jensen Rusty C. Padua	Head, Litigation
Cristofer C. Rivera	Branch Manager- Lamut Branch
Jimalyn G. Sagyawan	Head, Corporate Services
Joy Marie S. Dumo	Branch Manager- Diadi
Analiza M. Agraan	Account Officer- Villaverde
Cherry Claire G. Alhomon	Servicer Officer- Diadi
Jernhel R. Bangkili	Account Officer- Alfonso lista
Mon Riel T. Cadiz	Account Officer- Diadi
Melanie C. Manalo	Service Officer- Villaverde
Kathleen Joy B. Marciano	Service Officer- Main Office
Angelica B. Ramirez	Service Officer- Main Office
Mariz M. Rivera	Service Officer- Alfonso Lista
Bryan F. Sanchez	Account Officer- Head Office
Jay-R M. Tabangkay	Head, Credit Services

b. List of Stockholders:

Name of Stockholder	Nationality	% of stockholdings	Voting status
Douglas Z. Castillo	Filipino	24.76%	votes in person
Pura C. Romero	Filipino	9.91%	votes in person
Adelle C. Romero	Filipino	7.43%	votes in person
Camille R. Cueto	Filipino	7.43%	Votes via proxy
Victor Z. Castillo	Filipino	6.19%	votes in person
Joe Vincent B. Castillo	Filipino	6.19%	votes in person
Jeffrey Patrick B. Castillo	Filipino	6.19%	votes in person
Jennifer Magdalena C. Pingul	Filipino	6.19%	votes in person
Vincent Z. Castillo	Filipino	4.95%	votes in person
Veronica G. Castillo	Filipino	4.95%	votes via proxy
Regina Joelle G. Castillo	Filipino	4.95%	votes via proxy
Genevieve Isabelle G. Castillo	Filipino	4.95%	votes via proxy
Valerie G. Castillo	Filipino	4.95%	votes via proxy
Teresita I. Hernaez	Filipino	.72%	votes in person
Lorna P. Bugayong	Filipino	.23%	votes in person
Marlyne R. Galapon	Filipino		votes in person
Atty. Lynda B. Chaguile	Filipino		votes in person
Lydia Anne C. Maddela	Filipino		votes in person
Johnson D. Saquing	Filipino		votes in person
Allan Anthony D. Cadang	Filipino		votes in person

Products and Services offered

Savings Deposit – interest-bearing account that can be withdrawn on demand or without any notice.

Certificate of Time Deposit – an account that pays higher than savings account interest rates and cannot be withdrawn before a set date or for which notice of withdrawal is required.

Agrarian Reform Credit – loans granted for agricultural and agrarian reform purposes. Eligible borrowers are the Agrarian Reform beneficiaries, farm organizations or cooperatives.

Agricultural Loan - includes loans granted for exploitation of vegetable and animal natural resources, comprising the activities of growing crops, raising, and breeding of animals, harvesting of timber and other plants, animals or animal products from a farm or their natural habitats.

MSME Loans – These refer to loans granted to major sectors of the economy, namely: industry, trade, services, including the practice of one's profession, the operation of tourism-related establishments, and agri-business, which for this purpose refers to any business activity involving the manufacturing, processing, and/or production of agricultural produce, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, amounting to:

MICRO - not more than 3M SMALL – more than 3M to 15M

MEDIUM – more than 15M to 100M

Housing Loans – loans granted to individuals for housing purposes, which may be for the acquisition, construction or improvement of a residential unit.

Salary-Based Consumption Loans - loans for a broad range of consumption purposes, granted to individuals mainly on the basis of regular salary, pension or other fixed compensation, where repayment would come from such future remunerations.

Other Consumption Loans - loans granted to individuals to finance other personal and household needs such as purchase of household appliances, furniture and fixtures and/or to pay taxes, hospital and educational bills on the basis and under a repayment scheme other than those described under salary-based general-purpose consumption loans
Back-to-Back Loans- loans granted against deposit held by the bank used for whatever purpose it may serve. The payment mode is one-time payment upon maturity of the loan and interest shall be deducted in advance.

c. Bank website: rbbagabag.wordpress.com

d. List of Banking Units:

Branch	Address	Contact Details
Bagabag (Head Office)	San Pedro, Bagabag, Nueva Vizcaya	(078) 332 2013 rbbagabag@rbap.org
Lamut Branch	Pob. West, Lamut, Ifugao	0936 579 1463
Alfonso Lista Branch	Sta. Maria, Alfonso Lista, Ifugao	0905 742 5059
Diadi Branch	Poblacion, Diadi, Nueva Vizcaya	0935 847 0604
Villaverde Branch	Ibung, Villaverde, Nueva Vizcaya	0935 305 8241

Part II: Disclosures in the Annual Reports and Published Statement of Condition

1. Tier 1 capital and breakdown of its components:

Paid up common stock: 96,807,300
Retained Earnings: 118,276,766
Total Tier 1 capital 215,084,066

2. Tier 2 capital and breakdown of components:

General Loan Loss Provision: 2,520,202
Total Tier 2 capital 2,520,202

3. Deductions from Tier 1 and Tier 2 capital: **0**
4. Total Qualifying Capital: **217,604,268**
   - Capital requirement for credit risk: **77,332,175**
   - Capital requirement for market risk: **0.00**
5. Capital requirement for operational risk: **10,558,301**
6. Total and Tier 1 capital adequacy ratio:

Tier 1 CAR **29.23 %**
Total CAR **29.57 %**

FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

C O N T E N T S

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STATEMENTS OF COMPREHENSIVE INCOME 7

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **RURAL BANK OF BAGABAG (N.V.), 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.

Teresita I. Hernaez
Chairman of the Board

Vincent Z. Castillo
President

Joe Vincent B. Castillo
Treasurer

Signed this 23rd day of April, 2025.

IPAGPATULOY ANG KAUNLARAN MAG-IMPOK SA BANGKO

Rural Bank of Bagabag (N. V.), Inc.
Bagabag, Nueva Vizcaya

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **RURAL BANK OF BAGABAG (N.V.), INC.**, is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2024. Management is likewise responsible for all information and representations contained in financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the years ended December 31, 2024 and 2023, and the accompanying Annual Income Tax Return are in accordance with the books and records of **RURAL BANK OF BAGABAG (N.V.), INC.**, complete and correct in all material respects. Management likewise affirms that:

(a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to the tax accounting rules has been reported as reconciling items and maintained in the Bank's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **RURAL BANK OF BAGABAG (N.V.), INC.**, has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Teresita I. Hernaez
Chairman of the Board

Vincent Z. Castillo
President

Joe Vincent B. Castillo
Treasurer

Signed this 23rd day of April, 2025.

IPAGPATULOY ANG KAUNLARAN MAG-IMPOK SA BANGKO

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
Email: aocheadoffice@alasoplas.com
Website: www.alasoplascpas.com

Independent Member of
BKR International

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors
RURAL BANK OF BAGABAG (N.V.), INC.
65A National Highway, San Pedro
Bagabag, Nueva Vizcaya

Qualified Opinion

We have audited the financial statements of **RURAL BANK OF BAGABAG (N.V.), 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 Standard (PFRS) Accounting Standards.

Basis for Qualified Opinion

As disclosed in Note 4 to the financial statements, the Bank did not adopt PFRS 9, Financial Instruments, which provides new guidelines in the classification and measurement of financial instruments and introduces a forward-looking expected credit loss (ECL) model on impairment of debt financial assets not classified as at fair value through profit or loss and loan commitments and financial guarantee contracts. As of December 31, 2024, for classification and measurement, the Bank retained the requirements based on PAS 39, *Financial Instruments: Recognition and Measurement*. For impairment, the Bank adopted Appendix 15 of the Manual of Regulations for Banks (MORB) that provides guidelines for provisioning based on number of days past due, collaterals, and type of loan, which are inconsistent with the requirements of the new standard, and as a result, any adjustments related to surplus, allowance for credit losses and related deferred tax assets as at January 1, 2018, December 31, 2024 and 2023 have not been determined due to certain limitations.

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

Alas Oplas & Co., CPAs

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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRS.

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.

Alas Oplas & Co., CPAs

The Supplementary Information Required under Banko 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 31 and Revenue Regulations Nos. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 30 to the financial statements 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 **RURAL BANK OF BAGABAG (N.V.), 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
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:

RYAN A. SABUG
Partner
CPA License No. 0111183
BOA Registration No. 0190/P-004, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-004-2023, issued on February 9, 2023; effective until February 8, 2026
SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period
TIN 232-158-286-000
PTR No. 10466283, issued on January 2, 2025, Makati City

April 23, 2025
Makati City, Philippines

RURAL BANK OF BAGABAG (N.V.), INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Notes	**2024**	2023
ASSETS			
Cash and other cash items	8	**16,838,140**	15,394,060
Due from Bangko Sentral ng Pilipinas	9	**12,523,698**	12,647,836
Due from other banks	10	**110,961,339**	110,618,129
Held-to-maturity financial assets	11	**17,221,036**	37,221,036
Loans and other receivables – net	12	**456,250,048**	405,201,111
Bank premises, furniture, fixtures and equipment – net	13	**12,988,073**	15,678,107
Intangible assets – net	14	**12,561**	107,179
Investment properties – net	15	**36,209,425**	42,254,978
Deferred tax asset	22	**14,691,487**	10,558,302
Other assets – net	16	**1,016,441**	2,142,627
TOTAL ASSETS		**678,712,248**	651,823,365
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit liabilities	17	**434,066,595**	417,301,721
Income tax payable		**3,609,456**	3,035,223
Other liabilities	18	**17,457,166**	25,257,914
Total Liabilities		**455,133,217**	445,594,858
EQUITY			
Common stock	19	**96,807,300**	96,807,300
Surplus reserves	19	**148,000**	148,000
Surplus free		**126,623,731**	109,273,207
Total Equity		**223,579,031**	206,228,507
TOTAL LIABILITIES AND EQUITY		**678,712,248**	651,823,365

See Notes to Financial Statements.

RURAL BANK OF BAGABAG (N.V.), 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	10	**916,734**	2,214,898
Held-to-maturity financial assets	11	**1,662,133**	451,306
Loans and other receivables	12	**68,614,278**	67,420,172
		71,193,145	70,086,376
INTEREST EXPENSE			
Deposit liabilities	17	**(4,882,579)**	(5,251,340)
NET INTEREST INCOME		**66,310,566**	64,835,036
OTHER INCOME	20	**16,189,928**	10,570,033
TOTAL OPERATING INCOME		**82,500,494**	75,405,069
OPERATING EXPENSES	21	**(44,337,976)**	(37,510,934)
NET OPERATING INCOME BEFORE PROVISION		**38,162,518**	37,894,135
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	25	**(15,429,238)**	(5,321,936)
PROFIT BEFORE TAX		**22,733,280**	32,572,199
INCOME TAX EXPENSE	22	**(5,382,756)**	(7,815,484)
PROFIT		**17,350,524**	24,756,715
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME		**17,350,524**	24,756,715

See Notes to Financial Statements.

RURAL BANK OF BAGABAG (N.V.), INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
In Philippine Peso

	Capital Stock (Note 19)	**Stock dividend distributable** (Note 19)	**Surplus Reserves** (Note 19)	**Surplus Free**	**Total**
Balance at December 31, 2022	96,807,300	30,010,046	148,000	79,676,344	206,641,690
Transactions with the owners:					
Cash dividend declared	–	–	–	(25,169,898)	(25,169,898)
Reversal of stock dividends	–	(30,010,046)	–	30,010,046	–
Total transactions with owners	–	(30,010,046)	–	4,840,148	(25,169,898)
Comprehensive income:					
Profit	–	–	–	24,756,715	24,756,715
Balance at December 31, 2023	96,807,300	–	148,000	109,273,207	206,228,507
Comprehensive income:					
Profit	–	–	–	17,350,524	17,350,524
Balance at December 31, 2024	**96,807,300**	**–**	**148,000**	**126,623,731**	**223,579,031**

See Notes to Financial Statements.

RURAL BANK OF BAGABAG (N.V.), 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		**22,733,280**	32,572,199
Adjustments for:			
Interest income	10,11	**(2,578,867)**	(2,666,204)
Amortization	14	**24,311**	60,124
Interest expense – lease liabilities	18	**261,563**	339,292
Income from assets acquired	20	**(12,206,623)**	(4,352,893)
Depreciation	21	**5,412,820**	2,938,831
Provision for credit and impairment losses	25	**15,429,238**	5,321,936
Gain on lease modification	20	**(51,165)**	–
Operating cash flows before working capital changes		**29,024,557**	34,213,285
Decrease (increase) in operating assets:			
Loans and other receivables		**(70,095,989)**	(3,868,576)
Other assets		**1,294,776**	5,623,256
Increase (decrease) in operating liabilities:			
Deposit liabilities		**16,764,874**	(6,679,979)
Other liabilities		**(4,847,095)**	6,170,420
Cash generated from (used in) operations		**(27,858,877)**	35,458,406
Income tax paid		**(8,941,708)**	(9,871,064)
Interest received		**1,983,168**	2,666,204
Net cash generated from (used in) operating activities		**(34,817,417)**	28,253,546
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redeemed held-to-maturity financial assets	11	**20,000,000**	2,000,000
Acquisition of bank premises, furniture, fixtures and equipment	13	**(794,800)**	(3,515,055)
Proceeds from disposal of investment properties	15	**19,189,419**	8,758,327
Net cash generated from investing activities		**38,394,619**	7,243,272
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities – principal and interest	18	**(1,914,050)**	(1,826,330)
Dividends paid	19	**–**	(25,169,898)
Net cash used in financing activities		**(1,914,050)**	(26,996,228)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,663,152**	8,500,590
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		**15,394,060**	17,023,055
Due from Bangko Sentral ng Pilipinas		**12,647,836**	12,777,275
Due from other banks		**110,618,129**	100,359,105
		138,660,025	130,159,435
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	8	**16,838,140**	15,394,060
Due from Bangko Sentral ng Pilipinas	9	**12,523,698**	12,647,836
Due from other banks	10	**110,961,339**	110,618,129
		140,323,177	138,660,025

See Notes to Financial Statements.

1. CORPORATE INFORMATION

The **RURAL BANK OF BAGABAG (N.V.), INC.** (the "Bank"), was registered with the Philippine Securities and Exchange Commission (SEC) with Registration No. 35902 on July 29, 1968. On August 19, 1968, the Bank was authorized by the Bangko Sentral ng Pilipinas (BSP) to engage in rural banking business.

The Bank was formed to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises, to have and exercise all authority and power, to do and perform all acts, and to transact all business which may legally be had or done by rural banks organized under and in accordance with the Rural Banks' Act, as it exists or may be amended; and to do all other things incident thereto and necessary and proper in connection with said purpose within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas.

The Bank's principal office is located at 65A National Highway, San Pedro, Bagabag, Nueva Vizcaya and is domiciled in the Philippines. The Bank has five (5) branches as follows:

Branches	Address
Alfonso Lista	Alfonso Lista, Bagabag, Nueva Vizcaya
Bagabag	Bagabag, Nueva Vizcaya
Diadi	Diadi, Nueva Vizcaya
Lamut	Lamut, Ifugao
Villaverde	Villaverde, Nueva Vizcaya

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

PFRS Accounting Standards include all applicable PFRSs, Philippine Accounting Standards (PASs), and Interpretations issued by the Philippine Interpretations Committee
– IFRIC as approved by the FSRSC and adopted by the SEC. All provisions and requirements of PFRSs are applied by the Bank in preparation of financial statements except for the following standards:

PFRS 9 Financial Instruments – for classification and measurement, the Bank retained the requirements set under PAS 39, Financial Instruments: Recognition and Measurement while for impairment, the Bank adopted Appendix 15 of the Manual of Regulations for Banks (MORB) that provides arbitrary rate for provisioning based on number of days past due, collateral and type of loan, which are inconsistent with the requirements of the new standard.

2.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

2.03 Presentation and Functional Currency

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

2.04 Use of Judgments and Estimates

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

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

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

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

2.05 Going Concern Assumption

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

3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

3.01 New and Amended Standards and Interpretations Effective on January 1, 2024

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024, unless otherwise stated.

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)
- Supplier Finance Arrangements (Amendments to PAS 7 and PFRS 7)
- Non-current Liabilities with Covenants (Amendments to

PAS 1) 1) these amendments had no impact on the Bank's

financial statements.

3.02 Standards Issued but Not Yet Effective (effective Beginning on or After January 1, 2025)

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.02.01 PFRS 17 Insurance Contracts

PFRS 17 'Insurance Contracts' is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. PFRS 17 replaces PFRS 4 'Insurance Contracts'. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of PFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. PFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is originally effective for annual periods beginning January 1, 2023. However, the Financial Reporting Standards Council has approved, on December 15, 2021, the amendment of PFRS 17 which defers the date of initial application by two years to annual periods beginning on or after January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

The Banks does not expect the standard to have a material impact on its operations or financial statements.

3.02.02 Lack of Exchangeability (Amendments to PAS 21)

In August 2023, the IASB amended PAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

The amendment is effective for reporting periods beginning on or after January 1, 2025.The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.02.03 Annual Improvements to PFRS Accounting Standards – Volume 11

In July 2024, the IASB published 'Annual Improvements to PFRS Accounting Standards – Volume 11'. A summary of improvements is set out below:

- PFRS 1 'First-time Adoption of PFRS Financial Reporting Standards' – Hedge accounting by a first-time adopter
- PFRS 7 'Financial Instruments: Disclosures' – Gain or loss on derecognition
- PFRS 7 'Financial Instruments: Disclosures' Implementation Guidance – Disclosure of differences between the fair value and the transaction price and disclosures on credit risk
- PFRS 9 'Financial Instruments' – Transaction price and lessee derecognition of lease liabilities
- PFRS 10 'Consolidated Financial Statements' – Determination of a 'de facto agent'
- PAS 7 'Statement of Cash Flows' – Cost method

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.02.04 Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7)

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.02.05 PFRS 18 'Presentation and Disclosure in Financial Statements'

PFRS 18 will replace PAS 1, *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Bank's financial statements.

The Bank will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

3.02.06 PFRS 19 'Subsidiaries without Public Accountability: Disclosures'

Issued in May 2024, PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRSs to apply reduced disclosure requirements.

PFRS 19 will become effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The Bank does not expect the standard to have a material impact on its operations or financial statements.

4. MATERIAL ACCOUNTING POLICIES

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

4.01 Financial Assets

The Bank recognizes financial assets when the Bank becomes a party to the contractual provision of the financial instruments.

4.01.01 Classification of Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets, held- to-maturity (HTM) financial assets and 'loans and receivables'. The classification depends on the nature and purpose for which the financial assets were acquired and is determined at the time of initial recognition.

As of December 31, 2024 and 2023, the Bank has not designated any financial asset as at FVTPL and AFS.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Bank's loans and receivables comprise cash and cash equivalents and loans and other receivables.

a) Cash and Other Cash Items

In the statement of cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and due from other banks with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

Cash and cash equivalents are valued at face value. If a bank holding the funds of the Bank is in bankruptcy or financial difficulty, cash and cash equivalents should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

The Bank recognizes each item of cash and cash equivalents as a current asset when the cash is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

b) Loans and Other Receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes loans receivable, sales contract receivable and accrued interest receivable.

Loans Receivable

Loans and other receivable are recognized when cash is advanced to the borrowers. These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, 'Loans and receivables' are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as 'Interest income' in the statement of comprehensive income. The losses arising from impairment are recognized in profit or loss.

Unearned discount is amortized using the effective interest method of amortization and any unamortized loan discount is deducted from the outstanding balance to arrive at the amortized cost of the account.

Loans are classified as non-accruing when the principal becomes non- performing, or when, in the opinion of management, collection of interest and principal is already doubtful. Interest income on these loans is recognized only to the extent of actual collections. Loans are not classified as accruing until interest and principal payments are brought to current status or the loan is restructured in accordance with existing BSP regulations and future collections appear assured.

Credit loss is the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the estimated future cash flows discounted at loan's original effective interest rate or the last re-pricing rate for loans issued at variable rates. It is established through an allowance account which is charged to expense. Loans and discount are written off against the allowance for credit loss when management believes that the collectability of the principal is unlikely, subject to BSP regulations.

Sales Contract Receivable (SCR)
This refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price. This shall be recorded initially at the present value of the installment receivable discounted at the imputed rate of interest. Discount is accreted over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets are realized in profit or loss in the period of disposal.

All SCR shall have a minimum of 20% down payment upon execution of the contract to sell. SCR with at least one payment in arrear shall be considered as non-performing. SCR with less than 20% down payment shall also be considered as non-performing.

- Held-to-maturity financial assets

Held-to-maturity financial assets (HTM) include quoted and unquoted non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Bank has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, these are subsequently measured at amortized costs using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any premium or discount upon acquisition and fees integral as part of the effective interest rate. The amortization of premium or discount is included as "Interest income" in profit or loss.

Gains and losses are recognized in income when the HTM financial assets are derecognized and impaired, as well as through the amortization process. Impairment loss, which is the difference between the carrying value and the present value of estimated cash flows of the financial asset, is recognized when there is objective evidence that the financial asset has been impaired. The losses arising from the impairment of such financial asset are recognized in profit or loss.

4.01.02 Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

4.01.03 Effective Interest Method

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

4.01.04 Impairment of Financial Assets

At the end of the reporting period, the Bank assess its expected credit losses (ECL). The Bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. The Bank being categorized as having simple and non-complex operations adopted the basic guidelines in setting up of allowance for credit losses provided for in the Appendix 15 of the Manual of Regulations for Banks (MORB) in recognizing expected credit losses (ECL) for its loans and other receivables.

The Bank considers a financial asset in default when contractual payments, i.e. last amortization paid are more than 30 days past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank's ECL measurement, as determined by the Management, is disclosed in Note 6.01.05.

As of December 31, 2024 and 2023, the Bank did not assess the impact of ECL model that is in accordance with PFRS 9 due to certain limitations.

4.01.05 Derecognition

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

4.02 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are measured at historical cost less any accumulated depreciation and impairment losses. Historical cost consists of purchase price and costs directly attributable in bringing the asset to its working condition for its intended use.

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

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

Building – 10 to 15 years
Transportation equipment – 3 to 10 years
Information technology equipment – 2 to 10 years
Furniture, fixtures and equipment – 2 to 10 years

Land is not depreciated. Leasehold improvements are depreciated over the shorter between the improvements' useful life of 10 years or the lease term. Right-of-use assets are depreciated over the lease terms of the lease ranging from 10 to 25 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When revalued assets are sold, the amounts included in other reserves are transferred to surplus free.

Fully depreciated assets still in use are retained in the financial statements. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements and any resulting gain or loss is credited or charged to profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

4.03 Investment Properties

Properties that are held either to earn rental income or for capital appreciation or both, and are not significantly occupied by the Bank, are classified as investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed using straight-line method based on the estimated useful lives of the assets of 10 years.

Land is not depreciated. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher between the property's fair value less cost to sell and value in use.

Investment properties are derecognized by the Bank upon disposal or when the investment property is permanently withdrawn from use and no future benefit is expected to arise from the continued use of the asset. Any gain or loss on derecognition of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income in the period in which the property is derecognized.

Transfers are made to investment properties when there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Transfers to and from investment property do not result in gain or loss.

4.04 Other Assets

Other assets not classified as financial assets, includes prepayments and stationeries, and supplies on hand and the likes. These other assets qualifying into the definition of assets under PAS 1 Presentation of Financial Statements are resources controlled by the Bank as a result of past events and from which future economic benefits are expected to flow to the entity. Other assets are recognized on an accrual basis of accounting.

4.05 Impairment of Non-Financial Assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

4.06 Financial Liabilities and Equity Instruments

4.06.01 Classification as Financial Liability or Equity Instrument
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

4.06.02 Financial Liabilities
Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Financial Liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
• It has been acquired principally for the purpose of repurchasing it in the near term;
• On initial recognition it is part of a portfolio of identified financial instruments that the Bank together and has a recent actual pattern of short-term profit-taking; or
• It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
• Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
• the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
• It forms part of a contract containing one or more embedded derivatives, and PAS 39, Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the statement of comprehensive income.

As of December 31, 2024 and 2023, the Bank has no outstanding financial liabilities at FVTPL.

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

• Common stock
Common stock is classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

• Surplus free
Surplus free represents all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividend declared, if any.

• Surplus reserves
Surplus reserves pertain to reserve set aside by Bank for contingencies.

4.07 Related Party Relationships and Transactions

Related party transactions are transfer of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and (d) the Bank's retirement fund.

In considering each possible related party relationships, attention is directed to the substance of the relationship and not merely on the legal form.

Further, Section 131 of the MORB states that related parties shall cover the BSFI's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's DOSRI, and their close family members, as well as corresponding persons in affiliated companies. These shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the BSFI, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to a BSFI identified as follows:

(1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
(2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
(3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
(4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

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

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

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

4.08 Revenue Recognition

4.08.01 Revenue Recognition for Revenues within the scope of PFRS 15
Prior to January 1, 2018, under PAS 18, Revenue, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Bank and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable by the Bank for services provided in the normal course of business. In addition, the following specific recognition criteria must also be met before revenue is recognized.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

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

The following specific recognition criteria must also be met before revenue is recognized:

Fees and Commissions
The Bank earns fees and commission income from a diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and credit-related fees. Service fees are collected from borrowers to cover direct and indirect expenses in processing credit applications.

Other Income
Other income arises from gain on sale of financial and non-financial assets, bank fees and charges, bank commissions and miscellaneous income. Other income is recognized upon completion of the earning process and the collectibility is reasonably assured.

4.08.02 Revenue Recognition for Revenues outside the scope of PFRS 15
For revenues outside the scope of PFRS 15, the following specific recognition criteria must also be met before revenue is recognized:

Interest on Loans
Interest income on loans and discount with and without advanced interest are recognized periodically using the effective interest method of amortization.

The Bank does not accrue interest income on non-performing loans in compliance with BSP regulations.

The Bank shall only charge interest based on the outstanding balance of a loan. For a loan where the principal is payable in installments, interest per installment shall be calculated based on the outstanding balance of the loan.

Interest Income on Bank Deposits and Held-to-Maturity Financial Assets
Interest on bank deposits and held-to-maturity financial assets are recognized in profit or loss using the effective interest method.

4.09 Cost and Expense Recognition

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of a systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined; or
- Immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

4.10 Leases

4.10.01 The Bank as Lessee

For any new contracts entered into on or after January 1, 2022, the Bank considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations which are whether:

• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;

• the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

• the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Recognition and Initial Measurement

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

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

Subsequent Measurement

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

Useful life considered in depreciating the right-of-use assets is the life of the asset or remaining term of the lease, whichever is shorter.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

4.11 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including directors and management.

4.11.01 Short-term Employee Benefits
The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, shortterm compensated absences, bonuses, non-monetary benefits, and other short-term benefits.

4.11.02 Retirement Benefit
The Bank has made its own estimate of retirement benefits obligation. The Bank recognizes its retirement benefit obligation using the accrual approach. Under the accrual approach, the accrued benefit to be recognized is equivalent to the basic monthly salary for every year of service to all qualified employees.

4.12 Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.12.01 Current Income Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4.12.02 Deferred Income Tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry-forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-Over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized.

Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

4.13 Fair Value Measurement

The Bank measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal and the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

4.14 Provisions, Contingent Liabilities and Contingent Assets

4.14.01 Provisions

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

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

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

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

4.14.02 Contingencies

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

4.15 Events after the Reporting Date

The Bank identifies events after the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Bank's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

5. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS USED

The preparation of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.01 Critical Judgments in Applying Accounting Policies

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

5.01.01 Determining whether or not a contract contains a lease
At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Identified asset
An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer.

Substantive substitution rights
Even if the asset is specified, the Bank does not have the right to use an identified asset, if, at inception of the contract, a supplier has the substantive right to a substitute the asset throughout the period of use (i.e., the total period of time that an asset is used to fulfil a contract with the Bank, including the sum of any non-consecutive periods of time). A supplier's right to substitute an asset is substantive when both of the following conditions are met:

• The supplier has the practical ability to substitute alternative assets throughout the period of use (e.g., the Bank cannot prevent the supplier from substituting an asset and alternative assets are readily available to the supplier or could be sourced by the supplier within a reasonable period of time); and
• The supplier would benefit economically from the exercise of its right to substitute the asset (i.e., the economic benefits associated with substituting the asset is expected to exceed the costs associated with substituting the asset).

The Bank's evaluation of whether a supplier's substitution right is substantive is based on facts and circumstances at inception of the contract. At inception of the contract, the Bank does not consider future events that are not likely to occur.

Right to obtain substantially all of the economic benefits from use of the identified asset
To control the use of an identified asset, the Bank is required to have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use (e.g., by having exclusive use of the asset throughout that period).

When assessing whether the Bank has the right to obtain substantially all of the economic benefits from the use of an asset, the Bank considers the economic benefits that result from use of the asset within the defined scope of the customer's right to use the asset. A right that solely protects the supplier's interest in the underlying asset (e.g., limits on the number of miles a customer can drive a supplier's vehicle) does not, in and of itself, prevent the Bank from obtaining substantially all of the economic benefits from use of the asset and, therefore, are not considered when assessing whether the Bank has the right to obtain substantially all of the economic benefits.

If a contract requires the Bank to pay the supplier or another party a portion of the cash flows derived from the use of an asset as consideration (e.g., a percentage of sales from the use of retail space), those cash flows are considered to be economic benefits that the Bank derives from the use of the asset.

Right to direct the use of the identified asset
The Bank has the right to direct the use of an identified asset throughout the period of use when either the Bank has the right to direct how and for what purpose the asset is used throughout the period of use. The Bank has the right to direct the use of an identified asset whenever it has the right to direct how and for what purpose the asset is used throughout the period of use (i.e., it can change how and for what purpose the asset is used throughout the period of use). When evaluating whether the Bank has the right to change how and for what purpose the asset is used throughout the period of use, its focus is on whether the Bank has the decision-making rights that will most affect the economic benefits that will be derived from the use of the asset. The decision-making rights that are most relevant are likely to depend on the nature of the asset and the terms and conditions of the contract.

5.01.02 Classifying Held-to-Maturity Financial Assets
The Bank follows the guidance of PAS 39, Financial Instruments: Recognition and Measurement, in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity other than for the allowed specific circumstances – as allowed under the standards, for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class to available-for-sale securities. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost.

However, the tainting provision will not apply if the sales or reclassification of held-tomaturity financial assets are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank. The investments would therefore be measured at fair value and not at amortized cost.

The Bank's held-to-maturity financial assets amounted to ₱17,221,036 and ₱37,221,036 as of December 31, 2024 and 2023, respectively, as disclosed Note 11.

5.01.03 Determining Provisions and Contingencies
The Bank is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential result. The Bank currently does not believe that these proceedings will have a material adverse effect on its financial condition. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

5.01.04 Determining Fair Value of Financial Instruments
The Bank classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, these are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models was taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

5.01.05 Determining Fair Value of Acquired Assets classified as Investment Properties
The Bank determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

The fair value of investment properties is disclosed in Note 15.

5.01.06 Classifying Real and Other Properties Acquired (ROPA)
The Bank acquires properties in settlement of loans through foreclosure or dation in payment. These properties are recognized in accordance with Section 382 of the MORB, as follows:

1. Land and buildings shall be accounted for using the cost model under PAS 40 "Investment Property";
2. Other non-financial assets shall be accounted for using the cost model under PAS 16 "Property Plant and Equipment", provided that these are held for use in the production or supply of goods or services, or for administrative purposes; and
3. PFRS 5 "Non-Current Assets Held for Sale" when the properties comply with the provisions of the standard. Notwithstanding the above provisions, it is a regulatory expectation for the Bank to dispose these properties immediately.

5.02 Key Sources of Estimation Uncertainty

5.02.01 Impairment Losses on Financial Assets (Loans Receivable and Held-to-Maturity Financial Assets)
The Bank reviews its loans and other receivable and held-to-maturity investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditioned that correlate with defaults on assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Bank utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity. As of December 31, 2024 and 2023, the management believes that the allowance provided by the Bank is sufficient to cover BSP requirements.

As of December 31, 2024 and 2023, loans and other receivables amounted to ₱456,250,048 and ₱405,201,111, respectively, net of allowance for credit losses, as disclosed in Note 12. Held-to-maturity financial assets amounted to ₱17,221,036 and ₱37,221,036, respectively, as disclosed in Note 11.

5.02.02 Estimating Useful Lives of Assets

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimate useful lives of bank premises, furniture, fixtures and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of bank premises, furniture, fixtures and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results operations could be materially affected by changes in estimates brought about by changes in factors and circumstances. A reduction in the estimated useful lives of bank premises, furniture, fixtures and equipment and investment properties would increase recorded operating expenses and decrease non-current assets.

The Bank has bank premises, furniture, fixtures and equipment stated at carrying value of ₱12,988,073 and ₱15,678,107 as of December 31, 2024 and 2023, respectively, as disclosed in Note 13. Investment properties amounted to ₱36,209,425 and ₱42,254,978 as of December 31, 2024 and 2023, respectively, as disclosed in Note 15.

5.02.03 Determining Asset Impairment

The Bank performs an impairment review when certain impairment indicators are present. Determining the fair value of bank premises, furniture, fixtures and equipment, investments, assets held for sale and intangible assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that property and equipment, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under generally accepted accounting principles in the Philippines.

Management has determined that the Bank's premises, furniture, fixtures and equipment, are not impaired, hence, no impairment loss were recognized in both 2024 and 2023.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

6.01 General Risk Management Principles

The Bank's financial instruments comprise cash, held-to-maturity financial assets, loans and receivables, other assets, and other financial liabilities such as deposit liabilities, and other liabilities to finance the Bank's operations.

The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

	Notes		**2024**		2023
Financial assets at amortized cost:					
Cash and other cash items	8	₱	**16,838,140**	₱	15,394,060
Due from Bangko Sentral ng Pilipinas	9		**12,523,698**		12,647,836
Due from other banks	10		**110,961,339**		110,618,129
Held-to-maturity financial assets	11		**17,221,036**		37,221,036
Loans and other receivables – net	12		**456,250,048**		405,201,111
Other assets*	16		**1,012,140**		2,041,677
		₱	**614,806,401**	₱	583,123,849
Financial liabilities at amortized cost:					
Deposit liabilities	17	₱	**434,066,595**	₱	417,301,721
Other liabilities**	18		**16,166,604**		19,772,828
		₱	**450,233,199**	₱	437,074,549

**excluding non-financial assets amounting to ₱4,301 and ₱100,950 as of December 31, 2024 and 2023, respectively, and net of allowance for credit losses amounting to ₱2,456,274 in 2024 and 2023.*
***excluding non-financial liabilities amounting to ₱1,290,562 and ₱5,485,086 as of December 31, 2024 and 2023, respectively.*

6.01.01 Credit Risk and Concentration of Assets and Liabilities and Off-balance Sheet Items

Credit risk is the risk to earnings or capital arising from a counterparty failure to perform and meet the terms of its contract with the Bank subjecting the latter to a financial loss. Credit risk may last for the entire tenor and may approximate to the full amount of a transaction and in some cases may exceed the original principal exposure.

Credit risk inherent in the lending activities and the Bank manages it in accordance with a credit risk management framework that spans for identification, measurement, control, monitoring and reporting.

To manage credit risk, the Bank conducts credit investigation and background checking and follows written manuals and procedures for loan disbursements, monitoring and collection. Policies of loan diversification like maximum loan size, types of loans, loan structures are instituted to avoid concentration in a particular sector or area to lessen portfolio risk.

The Management closely monitors the overall credit operations and acts on the identified existing and potential risks appropriately for reporting during regular meetings of the BOD.

6.01.02 Maximum Exposure to Credit Risk before Collateral Held or Other Credit Enhancements

An analysis of the maximum exposure to credit risk relating to on-balance sheet assets without taking into account of any collateral held or other credit enhancements is shown below:

	Notes		**2024**		2023
Due from Bangko Sentral ng Pilipinas	9	₱	**12,523,698**	₱	12,647,836
Due from other banks	10		**110,961,339**		110,618,129
Held-to-maturity financial assets	11		**17,221,036**		37,221,036
Loans and other receivables*	12		**552,576,965**		486,098,863
Other assets**	16		**3,468,414**		4,497,951
		₱	**696,751,452**	₱	651,083,815

**gross of allowance for credit losses amounting to ₱96,326,917 and ₱80,897,752 as of December 31, 2024 and 2023, respectively, and net of unamortized discount of ₱8,981,493 and ₱7,635,288 as of December 31, 2024 and 2023, respectively.*

********excluding non-financial assets amounting to ₱4,301 and ₱100,950 as of December 31, 2024 and 2023, respectively, and gross of allowance for credit losses amounting to ₱2,456,274 in 2024 and 2023.*

Where financial instruments are recorded at fair value, the amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

6.01.03 Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2024 and 2023:

2024	**Neither Past Due nor Impaired**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and other cash items	16,838,140	–	–	16,838,140
Due from Bangko Sentral ng Pilipinas	12,523,698	–	–	12,523,698
Due from other banks	110,961,339	–	–	110,961,339
Held-to-maturity financial assets	17,221,036	–	–	17,221,036
Loans and other receivables*	321,187,706	193,037,777	38,351,482	552,576,965
Other assets**	3,468,414	–	–	3,468,414
	482,200,333	**193,037,777**	**38,351,482**	**713,589,592**

**Gross of allowance for credit losses amounting to ₱96,326,917 and net of unamortized discount of ₱8,981,493.*
********excluding non-financial assets amounting to ₱4,301 and gross of allowance for credit losses of ₱2,456,274.*

2023	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items	15,394,060	–	–	15,394,060
Due from Bangko Sentral ng Pilipinas	12,647,836	–	–	12,647,836
Due from other banks	110,618,129	–	–	110,618,129
Held-to-maturity financial assets	37,221,036	–	–	37,221,036
Loans and other receivables*	267,812,310	194,720,651	23,565,902	486,098,863
Other assets**	2,041,677	2,456,274	–	4,497,951
	445,735,048	197,176,925	23,565,902	666,477,875

**Gross of allowance for credit losses amounting to ₱80,897,752 and net of unamortized discount of ₱7,635,288.*
********excluding non-financial assets amounting to ₱100,950 and gross of allowance for credit losses of ₱2,456,274.*

Neither past due nor impaired cash on hand and in banks are working capital cash fund placed, invested, or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability. Other neither past due nor impaired accounts are loans and other receivables and investment securities which have a very remote likelihood of default and have consistently exhibited good paying habits.

Past due but not impaired loans and receivables and investment securities are loans and receivables and investment securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Bank.

Loans with negotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Bank has made concessions that it would not otherwise consider.

Impaired loans and receivables and investment securities are loans and receivables and investment securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory notes and securities agreements. Loans and receivables that have been provided with 100% allowance for credit losses and those under litigation are considered impaired.

The Bank holds collateral against loans receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets.

6.01.04 Aging Analysis

An aging analysis of the Bank's gross loans and other receivables as of December 31, 2024 and 2023 are as follows:

		2024		2023
Outstanding receivables:				
Current accounts	₱	**321,187,706**	₱	267,812,310
Past due accounts:				
1 – 30 days past due		**21,562,409**		37,124,532
31 – 90 days past due		**30,076,073**		28,722,938
91 – 180 days past due		**29,173,335**		16,176,399
over 180 days past due		**150,577,442**		136,262,684
	₱	**552,576,965**	₱	486,098,863

**amounts gross of allowance for credit losses but net of unamortized discount.*

6.01.05 Measurement of Allowance for Credit Losses

Banks with credit operations that may not economically justify a more sophisticated loan loss estimation methodology or where practices fell short of expected standards shall, at a minimum be subject to the following guidelines:

Individually Assessed Loans and Other Credit Exposures

1. Loans and other credit exposures with unpaid principal and/or interest shall be classified and provided with allowance for credit losses (ACL) based on the number of days of missed payments, as follows:

For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days	Substandard (underperforming)	10%	2
91 – 120 days	Substandard (non-performing)	25%	3
121 – 180 days	Doubtful	50%	3
181 days and over	Loss	100%	3

For secured loans and other credit exposures:

No. of days unpaid/with missed payments	Classification	Minimum ACL	Stage
31 – 90 days*	Substandard (underperforming)	10%	2
91 – 180 days*	Substandard (non-performing)	10%	3
181 – 365 days	Substandard (non-performing)	25%	3
Over a year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

**When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%.*

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

2. Loans and other credit exposures that exhibit the characteristics for classified accounts described under Sec. 143 (Credit Classification and Provisioning) shall be provided with ACL, as follows:

Classification	Minimum ACL	Stage
Especially mentioned	5%	2
Substandard – secured	10%	2 or 3
Substandard – unsecured	25%	2 or 3
Doubtful	50%	3
Loss	100%	3

3. Unsecured loans and other credit accommodations classified as “Substandard” in the last two (2) internal credit reviews which have been continuously renewed/extended without reduction in principal and is not in process of collection, shall be downgraded to “Doubtful” classification and provided with a fifty percent (50%) allowance for credit losses.

4. Loans and other credit accommodations under litigation which have been classified as “Pass” prior to the litigation process shall be classified as “Substandard” and provided with twenty-five percent (25%) allowance for credit losses.

5. Loans and other credit accommodations that were previously classified as “Pass” but were subsequently restructured shall have a minimum classification of EM and provided with a five percent (5%) allowance for credit losses, except for loans which are considered non-risk under existing laws, rules and regulations.

6. Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be fully repaid.

Collectively Assessed Loans and Other Credit Exposure

1. Current "Pass" loans and other credit accommodations should be provided with a reasonable level of collective allowance, using historical loss experience adjusted for current conditions.

2. Loans and other credit exposures with unpaid principal and/ or interest shall be classified and provided with ACL based on the number of days of missed payments, as follows:

For unsecured loans and other credit exposures:

No. of days unpaid/with missed payments*	Classification	Minimum ACL	Stage
1 – 30 days	Especially Mentioned	2%	2
31 – 60 days/1st restructuring	Substandard	25%	2 or 3
61 – 90 days	Doubtful	50%	3
91 days and over/2nd restructuring	Loss	100%	3

**PAR for microfinance loans.*

For secured loans and other credit exposures:

No. of days unpaid/with missed payments*	Classification	ACL (%)		Stage
		Other types of collateral	Secured by real estate	
31 – 90 days	Substandard (underperforming)	10	10	2
91 – 120 days	Substandard (non-performing)	25	15	3
121 – 360 days	Doubtful	50	25	3
361 days – 5 years	Loss	100	50	3
Over 5 years	Loss	100	100	3

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances is determined to be insufficient, weak or without recoverable values, such loans and advances shall be treated as if these are unsecured.

6.02 Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Bank's objective is to maintain a balance between continuity of funding and flexibility through the use of generated funds. The Bank manages this risk through periodic monitoring of cash flows in consideration of future payment due dates and daily collection amounts. The Bank also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime to meet short-term funding and regulatory requirements.

The maturity grouping of financial instruments is based on the remaining period from the end of the financial reporting period to the contractual maturity date. For financial liabilities, when the counterparty has a choice of when the amount is to be paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

As of December 31, 2024 and 2023, minimum liquidity ratio of the Bank is 44.09% and 50.85%, respectively.

The table below summarizes maturity profile of the Bank's financial assets and liabilities as of December 31, 2024 and 2023 based on undiscounted contractual cash flows:

2024					
	On Demand	**Due Within 1 Year**	**Due Beyond 1 Year but Not More Than 5 Years**	**Due Beyond 5 Years**	**Total**
Financial assets:					
Cash and other cash items	16,838,140	–	–	–	16,838,140
Due from Bangko Sentral ng Pilipinas	12,523,698	–	–	–	12,523,698
Due from other banks	81,073,182	28,888,157	1,000,000	–	110,961,339
Held-to-maturity financial assets	–	–	–	17,221,036	17,221,036
Loans and other receivables*	114,502,903	185,029,557	120,646,892	132,397,613	552,576,965
Other assets**	3,468,414	–	–	–	3,468,414
	228,406,337	**213,917,714**	**121,646,892**	**149,618,649**	**713,589,592**

**gross of allowance for credit losses amounting to ₱96,326,917 and net of unamortized discount of ₱8,981,493.*
****excluding non-financial assets amounting to ₱4,301 and gross of allowance for credit losses of ₱2,456,274.***

Financial Liabilities:					
Deposit liabilities	352,904,232	80,662,363	500,000	–	434,066,595
Other liabilities***	16,166,602	–	–	–	16,166,602
	369,070,834	**80,662,363**	**500,000**	**–**	**450,233,197**

******excluding non-financial liabilities amounting to ₱1,290,562.***

2023

	On Demand	Due Within 1 Year	Due Beyond 1 Year but Not More Than 5 Years	Due Beyond 5 Years	Total
Financial assets:					
Cash and other cash items	15,394,060	–	–	–	15,394,060
Due from Bangko Sentral ng Pilipinas	12,647,836	–	–	–	12,647,836
Due from other banks	110,618,129	–	–	–	110,618,129
Held-to-maturity financial assets	–	20,000,000	15,000,000	2,221,036	37,221,036
Loans and other receivables*	321,823,891	72,789,798	85,885,457	5,599,717	486,098,863
Other assets**	4,497,951	–	–	–	4,497,951
	464,981,867	92,789,798	100,885,457	7,820,753	666,477,875

**gross of allowance for credit losses amounting to ₱75,603,916 and net of unamortized discount of ₱6,366,169.*
***excluding non-financial assets amounting to ₱208,564, and gross of allowance for credit losses of ₱2,656,274.*

Financial Liabilities:					
Deposit liabilities	306,218,257	108,342,813	2,740,651	–	417,301,721
Other liabilities***	19,772,828	–	–	–	19,772,828
	325,991,085	108,342,813	2,740,651	–	437,074,549

******excluding non-financial liabilities amounting to ₱5,485,086.***

6.03 Market risk

Market risk is the potential loss that may arise from decrease in earnings due to decline in price or present value of cash flows of a financial instrument. The value of the financial instruments may change as a result of changes in interest rates, foreign exchange rates and other market changes. As of December 31, 2024 and 2023, the Bank has not engaged in trading financial instruments.

Investment, asset and liability portfolios are affected by market risks because the revenues derived from the activities such as interest income and expense are sensitive to changes in interest.

The Bank faces market risk in the form of interest rate risk and currency risk. Market risk would be controlled in a monthly risk control and compliance which functions independently from the banking units.

6.03.01 Interest Rate Risk
Interest rate risk is the risk to the earning or capital resulting from adverse movements in the interest rates. The Bank closely monitors the movements of interest rates in the market and reviews its asset and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits. The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Bank is not exposed to interest rate risk since its financial assets and financial liabilities have fixed rates.

6.04 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table presents a comparison by category of carrying amounts and estimate fair value of the Bank's financial instruments as of December 31, 2024 and 2023:

	Carrying Value	Fair Value			
2024		**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
ASSETS					
Held-to-maturity financial assets	17,221,036	**–**	17,221,036	**–**	17,221,036
Loans and other receivables – net	456,250,048	**–**	456,250,048	**–**	456,250,048
	473,471,084	**–**	**473,471,084**	**–**	**473,471,084**
LIABILITIES					
Deposit liabilities	**434,066,595**	**–**	**434,066,595**	**–**	**434,066,595**

	Carrying Value	Fair Value			
2023		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
ASSETS					
Held-to-maturity financial assets	37,221,036	–	37,221,036	–	37,221,036
Loans and other receivables – net	405,201,111	–	405,201,111	–	405,201,111
	442,422,147	–	442,422,147	–	442,422,147
LIABILITIES					
Deposit liabilities	417,301,721	–	417,301,721	–	417,301,721

Cash and other cash items, Due from BSP, Due from other banks, Other assets and Other liabilities

The carrying values of these financial assets and liabilities approximate their fair values due to the relatively short-term maturities of these financial assets and liabilities.

Loans and other receivables

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

Deposit liabilities

Fair values are estimated using the discounted cash flow methodology using the incremental borrowing rates for similar borrowings with maturities consistent with those remaining liability being valued.

Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and nonfinancial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

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

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

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

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

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

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

There were neither transfer between Levels 1 and 2 instruments in both years.

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

Fair Value Measurement for Non-Financial Assets

The fair value of the Bank's land and building classified under Investment Properties account, as disclosed in Note 15, is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is an indication that an impairment loss has occurred on its investment properties. The fair value of investment properties as of December 31, 2024 and 2023 amounted to ₱84,448,481 and ₱84,350,127, respectively, is currently categorized within Level 2. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

7. CASH AND OTHER CASH ITEMS

This account is composed of the following:

		2024		2023
Cash on hand	₱	**11,045,612**	₱	12,479,918
Checks and other cash items		**5,792,528**		2,914,142
	₱	**16,838,140**	₱	15,394,060

Checks and other cash items pertain to checks awaiting for deposit.

8. DUE FROM BANGKO SENTRAL NG PILIPINAS

		2024		2023
Due from Bangko Sentral ng Pilipinas	₱	**12,523,698**	₱	12,647,836

Under Section 252 of the Manual of Regulation for Banks (MORB), the required reserves shall be kept in the form of deposits placed in the banks' demand deposit accounts with BSP. This further provides that such deposit account with the BSP is not considered as a regular current account as BSP checks for drawings against such deposit shall be limited to settlement of obligations with the BSP and withdrawals to meet cash requirements.

On June 23, 2023, BSP issued Circular No. 1175 amending Section 251 of the MORB, decreasing the reserve requirement from 2% to 1% effective reserve week of June 30, 2023. On September 20, 2024, BSP issued Circular No. 1201, decreasing the reserve requirement from 1% to 0% effective reserve week of October 25, 2024. For December 31, 2024 and 2023, the Bank is compliant with the reserve requirement as set by the BSP.

9. DUE FROM OTHER BANKS

		2024		2023
Producers Bank	₱	**42,103,813**	₱	32,872,879
Banco De Oro		**18,920,449**		13,103,040
Land Bank of the Philippines		**11,850,543**		16,066,131
Fico Bank		**8,201,131**		8,460,551
Rizal Commercial Banking Corporation		**6,897,078**		5,080,733
Rural Bank of San Mateo (Isa.) Inc.		**5,590,368**		4,873,464
Philippine National Bank		**3,891,404**		10,356,004
China Banking Corporation		**3,320,415**		3,247,372
Metro Bank and Trust Co.		**2,794,588**		5,820,828
Bank of the Philippine Islands		**2,627,252**		2,438,322
Agribank		**1,605,390**		931,172
Eastwest Bank		**1,022,239**		1,121,108
Philippine Business Bank		**849,714**		1,100,000
Allied Banking Corp.		**596,434**		4,502,740
Common Wealth Rural Bank		**401,409**		359,833
Rural Bank of Solano		**289,112**		283,952
	₱	**110,961,339**	₱	110,618,129

Due from other banks earns interest at the prevailing bank deposit rates. Interest earned amounted to ₱916,734 and ₱2,214,898 for the years ended December 31, 2024 and 2023, respectively.

Due from other banks comprise of savings and time deposits having interest rate of 1.5% to 5.5% and 1% to 4.25% in 2024 and 2023, respectively.

10. HELD-TO-MATURITY FINANCIAL ASSETS

2024

Issuer	Particulars	Yield Rate	Date Issued	Date Maturity	Face Value	Book Value
LBP	RTB	3.5000%	09/20/2016	09/20/2026	5,000,000	5,000,000
LBP	RTB	4.6250%	12/02/2021	06/02/2027	5,000,000	5,000,000
BPI	RTB	3.5000%	09/20/2016	09/20/2026	5,000,000	5,000,000
MBT	RTB	5.8750%	03/01/2012	03/01/2032	1,109,993	1,109,993
MBT	RTB	5.8750%	03/01/2012	03/01/2032	1,111,043	1,111,043
					17,221,036	**17,221,036**

2023

Issuer	Particulars	Yield Rate	Date Issued	Date Maturity	Face Value	Book Value
LBP	RTB	3.5000%	09/20/2016	09/20/2026	5,000,000	5,000,000
LBP	RTB	2.3750%	03/09/2021	03/09/2024	10,000,000	10,000,000
LBP	RTB	4.6250%	12/02/2021	06/02/2027	5,000,000	5,000,000
BPI	RTB	3.5000%	09/20/2016	09/20/2026	5,000,000	5,000,000
BPI	RTB	2.3750%	03/09/2022	03/09/2024	10,000,000	10,000,000
MBT	RTB	5.8750%	03/01/2012	03/01/2032	1,109,993	1,109,993
MBT	RTB	5.8750%	03/01/2012	03/01/2032	1,111,043	1,111,043
					37,221,036	37,221,036

Movements in the account are disclosed below:

		2024		2023
Balance at January 1	**₱**	**37,221,036**	₱	39,221,036
Matured/redeemed during the year		**(20,000,000)**		(2,000,000)
Balance, December 31	**₱**	**17,221,036**	₱	37,221,036

The Bank assesses at each financial reporting date whether there is an indication that an investment may be impaired and believes that there is no such indication as of December 31, 2024 and 2023.

No impairment was recognized as of and for the years ended December 31, 2024 and 2023.

Interest earned amounted to ₱1,662,133 and ₱451,306 for the years ended December 31, 2024 and 2023, respectively.

11. LOANS AND OTHER RECEIVABLES – net

The account consists of the following:

	2024	2023
Current loans	₱ **324,015,144**	₱ 299,592,533
Past due loans	**224,623,080**	186,893,060
Under litigation	**6,766,179**	1,667,277
Loans receivables	**555,404,403**	488,152,870
Unamortized discount – loans	**(8,981,493)**	(7,635,288)
Loans receivables, net of discount	**546,422,910**	480,517,582
Sales contract receivable	**2,100,000**	1,250,000
Accrued interest receivable	**4,054,055**	4,331,281
	552,576,965	486,098,863
Allowance for credit losses – loans (Note 25)	**(96,326,917)**	(80,897,752)
	₱ **456,250,048**	₱ 405,201,111

The Bank's loan accounts are stated at outstanding balance, reduced by estimated allowance for credit losses and unearned interest and discounts.

Loans receivable bears annual interest rates ranging to 6% to 28% in 2024 and 12% to 21% in 2023. Interest earned amounted to ₱68,614,278 and ₱67,420,172 for the years ended December 31, 2024 and 2023, respectively.

Sales contract receivable refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dacion in payment and subsequently sold on instalment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

The Bank's sales contract receivable is currently performing, with no indications of impairment and no allowance for credit losses.

The breakdown of allowance for credit losses is as follows:

	2024	2023
Specific loan loss provision	₱ **93,806,715**	₱ 78,377,550
General loan loss provision	**2,520,202**	2,520,202
Total allowance for credit losses	₱ **96,326,917**	₱ 80,897,752

The allowance for credit losses which includes both specific and general loan loss reserves, represents management estimates of probable loss inherent in the portfolio, after consideration of the prevailing and anticipated economic conditions, prior to loss experience, estimated recoverable value based on fair market values of underlying collateral and prospects of support from guarantors, subsequent collections and evaluations made by BSP Supervision and Examination Sector.

With the foregoing level of allowance for credit losses, management believes that the Bank has sufficient allowance to manage any risk from non-collection or non-collateral of the Bank's loans and other receivables.

For unclassified loans whether regular or microfinance, a general loan loss provision equivalent to 1% is provided.

The Bank has also complied with the BSP requirement for banks in establishing an allowance for credit losses on loans and other risk assets in accordance with the following classifications:

Classification	Required Allowance
Unclassified	1%
Loans especially mentioned	5%
Substandard – secured	10%
Substandard – unsecured	25%
Doubtful	50%
Loss	100%

12.01 Past Due Loans

Past due loans of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at maturity.

BSP Manual of Regulations for Banks, Section 304 defined the classification of past due loans as follows:

As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or instalment due, or portions thereof, are not paid at their contractual date, in which case, the total outstanding balance thereof shall be considered past due.

Instalment refers to principal and/or interest amortizations that are due on several dates as indicated in the loan documents. The allowance for loan losses is the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the collectability of loans and prior loss experience.

Any amounts set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates to be present in the portfolio of loans and advances are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expenses and reduced by write-offs and reversals.

As of December 31, 2024 and 2023, NPLs not fully covered by allowance for credit losses are as follows:

		2024		2023
Total non-performing loans	₱	**204,598,557**	₱	164,274,972
Less: Non-performing loans covered by allowance for credit losses		**81,977,477**		76,243,838
	₱	**122,621,080**	₱	88,031,134

Section 304 of the MORB defined non-performing loans (NPLs) as follows:

Loans, investments, receivables or any financial asset shall be considered nonperforming, even without missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Information regarding the Bank's non-performing loans are as follows:

	2024	2023
Ratio of gross NPLs to gross TLP (%)	**37.44%**	34.19%
Ratio of net NPLs to gross TLP (%)	**22.44%**	18.32%
Ratio of total allowance for credit losses to gross NPLs (%)	**47.08%**	49.25%
Ratio of specific allowance for credit losses on gross TLP to gross NPLs (%)	**45.85%**	47.71%

12. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFFE) – net

A reconciliation of the carrying amounts at the beginning and end of years 2024 and 2023, and the gross carrying amounts and accumulated depreciation of bank premises, furniture, fixtures and equipment are shown below:

2024				
	Building	**Furniture, Fixtures and Equipment**	**Right-of-use Asset**	**Total**
Cost:				
Balance, January 1	₱ 18,008,772	₱ 21,938,711	₱ 9,733,896	₱ 49,681,379
Additions	–	794,800	–	794,800
Reclassification	173,359	(63,359)	–	110,000
Modification of lease	–	–	(192,839)	(192,839)
Balance, December 31	**18,182,131**	**22,670,152**	**9,541,057**	**50,393,340**
Accumulated depreciation:				
Balance, January 1	11,100,356	19,454,386	3,448,530	34,003,272
Depreciation (Note 21)	882,253	792,159	1,712,140	3,386,552
Reclassification	73,616	(33,923)	–	39,693
Modification of lease	–	–	(24,250)	(24,250)
Balance, December 31	**12,056,225**	**20,212,622**	**5,136,420**	**37,405,267**
Carrying amount	**₱ 6,125,906**	**₱ 2,457,530**	**₱ 4,404,637**	**₱ 12,988,073**

2023	Building	Furniture, Fixtures and Equipment	Right-of-use Asset	Total
Cost:				
Balance, January 1	₱ 16,273,767	₱ 19,351,023	₱ 9,733,896	₱ 45,358,686
Additions	1,660,120	1,854,935	–	3,515,055
Reclassification	74,885	732,753	–	807,638
Balance, December 31	18,008,772	21,938,711	9,733,896	49,681,379
Accumulated depreciation:				
Balance, January 1	10,410,609	18,205,594	1,724,265	30,340,468
Depreciation (Note 21)	595,298	612,868	1,724,265	2,932,431
Reclassification	94,449	635,924	–	730,373
Balance, December 31	11,100,356	19,454,386	3,448,530	34,003,272
Carrying amount	₱ 6,908,416	₱ 2,484,325	₱ 6,285,366	₱ 15,678,107

All additions were paid in cash.

The Bank assesses at each financial reporting date whether there is an indication that an item of bank premises, furniture, fixtures and equipment may be impaired, and believes that there is no such indication as of December 31, 2024 and 2023.

No bank premises, furniture, fixtures and equipment were used as collateral for liabilities as at December 31, 2024 and 2023.

As of December 31, 2024 and 2023, the Bank has no commitment to purchase bank premises, furniture, fixtures and equipment.

Section 109 of the MORB states that the total investment of a bank in real estate and improvements thereon, including bank equipment, shall not exceed fifty percent (50%) of the bank's net worth. As of December 31, 2024 and 2023, the Bank is compliant with such regulation.

The following are the lease agreements entered into by the Bank and outstanding as of December 31, 2024 and 2023 that qualify for the assessment for PFRS 16.

		Lease Term			
Location of leased property	Leased Property	Start of term	End of term	Lease Payment	Escalation Clause
San Pedro, Bagabag,Nueva Vizcaya	Land and building	01/01/2017	12/31/2026	80,813	5% increase every year
Poblacion West, Lamut, Ifugao	Land and building	01/01/2017	12/31/2026	28,733	5% increase every year
Sta. Maria, Alfonso Lista, Ifugao	Land and building	01/01/2017	12/31/2026	21,550	5% increase every year
Ibung, Villaverde, Nueva Vizcaya	Land and building	03/01/2009	12/31/2034	8,145	5% increase every year
Poblacion, Diadi, Nueva Vizcaya	Land and building	01/01/2007	12/31/2032	5,445	10% increase every 5 years

The lease contracts are renewable upon such terms and conditions mutually agreed by both parties prior to expiration. The leased assets are being depreciated based on the useful life of the leased asset or remaining lease term, whichever is shorter.

13. INTANGIBLE ASSETS – net

A reconciliation of the carrying amounts at the beginning and end of years 2024 and 2023, and the gross carrying amounts and accumulated amortization of software is shown below:

		2024		2023
Cost:				
Balance, January 1	₱	**1,537,440**	₱	2,343,440
Reclassification		**(110,000)**		(806,000)
Balance, December 31		**1,427,440**		1,537,440
Accumulated Amortization:				
Balance, January 1		**1,430,261**		2,100,510
Amortization (Note 21)		**24,311**		60,124
Reclassification		**(39,693)**		(730,373)
Balance, December 31		**1,414,879**		1,430,261
Carrying Amount	₱	**12,561**	₱	107,179

The Bank assesses at each financial reporting date whether there is an indication that an item of intangible assets may be impaired, and believes that there is no such indication as of December 31, 2024 and 2023.

No intangible assets were used as collateral for liabilities as at December 31, 2024 and 2023.

As of December 31, 2024 and 2023, the Bank has no commitment to purchase intangible assets.

14. INVESTMENT PROPERTIES – net

This account pertains to real properties, such as land and building, foreclosed by the Bank and held for capital appreciation.

2024				
	Notes	**Land**	**Building**	**Total**
Cost:				
Balance, January 1		₱ 42,350,000	₱ 324,419	₱ 42,674,419
Additions		6,313,511	–	6,313,511
Reclassification		(8,688,934)	8,688,934	–
Disposal		(10,332,796)	–	(10,332,796)
Balance, December 31		**29,641,781**	**9,013,353**	**38,655,134**
Accumulated depreciation:				
Balance, January 1		–	113,209	113,209
Depreciation	21	–	2,026,268	2,026,268
Balance, December 31		**–**	**2,139,477**	**2,139,477**
Allowance for impairment losses:				
Balance, December 31	25	**306,232**	**–**	**306,232**
Carrying amount		**₱ 29,335,549**	**₱ 6,873,876**	**₱ 36,209,425**

2023				
	Notes	Land	Building	Total
Cost:				
Balance, January 1		₱ 29,227,698	₱ 324,419	₱ 29,552,117
Additions		17,427,736	–	17,427,736
Rescission of contract		100,000	–	100,000
Disposal		(4,405,434)	–	(4,405,434)
Balance, December 31		42,350,000	324,419	42,674,419
Accumulated depreciation:				
Balance, January 1		–	106,809	106,809
Depreciation	21	–	6,400	6,400
Balance, December 31		–	113,209	113,209
Allowance for impairment losses:				
Balance, December 31	25	306,232	–	306,232
Carrying amount		₱ 42,043,768	₱ 211,210	₱ 42,254,978

The Bank acquired its investment from foreclosure of properties. In 2024 and 2023, transaction costs amounting to ₱2,421,007 and ₱695,712, respectively, were incurred in relation to foreclosure of properties.

In 2024, the Bank disposed certain investment properties with carrying amount of ₱8,342,746 for cash proceeds of ₱ 18,289,419, realizing a gain on sale of ₱9,946,673 as disclosed in Note 20. Also, certain investment properties with carrying amount of ₱1,990,050, were sold through sales contract at selling price of ₱ 3,000,000, realizing a gain of ₱1,009,950, as disclosed in Note 20. Sales contract receivable amounting ₱900,000 were collected in 2024. The deferred income on sales contract receivable in 2023 amounting to ₱1,250,000 was recognized as income in 2024.

In 2023, the Bank disposed certain investment properties with carrying amount of ₱1,628,572 for cash proceeds of ₱4,758,327, realizing a gain on sale of ₱3,129,755 as disclosed in Note 20. Also, certain investment properties with carrying amount of ₱2,776,862, were sold through sales contract at selling price of ₱5,250,000, including deferred income amounting to ₱1,250,000, realizing a gain of ₱1,223,138, as disclosed in Note 20. Sales contract receivable amounting ₱4,000,000 were collected in 2023.

Fair value is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is an indication that an impairment loss has occurred on its investment properties. The fair value of investment property as of December 31, 2024 and 2023 amounted to ₱84,448,481 and ₱84,350,127, respectively, is currently categorized within Level 2. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

No amount of investment property of the Bank has been pledged to secure general banking facilities granted to the Bank.

16. OTHER ASSETS – net

The account consists of the following:

		2024		2023
Accounts receivable	₱	**3,420,414**	₱	4,449,951
Liquidity pool fund		**40,000**		40,000
Petty cash fund		**7,000**		7,000
Prepayments		**4,301**		19,020
Stationeries and supplies on hand		**–**		81,930
Others		**1,000**		1,000
	₱	**3,472,715**	₱	4,598,901
Allowance for credit losses (Note 25)		**(2,456,274)**		(2,456,274)
	₱	**1,016,441**	₱	2,142,627

17. DEPOSIT LIABILITIES

This account consists of the following:

		2024		2023
Savings deposits	₱	**322,859,110**	₱	305,508,134
Time deposits		**111,207,485**		111,793,587
	₱	**434,066,595**	₱	417,301,721

Savings earn annual interest rate of 0.5% while time deposits earn annual interest rate ranging from 1.75% to 3.50% in 2024 and 2023.

Total interest expense on deposit liabilities amounted to ₱4,882,579 and ₱5,251,340 for the years ended December 31, 2024 and 2023, respectively.

Under existing BSP regulations, demand deposits, savings deposits, and time deposits of the Bank are subject to statutory reserve. As of December 31, 2024 and 2023, the Bank is in compliance with such regulations.

18. OTHER LIABILITIES

The details of the account are disclosed below:

	Note		**2024**		2023
Retirement benefit obligation	24		**6,209,083**		5,113,990
Lease liability		₱	**5,037,831**	₱	6,910,073
Accounts payable			**2,559,829**		5,487,387
Accrued interest payable			**1,593,914**		1,339,509
Government contributions and payables			**1,290,562**		4,235,086
Insurance payable			**134,662**		110,104
Deferred income			**–**		1,250,000
Accrued other expenses payable			**631,285**		811,765
		₱	**17,457,166**	₱	25,257,914

Accounts payable pertains to deposit for redemption of real and other properties acquired and loan repayment of the clients for their past due and non-performing accounts not yet applied due to insufficient amount of payment.

Movements of lease liabilities are as follows:

	Note		**2024**		2023
At January 1		₱	**6,910,073**	₱	8,397,111
Interest	21		**261,563**		339,292
Adjustments			**(219,755)**		–
Payments			**(1,914,050)**		(1,826,330)
At December 31		₱	**5,037,831**	₱	6,910,073

The breakdown of lease liabilities as to current and non-current is as follows:

		2024		2023
Current	₱	**1,818,680**	₱	1,648,813
Non-current		**3,219,151**		5,261,260
Total	₱	**5,037,831**	₱	6,910,073

The maturity analysis of lease liabilities as at December 31, 2024 is as follows:

		Lease Payments		**Finance Charges**		**Net Present Values**
Within 1 year	₱	2,006,166	₱	187,486	₱	1,818,680
1 – 2 years		2,102,874		106,049		1,996,825
2 – 3 years		203,801		56,124		147,677
3 – 4 years		210,042		48,661		161,381
4 – 5 years		216,593		40,509		176,084
5 – 10 years		809,807		72,623		737,184
Total	**₱**	**5,549,283**	**₱**	**511,452**	**₱**	**5,037,831**

The maturity analysis of lease liabilities as at December 31, 2023 is as follows:

	Lease Payments	Finance Charges	Net Present Values
Within 1 year	₱ 1,921,236	₱ 272,423	₱ 1,648,813
1 – 2 years	2,021,256	198,335	1,822,921
2 – 3 years	2,122,308	116,575	2,005,733
3 – 4 years	220,608	66,251	154,357
4 – 5 years	231,636	58,331	173,305
5 – 10 years	1,215,444	139,579	1,075,865
5 – 25 years	29,256	177	29,079
Total	₱ 7,761,744	₱ 851,671	₱ 6,910,073

19. CAPITAL STOCK

19.01 Preferred Stock

Shown below are the details on preferred stocks:

	2024		2023	
	Stocks	**Amount**	Stocks	Amount
Authorized capital 4,000 shares at ₱100 par value	**4,000**	**₱ 400,000**	4,000	₱ 400,000

Below are the features of the preferred stock:

(i) Preferred stock shall be issued against government investment in capital stock of the Bank. Preferred stock so issued shall have preference over common stock in the assets of the corporation in the event of liquidation, as provided hereunder.

(ii) Preferred stock shall be non-voting, but in case of sale by the government of its preferred stock to private shareholders, such stock automatically become common stock with voting rights, thereby reducing the number of outstanding preferred share and increase the number of common shares.

(iii) Preferred shares shall adhere in dividend distribution at two (2%) per centum.

As soon as the Bank has resources available for the purpose, the equity investment of the government, as evidence by outstanding preferred shares, shall be reduced by retirement of such stock at its par value and its sale to private inventors, in the manner provided for in section 7 of R.A 720, as amended (Rural Banks Act), and implement rules and regulations. As of December 31, 2024 and 2023, no amount of preferred stock was issued and outstanding.

19.02 Common Stock

Shown below are the details on common stocks;

	2024		2023	
	Stocks	**Amount**	Stocks	Amount
Authorized capital 996,000 shares at ₱100 par value	**968,073**	**₱ 96,807,300**	996,000	₱ 99,600,000
Issued and fully paid at ₱100 par value				
Balance, January 1	**968,073**	**₱ 96,807,300**	968,073	₱ 96,807,300
Balance, December 31	**968,073**	**₱ 96,807,300**	968,073	₱ 96,807,300

Common stocks carry one (1) vote per share and a right to dividends.

19.03 Cash Dividends Declared

Under Section 124 of the MORB, the liability for dividends shall be taken up in the books upon receipt of BSP approval thereof, or if no approval is received, after thirty (30) business days from the date the required report on dividend declaration was received by the appropriate supervising and examining department of the BSP, whichever comes earlier.

In 2024, no declaration of dividends was made to the stockholders.

On October 27, 2023, the Bank through the Board Resolution No. 100 S. 2023, declared cash dividends amounting to ₱25,169,898 to all stockholders on record as of December 31, 2022 on a pro-rata basis. Payment of dividend was made on December 11, 2023.

The dividend declaration and payment were approved by the BSP 30 days after the receipt of report on dividend declaration.

19.04 Stock Dividends Distributable

In 2024, no declaration of stock dividends was made to the stockholders.

On August 20, 2020, the board of directors, with approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock, has resolved to declare stock dividends amounting to ₱30,010,046 to stockholders of record as of December 31, 2019. In 2023 through stockholders' resolution no. 108, S. 2023, the stockholders approved the reversal of the ₱30,010,046 stock dividends previously declared.

Through joint regular meeting held on October 30, 2017, the Bank signified its intent to increase its authorized shares from 1,000,000 to 1,500,000 valued at ₱100 par value per share. As of December 31, 2024 and 2023, the Bank has yet to submit the necessary documents for application to BSP and SEC.

19.05 Surplus Reserves

Surplus reserves pertain to reserves for contingencies and building construction for bank's premises amounting to ₱148,000 for the years ended December 31, 2024 and 2023.

19.06 Capital Management Objectives, Policies, and Procedures

The primary objective of the Bank's capital management is to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure, which composed of paid-up capital and surplus reserve, and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

Appendix 62 of the MORB, as amended by BSP Circular Nos. 1079 and 1084, discusses the guidelines implementing the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks.

The minimum capital ratios shall be expressed as a percentage of capital to risk-weighted assets as shown below:

Minimum Capital Ratio	Capital	% of Risk-Weighted Assets
Common Equity Tier 1 (CET1) Ratio	CET1	at least 6.0%
Tier 1 Ratio	Tier 1	at least 7.5%
Capital Adequacy Ratio (CAR)	Qualifying Capital	at least 10.0%

A capital conservation buffer (CCB) of two and a half percent (2.5%), comprised of CET1 capital, shall likewise be imposed.

The minimum capital ratios based on the new compositions and the CCB shall take effect starting January 1, 2023.

Qualifying capital consists of the following elements, net of required deductions:

a) Tier 1 Capital, which is composed of:
i. CET1 Capital
b) Tier 2 Capital

CET1 Capital consists of:
a) Paid-up common stock
b) Surplus

Subject to deductions/regulatory adjustments for:
i. Defined benefit pension fund assets (liabilities)
ii. Intangible assets
iii. Deferred tax asset, net of allowance for impairment and associated tax liability. Any excess of deferred tax liability over deferred tax assets shall not be added to CET 1 Capital

Tier 2 Capital consists of:
a) Paid-up perpetual and cumulative preferred stock
b) General loan loss provision

Additionally, CCB is meant to promote the conservation of capital and build-up of adequate cushion above the minimum level that can be drawn down by banks to absorb losses during periods of financial and economic stress. The buffer is on top of the minimum capital requirements. The capital must first be used to meet the minimum CET1 ratio before the remainder can contribute to the CCB.

Where a bank does not have positive earnings, has CET1 ratio of lower than eight and a half percent (8.5%) [CET1 ratio of six percent (6%) plus conservation buffer of two and a half percent (2.5%)], and has not complied with other minimum capital ratios, the Bank would then be restricted from making distribution of earnings.

Information regarding the Bank's qualifying capital as of December 31, 2024 and 2023 is shown below:

		2024		2023
CET1 Capital	₱	**215,084,066**	₱	200,677,016
AT1 Capital		**–**		–
Tier 1 Capital		**215,084,066**		200,677,016
Tier 2 Capital		**2,520,202**		2,520,202
Qualifying capital	₱	**217,604,268**	₱	203,197,218
Total risk-weighted assets	₱	**735,888,097**	₱	693,300,756
CET1 Ratio		**29.23%**		28.95%
CCB		**23.23%**		22.95%
Tier 1 capital		**29.23%**		28.95%
Total CAR		**29.57%**		29.31%

The Bank's leverage ratio, computed as total shareholders' equity over total assets, is 30.78% and 30.02%, as of December 31, 2024 and 2023, respectively.

On August 24, 2022, the BSP issued Circular No. 1151, Amendments to Minimum Capitalization of Rural Banks, increasing the minimum capitalization requirement to ₱50 million for rural banks with up to 5 branches, which must be satisfied within five years from the date of effectivity of the circular. Banks which comply with the new capital levels must submit to the BSP a certification to this effect, within 10 banking days from the date of effectivity of this circular. Banks availing of the capital build-up track shall submit to the BSP within six months from the date of effectivity of this circular. On September 27, 2022, the Bank submitted its certificate of compliance with the said circular.

20. OTHER INCOME

This account consists of the following:

	Notes		**2024**		2023
Income from assets acquired	15	₱	**12,206,623**	₱	4,352,893
Services charges/fees			**3,523,353**		4,818,377
Bank commissions			**218,904**		275,604
Gain on lease modification			**51,165**		–
Recovery on charged-off assets	25		**–**		228,100
Miscellaneous income			**189,883**		895,059
		₱	**16,189,928**	₱	10,570,033

Recovery on charged-off assets pertains to the collections of accounts or recovery from impairment of items previously written-off/provided with allowance for credit losses. For the years ended December 31, 2024 and 2023, recovery on charged-off assets is composed only of recovery from impairment of items previously written-off/provided with allowance for credit losses.

21. OPERATING EXPENSES

Details of operating expenses are shown below:

	Notes	2024	2023
Personnel costs		₱ **18,164,523**	₱ 15,259,072
Taxes and licenses		**5,457,824**	4,888,199
Depreciation		**5,412,820**	2,938,831
Security, clerical and janitorial services		**3,793,703**	3,547,854
Litigation expenses		**2,421,007**	2,085,967
Management and other professional fees		**1,588,800**	779,000
Information technology expenses		**920,378**	777,183
Insurance – PDIC		**850,346**	815,152
Donations and charitable contributions		**731,815**	689,390
Documentary stamps		**595,313**	741,121
Power, light and water		**547,927**	823,573
Insurances – others		**448,593**	462,082
Fuel and lubricant		**427,618**	425,410
Representation and entertainment		**356,959**	606,571
Advertising and publicity		**353,050**	272,400
Stationery and supplies		**327,393**	243,419
Repairs and maintenance		**315,981**	217,043
Postage, telephone and telegram		**306,954**	331,680
Interest expense – lease liabilities	18	**261,563**	339,292
Travel expenses		**233,738**	103,548
Fees and commissions expense		**178,320**	146,214
Trainings and seminars		**170,815**	347,255
Supervision fees		**122,188**	129,439
Amortization	14	**24,311**	60,124
Membership fees and dues		**20,060**	54,120
Periodicals and magazines		**400**	1,000
Loss on rescission of contract		**–**	265,650
Rent expense		**–**	6,531
Miscellaneous		**305,577**	153,814
		₱ **44,337,976**	₱ 37,510,934

Personnel costs include:

	Note	2024	2023
Salaries and wages		₱ **12,041,654**	₱ 8,612,229
Retirement benefit expense	24	**1,799,103**	1,197,787
Short term benefits		**1,753,077**	3,349,630
Government contributions		**1,472,689**	1,119,926
Director's fee		**1,098,000**	979,500
		₱ **18,164,523**	₱ 15,259,072

Depreciation expense is composed of:

	Notes	2024	2023
Bank premises, furniture, fixtures and equipment	13	₱ **3,386,552**	₱ 2,932,431
Investment properties	15	**2,026,268**	6,400
		₱ **5,412,820**	₱ 2,938,831

22. INCOME TAX

Under Philippine tax laws, the bank is subject to percentage and other taxes (included in taxes and licenses in the comprehensive income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax. The Bank's liability will be based on regulations to be issued by tax authorities.

Income taxes include the corporate income tax, discussed below, and final tax paid which represents the final withholding tax on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as provision for income tax in the statements of income.

Under current tax regulations, the applicable income tax rate is thirty percent (30%). Interest allowed as a deductible expense is reduced by an amount equivalent to thirty three percent (33%) of interest income subjected to final tax. Also, entertainment, amusement and recreation (EAR) expense is limited to one percent (1%) of net revenues, as defined, for sellers of services beginning September 1, 2002. The current regulations also provide for MCIT of 2% on modified gross income and allow a three year NOLCO. Any excess of the MCIT over the regular income tax is deferred and can be used as a tax credit against future income tax liability while NOLCO can be applied against taxable income, both in the next three (3) years from the year of occurrence.

The Bank's liability for income tax is based on existing tax laws and BIR regulations. However, income tax expense as shown on the statement of position comprehensive income is determined under the provision of PAS 12 Income Taxes. Under PAS 12, income tax expense is the sum of current tax expense computed under tax laws and deferred tax expense determined through the use of balance sheet liability method.

Deferred tax expense is the sum of changes in deferred tax asset and deferred tax liability. The balance sheet liability method focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In 2020, to address the impact of COVID-19, the Senate and the House of Representatives enacted Republic Act (RA) No. 11494 or the Bayanihan to Recover as One Act (Bayanihan II) effective September 15, 2020 with an original expiry date of December 19, which has since been extended to mid-2021. Bayanihan II provides for COVID-19 response and recovery interventions and mechanisms to accelerate the recovery and to bolster the resiliency of the economy.

Among the response and recovery interventions provided under Bayanihan II are the carry-over of net operating losses incurred by the business or enterprise for taxable years 2020 and 2021 as deductions from gross income (for purposes of computing net taxable income subject to regular corporate income tax) over the next five (5) consecutive taxable years immediately following the year of such loss Section 4 (bbbb) of the Bayanihan II).

Under Bayanihan II, NOLCO would remain in effect even after the expiration of the Act, provided that the deductions are claimed within the next five consecutive taxable years. December 22, 2020, the Bureau of Internal Revenue (BIR) clarified, through Revenue Memorandum Circular (RMC) No. 138-2020 that the net operating loss carry-over (NOLCO) may be availed of under RR No. 25-2020 for taxpayers operating on fiscalyear reporting. The RMC enumerated fiscal years ending between July 31 and November 30, 2020 and January 31 to June 30, 2021 as falling within the taxable year 2020. Meanwhile, fiscal years ending between July 31 to November 30, 2021 and January 31 to June 30, 2022 fall within the taxable year 2021. Thus, net losses incurred by businesses or taxpayers during these fiscal years can be carried over as deductions from gross income for the next five (5) consecutive taxable years.

22.01 Income Tax Recognized in Profit or Loss

Components of income tax expense are as follows:

		2024		2023
Income tax expense – current	₱	**9,515,941**	₱	9,289,583
Income tax benefit – deferred		**(4,133,185)**		(1,474,099)
		5,382,756		7,815,484

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2024 and 2023 is as follows:

		2024		2023
Accounting profit	₱	**22,733,280**	₱	32,572,199
Tax expense at 25%		**5,683,320**		8,143,050
Tax effects of:				
Income subject to final tax		**(644,717)**		(666,551)
Interest expense limitation		**161,180**		166,638
Penalties and donations		**182,954**		172,347
Unutilized Deferred tax asset		**19**		–
	₱	**5,382,756**	₱	7,815,484

22.02 Net Operating Loss Carry Over (NOLCO)

Under Section 34(D)(3) of the National Internal Revenue Code (NIRC) of 1997, as amended, the net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

As of December 31, 2024 and 2023, the Bank has no NOLCO which can be claimed as deductions against future taxable income.

22.03 Minimum Corporate Income Tax (MCIT)

Section 27(E) of the National Internal Revenue Code (NIRC) of 1997, as amended, provides that an MCIT of two percent (2%) of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year. The Bank was incorporated in July 29, 1968; thus, the Bank is subject to MCIT.

As of December 31, 2024 and 2023, the Bank has no available MCIT that can be claimed as deduction from future taxable income.

22.04 Deferred Tax Asset and Deferred Tax Liability

22.04.01 Recognized Deferred Taxes

The Bank's deferred tax assets (DTA) and deferred tax liability (DTL) as of December 31, 2024 and 2023 are as follows:

	DTA on Allowance for credit losses	DTA on Retirement benefit obligation	DTA on excess lease liability over ROU	Total Deferred tax assets	Impact on profit/loss
Balance, December 31, 2022	8,269,499	717,834	96,870	9,084,203	2,405,036
Recognition in profit or loss					
Origination	1,330,484	299,447	59,307	1,689,238	1,689,238
Reversal	(57,025)	(158,114)	–	(215,139)	(215,139)
Balance, December 31, 2023	9,542,958	859,167	156,177	10,558,302	1,474,099
Recognition in profit or loss					
Origination	3,857,310	449,776	14,913	4,321,999	4,321,999
Reversal	–	(176,003)	–	(176,003)	(176,003)
Adjustments	(19)	–	(12,792)	(12,811)	(12,811)
Balance, December 31, 2024	**13,400,249**	**1,132,940**	**158,298**	**14,691,487**	**4,133,185**

22.04.02 Unrecognized Deferred Tax Assets

In previous years, the Bank did not fully recognize deferred tax assets on allowance for credit losses, retirement benefit obligation, and allowance for impairment as the management believes that it is not probable that sufficient income will be available against which deferred tax asset may be utilized.

Details of the Bank's unrecognized deferred tax assets as of December 31, 2024 and 2023 are as follows:

2024	Tax base	Tax effect	Recognized deferred tax asset	Unrecognized deferred tax asset
Allowance for credit and impairment losses	₱ 99,089,423	₱ 24,772,356	₱ 13,400,249	₱ 11,372,107
Retirement benefit obligation	₱ 6,209,083	₱ 1,552,271	₱ 1,132,940	₱ 419,331
Total unrecognized DTA	₱ 105,298,506	₱ 26,324,627	₱ 14,533,189	₱ 11,791,438

2023	Tax base	Tax effect	Recognized deferred tax asset	Unrecognized deferred tax asset
Allowance for credit and impairment losses	₱ 83,660,258	₱ 20,915,065	₱ 9,542,958	₱ 11,372,107
Retirement benefit obligation	₱ 5,113,990	₱ 1,278,498	₱ 859,167	₱ 419,331
Total unrecognized DTA	₱ 88,774,248	₱ 22,193,563	₱ 10,402,125	₱ 11,791,438

22.05 Revenue Regulations (RR) No. 34-2020 – Related Party Transaction (RPT) Form and Transfer Pricing Documentation

The Bureau of Internal Revenue, in its Revenue Regulation No. 34-2020, requires taxpayers to submit BIR Form No. 1709 (RPT Form) to allow the BIR to verify that taxpayers are reporting their related party transactions at arm's length prices. It is also intended to improve and strengthen the Bureau's transfer pricing risk assessment and audit functions. Most importantly, the information that will be gathered from the RPT Form and its attachments will be used by the BIR during the transfer pricing risk assessment to determine whether or not to conduct a thorough review/audit of a particular entity or transaction.

Under the said RR, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

1. Large taxpayers;
2. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
3. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
4. A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (1), (2) or (3) above. For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor there any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

In addition, the preparation and submission of Transfer Pricing Documentation (TPD) under RR No. 02-2013, otherwise known as "Transfer Pricing Guidelines" and all other relevant issuances, shall be mandatory for taxpayers enumerated above who meet the following materiality thresholds:

a. Annual gross sales/revenue for the subject taxable period exceeds ₱150 million and the total amount of related party transactions with foreign and domestic related parties exceeds ₱90 million;
b. Related party transactions meeting the following materiality threshold:
   i. If it involves sale of tangible goods in the aggregate amount exceeding ₱60 million within the taxable year;
   ii. If it involves service transaction, payment of interest, utilization of intangible goods or other related party transaction in the aggregate amount exceeding ₱15 million within the taxable year; or
   iii. If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

As it does not belong to taxpayers who are required to file and submit the RPT Form under Section 2 of RR 34-2020, the Bank is not covered by the requirements and procedures for related party transactions under the said RR.

22.06 Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act

On February 03, 2022, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.

Under the proposed law, effective July 1, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding P100 million, excluding land, and total net taxable income of not more than P5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The bill would also lower the minimum corporate income tax (MCIT) from 2% to 1% effective July 2020 until June 30, 2023.

Other key provisions of the CREATE bill include:

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH;
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The said bill was signed into law on March 26, 2021, except for certain provisions that were vetoed, by the President of the Philippines.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Bank would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

23. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loans and other transactions with certain directors, officers, stakeholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the terms as with other individuals and businesses of comparable risks.

23.01 DOSRI Loans

The General Banking Act and BSP regulations limit the amount of the loans to each DOSRI as follows:

The individual ceiling for credit accommodations of a bank to each of its directors, officers and related interests shall be equivalent to his outstanding deposits and book value of his paid-in capital in the lending bank. The unsecured credit accommodations to each of the Bank's directors and officers shall not exceed 30% of his total credit accommodations.

The aggregate ceiling for credit accommodations, whether direct or indirect, to directors and officers of a bank shall not exceed 15% of the total loan portfolio of the Bank or its combined capital accounts net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of directors and officers shall not exceed 30% of the aggregate ceiling or the outstanding direct/indirect credit accommodations thereto, whichever is lower.

As of December 31, 2024 and 2023, the Bank has no DOSRI and other related party loans.

23.02 DOSRI Deposits

Deposits from DOSRI are shown below:

		2024		2023
Savings deposit	₱	**9,309,806**	₱	13,490,540
Time deposit		**25,695,796**		37,692,431
	₱	**35,005,602**	₱	51,182,971

23.03 Real estate transactions with DOSRI

The Bank leases its head office and branches from its President and Board of Directors with term of 10 to 25 years contract for a monthly rental ranging from ₱8,145 to ₱80,813 with escalation clause as determined by both parties.

23.04 Remuneration of Key Management Personnel

The key management compensation as of December 31, 2024 and 2023 is composed of the following:

		2024		2023
Short-term employee benefits	₱	**4,663,969**	₱	4,780,971
Post-employment benefits		**1,131,000**		641,812
	₱	**5,794,969**	₱	5,422,783

The key management compensation is shown as part of compensation and fringe benefits under other operating expenses account in the statements of comprehensive income.

24. RETIREMENT BENEFIT OBLIGATION

Republic Act (RA) No. 7641 (New Retirement Law) took effect on January 17, 1993. Under the new law, the Bank is required to provide minimum retirement benefits to qualified retiring employees.

The Bank has made its own estimate of retirement benefits obligation. Management believes that the effect on the financial statements of the difference between the retirement costs determined under the current method used by the Bank and the acceptable actuarial valuation is not material.

As of December 31, 2024 and 2023, the accumulated balance of retirement benefit obligation amounted to ₱6,209,083 and ₱5,113,990, as disclosed in Note 18 which is funded by retirement fund separately held from the assets of the Bank. There is no remeasurement in the liability and asset.

Net retirement benefit obligation is as follows:

		2024		2023
Retirement benefit obligation	₱	**11,665,380**	₱	10,712,303

Plan assets	**(5,456,297)**	(5,598,313)
	₱ 6,209,083	₱ 5,113,990

Movement of retirement benefit obligation is as follows:

	Note	**2024**	2023
Beginning balance		**₱ 10,712,303**	₱ 9,294,245
Retirement expense	21	**1,799,103**	1,197,787
Reclassification		**–**	852,727
Adjustment		**(142,016)**	–
Payments		**(704,010)**	(632,456)
		₱ 11,665,380	₱ 10,712,303

Movement of off-books retirement fund is as follows:

	2024	2023
Beginning balance	**₱ 5,598,313**	₱ 5,598,313
Interest income	**394,066**	–
Withdrawal	**(536,082)**	–
	₱ 5,456,297	₱ 5,598,313

25. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

The table below summarizes the movement of the account:

	Loans (Note 12)	**SCR** (Note 12)	**Investment properties** (Note 15)	**Other asset** (Note 16)	**Total**
Balance, December 31, 2022	75,575,816	28,100	306,232	2,656,274	78,566,422
Provision	5,321,936	–	–	–	5,321,936
Reversal	–	(28,100)	–	(200,000)	(228,100)
Balance, December 31, 2023	80,897,752	–	306,232	2,456,274	83,660,258
Provision	15,429,238	–	–	–	15,429,238
Adjustments	(73)	–	–	–	(73)
Balance, December 31, 2024	**96,326,917**	–	**306,232**	**2,456,274**	**99,089,423**

26. NOTES TO STATEMENTS OF CASH FLOWS – RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the reconciliation analysis of liabilities arising from financing activities for the years ended December 31, 2024 and 2023.

			Non-cash changes		
2024	**January 1**	**Cash flows**	**Interest expense**	**Others**	**December 31**
Lease liability	**₱ 6,910,073**	**₱ (1,914,050)**	**₱ 261,563**	**₱ (219,755)**	**₱ 5,037,831**

			Non-cash changes		
2023	January 1	Cash flows	Interest expense	Others	December 31
Lease liability	₱ 8,397,111	₱ (1,826,330)	₱ 339,292	₱ –	₱ 6,910,073
Dividends payable	–	(25,169,898)	–	25,169,898	–
	₱ 8,397,111	₱ (26,996,228)	₱ 339,292	₱ 25,169,898	₱ 6,910,073

In 2024, Cash flow for lease liabilities pertains to the payment of principal portion. Total payment for lease liabilities amounted to ₱1,914,050 inclusive of interest amounting to ₱261,563 as disclosed in Note 18.

In 2023, Cash flow for lease liabilities pertains to the payment of principal portion. Total payment for lease liabilities amounted to ₱1,826,330 inclusive of interest amounting to ₱339,292 as disclosed in Note 18.

27. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

The following are the significant commitments and contingencies involving the Bank:

a) The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against its delinquent borrowers. The amount of loans and receivables under litigation amounted to ₱6,766,179 and ₱1,667,277 as of December 31, 2024 and 2023, respectively, as disclosed in Note 12.
b) The Bank has no pending legal cases arising from its normal operation that will put the Bank as defendant as a result of violation of transactions against its clients/ depositors.
c) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the Bank into obligation in case of non-compliance by the buyer.
d) The Bank had no outstanding outward and inward bills for collection at the end of the year.

Aside from stated above, the Bank has no other contingent accounts as of December 31, 2024 and 2023.

28. EVENTS AFTER THE END OF THE REPORTING PERIOD

No events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date), and that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 23, 2025.

30. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION 15-2010

Revenue Regulation (RR) No. 21-2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions.

Below are the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

30.01 Gross Receipts Tax

		2024		2023
Gross receipts tax paid	₱	**4,053,912**	₱	3,120,554
Gross receipts tax payable		**694,498**		1,247,756
	₱	**4,748,410**	₱	4,368,310

30.02 All Other National and Local Taxes

All other local and national taxes paid by the Bank and presented as part of operating expenses for the periods ended December 31, 2024 and 2023 consist of:

		2024		2023
National tax:				
Gross receipts tax	₱	**4,748,410**	₱	4,368,310
Local taxes:				
Business permit		**443,111**		439,784
Real property taxes		**237,034**		44,001
Others		**29,269**		36,104
	₱	**5,457,824**	₱	4,888,199

30.03 Withholding Taxes

Withholding taxes paid or accrued for the years ended December 31, 2024 and 2023 consist of:

2024		**Paid**		**Accrued**		**Total**
Expanded withholding tax	₱	19,497	₱	180,694	₱	200,191
Withholding tax on compensation		123,208		15,006		138,214
Final withholding tax		644,839		215,584		860,423
	₱	**787,544**	₱	**411,284**	₱	**1,198,828**

2023		Paid		Accrued		Total
Expanded withholding tax	₱	146,667	₱	13,569	₱	160,236
Withholding tax on compensation		91,010		641		91,651
Final withholding tax		128,436		103,924		232,360
	₱	366,113	₱	118,134	₱	484,247

30.04 Tax Assessments

The Bank has no outstanding tax assessments as of December 31, 2024 and 2023.

30.05 Tax Cases

The Bank has no outstanding tax cases in any other court or bodies outside of the BIR as of December 31, 2024 and 2023.

31. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 8, 2020, the Monetary Board (MB) amended BSP Circular No. 1074, requiring Banks to include the additional information on the following:

31.01 Basic Quantitative Indicators of Financial Performance

The following basic ratio measures the financial performance of the Bank:

	2024	2023
Return on average equity (ROE)	**8.07%**	11.99%
Return on average assets (ROA)	**2.61%**	3.79%
Net interest margin	**10.15%**	10.18%

31.02 Capital Instruments Issued

Description of capital instrument issued by the Bank is disclosed in Note 19.

31.03 Significant Credit Exposures

The Bank's concentration of credit as to industry/economic sector (net of unamortized discount) are as follows:

	2024			2023		
	Amount	**% to industry**	**% to Tier 1**	Amount	% to industry	% to Tier 1
Real estate activities	**195,696,534**	**35.81**	**90.99**	178,862,690	37.22	89.13
Agriculture, forestry and fishing	**153,780,113**	**28.14**	**71.50**	128,142,066	26.67	63.85
Wholesale and retail trade, repair of motor vehicles and motorcycles	**77,157,796**	**14.12**	**35.87**	39,707,008	8.26	19.79
Construction	**47,465,669**	**8.69**	**22.07**	16,304,733	3.39	8.12
Activities of household as employers and undifferentiated goods-and-services-producing activities of households for own use	**22,855,056**	**4.18**	**10.63**	88,052,782	18.33	43.88
Accommodation and food service activities	**17,466,254**	**3.20**	**8.12**	9,063,262	1.89	4.52
Manufacturing	**2,476,387**	**0.45**	**1.15**	2,377,899	0.49	1.18
Electricity, gas, steam and air-conditioning supply	**1,791,594**	**0.33**	**0.83**	–	–	–
Transportation and storage	**1,501,198**	**0.28**	**0.70**	516,894	0.11	0.26
Other service activities	**26,232,309**	**4.80**	**12.20**	17,490,248	3.64	8.72
Total	**546,422,910**	**100.00**		480,517,582	100.00	

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of

Tier 1 Capital which is equivalent to ₱21,508,407 and ₱20,067,702 as of December 31, 2024 and 2023, respectively.

In 2024, the Bank is exposed to credit risk concentration on real estate activities amounting to more than 30% of the total loan portfolio. The Bank is also exposed to credit risk concentration on: real estate activities; agriculture forestry and fishing; activities of household as employers and undifferentiated goods-and-services producing activities of households for own use; wholesale and retail trade, repair of motor vehicles and motorcycles; construction; and other service activities amounting to more than 10% of Tier 1 Capital.

In 2023, the Bank is exposed to credit risk concentration on real estate activities amounting to more than 30% of the total loan portfolio. The Bank is also exposed to credit risk concentration on: real estate activities; agriculture forestry and fishing; activities of household as employers and undifferentiated goods-and-services producing activities of households for own use; and wholesale and retail trade, repair of motor vehicles and motorcycles amounting to more than 10% of Tier 1 Capital.

31.04 Breakdown of Total Loans

31.04.01 As to Security

As to security, loans are classified into (net of unamortized discount):

		2024	**%**		2023	%
Secured loans:						
Real estate mortgage	**₱**	**476,119,358**	**87.13%**	₱	422,156,303	87.85%
Chattel and other collateral		**225,198**	**0.04%**		1,233,793	0.26%
Total secured		**476,344,556**	**87.17%**		423,390,096	88.11%
Unsecured		**70,078,354**	**12.83%**		57,127,486	11.89%
Total loans	**₱**	**546,422,910**	**100.00%**	₱	480,517,582	100.00%

31.04.02 As to Status

Breakdown of loans as to performing and non-performing status per product is as follows:

2024		**Performing**		**Non-performing**		**Total**
Housing purposes	₱	140,055,174	₱	75,355,786	₱	215,410,960
Other agricultural credit loans		102,828,714		41,206,048		144,034,762
Small and medium enterprise loans		45,613,339		56,176,127		101,789,466
Motor vehicle loan		8,617,893		7,721,155		16,339,048
Salary-based		12,511,872		551,535		13,063,407
Agrarian reform loans		5,653,924		6,293,938		11,947,862
Other purposes		26,543,437		17,293,968		43,837,405
	₱	**341,824,353**	**₱**	**204,598,557**	**₱**	**546,422,910**

2023		Performing		Non-performing		Total
Housing purposes	₱	112,477,714	₱	48,424,533	₱	160,902,247
Other agricultural credit loans		91,349,396		28,381,183		119,730,579
Small and medium enterprise loans		53,686,505		56,247,039		109,933,544

Motor vehicle loan	10,456,537	6,989,700	17,446,237
Salary-based	14,273,902	547,945	14,821,847
Agrarian reform loans	8,266,816	4,043,623	12,310,439
Other purposes	25,731,740	19,640,949	45,372,689
	₱ 316,242,610	₱ 164,274,972	₱ 480,517,582

31.05 Information on Related Party Loans

Information on related party loans is disclosed in Note 23.

31.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2024 and 2023, there were no assets pledged as security to any liability.

31.07 Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2024 and 2023, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular No. 1074.