ANNUAL REPORT ASSESSMENT CHECKLIST BANGKO MABUHAY (A RURAL BANK), INC. As of December 31, 2024				
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1. Corporate Policy

a. Bank's Vision and Mission Statements

- Corporate Mission

Consistent with the statement "the bank works as the engine of economy", Bangko Mabuhay (A Rural Bank), Inc., (the Bank) is committed to contribute to the national development through effective financial intermediation, optimization of its resources and professionalism in the banking industry.

- Corporate Vision

In attaining its financial strength, the bank envisions to be a leader in the rural banking industry. The Bank also aims to expand its products and services, being constantly guided by its corporate vision and commitment to continuous improvement and development not only of its services, as well as, of its human resources.

b. Introduction of the Bank's Brand

Bangko Mabuhay (A Rural Bank), Inc. was incorporated on January 21, 2015 through the consolidated of Rural Bank of Tanza (Cavite), Inc. (RB Tanza) and Rural Bank of Teresa (Rizal), inc. The Bangko Sentral ng Pilipinas (BSP) granted Bangko Mabuhay the authority to operate as a rural bank on March 23, 2015. The consolidated bank commenced its operation on April 1, 2015.

The consolidated bank adopted its name from RB Tanza's business name "Bangko Mabuhay". This business name was used since 1995 in order to introduce RB Tanza's products and services from a two-unit Bank in Tanza, Cavite to opening of additional three (3) branches in the Province of Cavite in the mid-90s.

The Bank's tagline "Kaagapay sa Buhay" (companion in life) is a testament of the Bank's commitment to provide its clients retail banking services, which include (1) deposit products such checking account, regular and special savings deposit, regular and long-term time deposit and ATM savings accounts; (2) retail loans such as microfinance, small and medium enterprise loans, consumption, and real estate mortgage loans; and
(3) other services namely bills payment (thru Bayad Center), remittance service (via Western Union, TransFast, and BDO Remit), electronic payment and financial services (EPFS) receive funds only via InstaPay and PESONet, microinsurance, and automated teller machine (ATM) services.

The Bank's corporate color is red, symbolizing blood which sustains life. As life blood to the economy, the Bank lives up to its name "Mabuhay" (to live) in catering to the banking needs of retail customers such as the micro, small, medium enterprises, households, and other residents of the community.

c. Business model of the Bank

Bangko Mabuhay's business model consists of full branch and branchlite operation with banking services and products, as described below:

Business Model	Deposit Products	Loan Products	Other Services
Full Branch	Regular Savings ATM Savings Special Savings Demand Deposit Regular Time Deposit Long Term Non-Negotiable Time Deposit	Microfinance SME Business Loans Corporate Loan Salary Loan Housing Loan Other Consumer Loan	Bills Payment Remittance Services thru Western Union, TransFast, and BDO Remit Electronic Payment and Financial Services (EPFS) InstaPay and PESONet receive funds only Accredited SSS Paying Agent
Branchlite	Micro Deposit	Microfinance	Bills Payment Remittance Services thru: Western Union, TransFast, and BDO Remit

2. Financial Summary/ Financial Highlights

		2024		2023		Increase (Decrease)	%
Profitability							
Interest Income	₱	133,759,124	₱	123,811,189	₱	9,947,935	8%
Interest Expense		4,368,455		5,538,639		(1,170,184)	-21%
Net Interest Income		129,390,669		118,272,550		11,118,119	9%
Non-interest income		51,793,692		57,254,234		(5,460,542)	-10%
Operating Expenses		145,921,675		138,587,233		7,334,442	5%
Net Income after Tax		35,970,132		31,747,546		4,222,586	13%
Selected Balance Sheet Data							
Liquid Assets		1,178,274,825		1,263,061,890		(84,787,065)	-7%
Gross Loans		527,829,195		479,448,588		48,380,607	10%
Total Assets		1,929,470,202		1,956,058,414		(26,588,212)	-1%
Total Deposits		1,484,926,146		1,531,077,084		(46,150,938)	-3%
Total Stockholders' Equity		396,145,488		371,818,651		24,326,837	7%
Selected Financial Ratios							
Return on Assets		1.85%		2.13%			
Return on Equity		9.37%		11.81%			
Net Interest Margin		7.63%		7.44%			
Past Due Ratio		7.66%		10.56%			
Gross Non-Performing Loans		5.99%		8.40%			
Minimum Liquidity Ratio		96.01%		97.87%			
Capital Adequacy Ratio		27.51%		25.74%			
Branches and Manpower							
Branches		8		8			
Branchlite Units		2		3			
ATMs		5		5			
Officers		20		20			
Rank and file		152		153			
Total		173		173			
Shareholder Information							
Earnings Per Share		19.04		16.81			
Book Value per Share		209.72		196.85			
Cash Dividends Paid		12,012,755		-			

3. Financial Condition and Results of Operation

a. Review of Bank's operations and result of operations for the financial year

The year 2024 marked the Bank's 52nd Anniversary (since the founding of RB Tanza in 1972) and continuing recovery from the impact of the COVID-19 pandemic. Net income from operations rose to ₱35.970 Million due mainly to increase of interest income by P9.9 Million or 8 % which was attributed to the income from loans, installment sales or SCR and income from investments. In the wake of recovering economy, the demand for micro and small/ medium loans improved that translated into gross loans rising to ₱ 528 Million or 10% increase.

There had been a significant improvement in asset quality as past due ratio decreased from 10.56 % in 2023 to 7.66 % in 2024, while, gross non-performing loans (NPL) decreased from 8.40 % in 2023 to 5.99 % in 2024, due mainly to intensive collection effort and write-off of long outstanding microfinance and SLAT Accounts . The Bank continued to advance asset quality by proactively engaging with borrowers. As a result, NPLs remained manageable and were adequately provided for.

The Bank's deposit liabilities went down to ₱1.485 Billion or 3% due mainly to the decrease year-on-year in special deposit by P59 Million or 27% , time deposit decreased by P21 Million or 18% and demand deposits by P 19 Million or 8% . Meanwhile, savings deposit increased by P 52 Million or 5%.

b. Highlight of major activities during the year that impact operations

Bangko Mabuhay adopted different policies for emerging challenges posed by the Pandemic by strengthening its Credit Risk Management through implementation of Individual Assessment of Loans, incorporating provisions to its credit review process Environment and Social Risk Management requirements of Bangko Sentral, and calibrated its Borrowers Risk Rating tools. Personnel Management Risk was addressed through in-dept discussions with employees to commit improvements on training programs to enhance employee skills and salary and compensation adjustments to address high attrition level of officers and rank and file employees. The bank also improved its Money Laundering (ML) Terrorist Financing (TF) Proliferation Financing (PF) Prevention Program implementation of a robust compliance program via compliance testing, validation, monitoring of frontlines; together with the improvement of AML related training programs for frontliners and all stakeholders.

c. Major strategic initiatives of the Bank

Reduction of Past Due Loans

With the improving economic condition and recovery from the health crisis, the Bank continuously prioritized reduction of past due loans thru sustained collection efforts and the granting to borrowers of relief measures such as modifying the terms and conditions of loan agreements to reflect change in the borrowers' projected cash flows and improve the probability of full collection. In addition write-off of long outstanding Microfinance and Slat loans was also implemented. Such strategic initiative resulted into the reduction of past due ratio from 10.56% as of December 31, 2023 to 7.66% as of December 2024.

Incentive Scheme

In support of the continuous program of RISE, and promoting loan services, the Board approved incentive scheme since 2023 was continuously implemented for Account Managers aimed at boosting morale and ultimately performance. This resulted to the year-on-year increase in gross loans by P48 Million or 10%.

Electronic Payment and Financial Services (EPFS)

Because of the new normal of physical distancing as health protocol to stop the spread of the virus, the Board and Senior Management resolved to offer electronic payment and financial services (EPFS) to enable its customers to send funds and initiate other financial transactions via electronic channels (e-channel) courtesy of InstaPay and PESONet.

Bangko Mabuhay is a member of the Philippine Payments Management, Inc. (PPMI), the payment system management body of the National Retail Payment Systems (NRPS) Framework, which enables the Bank to participate in the electronic payment system.

In order to implement EPFS in e-channel, particularly sending of funds, the Bank would outsource the mobile banking application. However, the Bank has not found yet the right outsource provider.

Financial Literacy Program

The Bank's continuously implements its financial Education Program for the year 2024 as part of its implementation of the Bank's Financial Consumer Protection Framework. The topics of the program, intended for the Bank's clients, included, among others, understanding deposit insurance, how to open a deposit account, how to change PIN, safety measures on use of ATM Card and ATM, how to compute for the interest, etc. The Financial Literacy Program of the bank provides Financial Education Programs through various communication tools such as print and digital media platforms.

Adoption of Sustainability Finance Framework

The Bank with continous integration of Environmental and Social Risk (E&S) risk management policies and procedures in the Bank's credit risk and operational risk management processes in order to fully comply with BSP Circular No. 1085, 1128, and the recent BSP Circular No. 1187 Series of 2024 or the Philippine Sustainability Finance Taxonomy Guidelines and BSP Memorandum M-2024-035 User Guide for Circular No. 1187 on the Adoption of the Philippine Sustainable Finance Taxonomy Guidelines as follows:

- Crafting of BMRBI Sustainable Finance Taxonomy Framework though compliance Testing. The framework will be implemented year 2025.

d. Challenges, opportunities, and responses during the year

October 2024, the bank activated its Business Continuity Plan due to hardware failure of the main server of the bank where the core banking system of the bank operates. The secondary / back-up server was utilized to continue banking operations. Although operation of the bank was not hampered, the server hardware failure caused procurement of new server as replacement.

The bank operation and its core banking system is now powered by two (2) new servers with two (2) standby back-up servers for contingency.

4. Risk Management Framework Adopted

The Bank's risk management framework, aligned with existing regulations, seeks to ensure that there is an effective process in place to manage risk across the Bank. The Risk Management program is driven by a formal approach and aligned with the organization's profile and strategic objectives, through formalizing roles within the organization, active committees, policies and procedures, reporting, communication, and technology. This program also produces various risk mitigation activities within the business units. The resulting strategic, financial, and operational risk mitigation activities are implemented to: 1) strengthen the organization; 2) reduce the potential for unexpected losses; and 3) manage the volatility experienced by the Bank.

a. Overall risk management culture and philosophy

Risk management is integral to all aspects of the Bank's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasizes careful analysis and management of risk in all business processes.

The Bank's risk management approach reflects its values, influences the culture and guides its operations, as such, is captured in policy statements, Board and management directives, operating procedures, training programs, and is demonstrated in daily activities by management and staff. The Bank's Risk Management Framework consists of structured and consistent risk management processes that are applied across the organization under the following principles:

i. The Bank is in the business of business of taking risks and therefore, risk must be managed and controlled if it is measured consistently and accurately.

ii. The Bank recognizes that an effective risk management system is a critical component of bank management and a foundation for its safe and sound operation.

iii. The Risk Management process is a top-down process and shall continually operate at all levels within the Bank. It is important to emphasize that each individual within the Bank has a role and must participate in the process.

iv. The Bank shall promote a culture of risk awareness aligned on the expectations of Bank's regulatory supervisors.

v. All bank's activities shall be in accordance with applicable legal and regulatory provisions of the Philippines as well as to the Bank's internal policies and procedures.

vi. Policies and practices that generate incentives for inappropriate actions shall be avoided. These include, but are not limited to overemphasis on short term performance results that ignore long term risks, ineffective segregation of duties that allow misuse of assets or concealment of poor results, etc.

vii. It is the Bank’s firm policy that liquidity will never be compromised for profitability.

b. Risk appetite and strategy

The Bank faces a broad range of risks doing business as a financial intermediary. These risks include its day-to-day operational activities which can be significant. These risks are managed through detailed processes that emphasize the importance of integrity, maintaining high quality staff, and accountability.

In terms of operational issues, the Bank has a low appetite for risk. The Bank makes resources available to control operational risks to acceptable levels. The Bank recognizes that it is not possible or necessarily desirable to eliminate some of the risks inherent in its activities. Acceptance of some risk is often necessary to foster innovation within business practices.

The Bank’s Risk Appetite Statement considers the most significant risks to which the Bank is exposed and provides an outline of the approach to managing these risks. All strategic plans and business plans for functional areas must be consistent with this Statement. The Risk Appetite Statement is treated as a live and evolving document where its intent is challenged and discussed on a frequent basis.

i. Strategic Risks. The Bank aspires to be among the country's top rural banks. This requires on-going development and innovation in its operations through strategic plan. The Bank has a low appetite for threats to the effective and efficient delivery of its strategic plan. It recognizes that the actual or perceived inability to deliver strategic plan could have a significant impact on its ability to achieve its objectives as well as its reputation. The Bank's Board meets regularly to discuss actual performance vis- à-vis plan. A framework is in place to ensure the Bank’s strategic plan is managed and reported on a consistent basis.

ii. Liquidity Risks. The Bank has a very low appetite for liquidity risks because these have significant impact on the Bank’s reputation.

iii. Credit Risk. The Bank has a low appetite for credit risks. Risk tolerances for the Bank’s credit activities are approved by the Board. Performance against these measures is monitored and reported to the Board and Senior Management on a monthly basis.

iv. Human Resources-related Risks. The Bank's significant human resources-related risks include the following:

- Calibre of People – The Bank relies on motivated and high-quality staff to perform its functions. It aims to create an environment where employees are empowered to the full extent of their abilities. The appetite for losses to the value of the Bank's collective competencies, knowledge and skills is very low.

- Conduct of People – The Bank expects employees to conduct themselves with a high degree of integrity, to strive for excellence in the work they perform and the outcomes they achieve, and to promote the public interest. The appetite for behaviors which do not meet these standards is very low. The Bank takes very seriously any breaches of its Code of Conduct.

- Work Health & Safety (WHS) – The Bank aims to create a safe working environment for all its staff, where people are protected from physical or psychological harm. It has a very low appetite for practices or behaviors that lead to staff being harmed while at work.

v. Operational Risks. The Bank's appetite for specific operational risks is detailed below. Risks are carefully analyzed in all the Bank's operational activities, including to ensure that the benefit of the risk control measures exceeds the costs of these measures.

(i) Information Technology Information Technology (IT) risks cover both daily operations and on-going enhancements to the Bank's IT systems. These include:

- Processing – Prolonged outage of the Bank's Core System: The Bank has a very low appetite for risks to the availability of systems which support its critical business functions including those which relate to inter-bank settlements, banking operations and financial markets operations. Maximum recovery times have been identified and agreed with each business area.

- Information Security – Cyber-attack on Bank's systems or networks: The Bank has a very low appetite for threats to Bank assets arising from external malicious attacks. To address this risk, the Bank aims for strong internal control processes and the development of robust technology solutions.

- On-going Development - The implementation of new technologies creates new opportunities, but also new risks. The Bank has a low appetite for IT system-related incidents which are generated by poor change management practices.

(ii) Fraud and Corruption. The Bank has no appetite for any fraud or corruption perpetrated by its staff. The Bank takes all allegations of suspected fraud or corruption very seriously and responds fully and fairly as set out in the Code of Conduct.

(iii) Physical Security. The Bank strives to provide a highly-secure environment for its people and assets by ensuring its physical security measures meet high standards. The Bank has a very low appetite for the failure of physical security measure.

(iv) Compliance. The Bank is committed to a high level of compliance with relevant law, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Bank has no appetite for deliberate or purposeful violations of law or regulatory requirements.

(v) Information Management. The Bank is committed to ensuring that its information is authentic, appropriately classified, properly conserved and managed in accordance with regulatory and business requirements. It has a very low appetite for the compromise of processes governing the use of information, its management and publication. The Bank has no appetite for the deliberate misuse of its information.

vi. Interest Rate Risk in Banking Books (IRRBB). The Bank considers the overall impact of the bank's interest rate sensitive assets, liabilities and off-balance sheet exposures over short-, medium- and long- term time horizons on their earnings and economic value in order to manage current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the Bank's banking book position.

The Bank captures all material sources of IRRBB and assesses the effect of interest rate changes on earnings and/or economic value. The measurement of IRRBB is based on outcomes arising from a range of interest rate shocks and stress scenarios. Towards this end, Bank measures and assesses the impact of a 100-, 200- and 300- basis point or 1%, 2%, and 3%, respectively, movement in interest rates to the Bank's net interest income on a monthly basis.

vii. Reputational Risks. – The Bank has no tolerance to risks to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, employees, market analysts, the media and other stakeholders such as regulators and other government agencies that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding.

viii. Environmental and Social Risks – The Bank has no appetite for environmental and social (E&S) risks that pose potential financial, legal and/or reputational negative effect of environmental and social issues on the Bank. As part of credit risk management, the Bank shall not finance projects with E&S issues such as environmental pollution, climate risks (both physical and transition risk), hazards to human health, safety and security, and threats to community, biodiversity and cultural heritage, among others.

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

The Bank's risk management framework, aligned with existing regulations, seeks to ensure that there is an effective process in place to manage risk across the Bank. Risk management is integral to all aspects of the Bank's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasizes careful analysis and management of risk in all business processes.

Risks are identified, assessed and managed at both an enterprise level ('top-down') and business level ('bottom-up'). The Executive/ Credit Committee and the Audit Committee, and as well as the Board of Directors, oversee risk management process.

d. Money Laundering and Terrorist Financing Prevention Program

The Money Laundering and Terrorist Financing Prevention Program (MTPP) of the Bank is designed to provide guidance for the its employees to ensure that the Bank's products, services and operations are not used for money laundering (ML) and terrorist financing (TF) purposes. The MTPP is updated to adopt new Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) rules and regulations.

The Bank is committed to develop and implement an effective money laundering and terrorist financing prevention program, take appropriate action on detected or potential suspicious activity, comply with applicable anti-money laundering laws and regulations, and promote AML awareness among its employees by conducting regular training and refresher course.

5. Corporate Governance

This section comprehensively discusses the bank's corporate governance framework and corporate culture adopted by the bank. The following minimum information should be discussed in this section:

a. Overall corporate governance structure and practices

The Board of Directors is composed of 11 directors, majority of whom, are non-executive directors. The Board of Directors is the highest authority in the matters of governance and managing the business of the Bank. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank. The Board is responsible to promote and adhere to the principles and best practices of corporate governance to foster the long- term success of the bank in fulfilling its mission and vision.

The Board is assisted in its governance function by two (2) Board-level Committees such as 1) Executive/Credit; and 2) Audit. All board committees report regularly to the BOD on their activities as follows:

- Executive/ Credit Committee

  The Executive/ Credit Committee safeguards the quality of the Bank's loan portfolio by applying prudent risk acceptance criteria considering borrower's overall risk dimension amidst prevailing industry and economic conditions. The Committee regularly meets to discuss, approve and endorse new credit applications and to be promptly apprised with developments relating to watch listed and classified loan accounts. In addition to credit risk acceptance, the Bank's Credit Committee formulates credit policies and also handles credit administrative support which includes credit investigation, insurance, securities documentation and custodianship and disposal of non-performing assets.

  This Committee also assists the Board of Directors in fulfilling its corporate governance responsibilities. It reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. The committee is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It oversees the periodic performance evaluation of the board and its committees and executive management; and also conducts an annual self-evaluation of its performance. The Committee is also responsible for the development and oversight of the bank's risk management program.

- Audit Committee

  The Audit Committee is tasked primarily with assisting the Board in fulfilling its oversight responsibilities. The Committee reviews the Bank's financial information, its systems of internal controls and risk management, the audit process, and compliance with significant applicable legal, ethical and regulatory requirements. It monitors the Bank's compliance with approved internal policies and controls, as well as statutory regulations, emphasizing an accounting system that is compliance with prescribed Accounting Standards. The Committee facilitates free and open communication among Management, Compliance, Risk Management, Internal Audit, the external auditors, BSP examiners and the Committee. It enjoys sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations. It is also empowered, among others, to appoint, compensate and oversee external audit engagements, review and comment on internal and external audit reports; and resolve financial reporting disputes between management and the auditor.

b. Selection process for the Board and Senior Management

The Board of Directors is nominated and elected by stockholders every year, each director serves a one-year term until the election of another set of directors. On the other hand, Executive Committee recommends appointment of Senior Management subject to approval of the Board. Through the Executive Committee, the Bank ensures that all directors and Senior Management are qualified based on their integrity, physical fitness, competence, education, moral standing in the community, and relevant business or banking experience, among others. The Bank does not discriminate against gender, age, and ethnic, political, religious or cultural backgrounds. There is one independent director whose role is to provide independent judgment, outside experience, and objectivity to the Board and who has not served as independent director for a maximum cumulative term of nine years from the reckoning period rule.

c. Board's Over-All Responsibility

The Board of Directors, composed of eleven (11) directors, is primarily responsible for defining the Bank's vision and mission. The Board has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It approves and oversees the implementation of strategies to achieve corporate objectives. It likewise approves and oversees the implementation of the risk governance framework, the systems of checks and balances, establishment of a sound corporate governance framework. The Board of Directors approves the selection of the Chief Executive Officer and key members of Senior Management and control functions and oversees their performance.

d. Role and Contribution of Chairman of the Board, Executive and Non-executive Directors

The Chairperson of the Board, who provides leadership in the board of directors, is responsible for:

- effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors;
- Overseeing the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- Ensuring a sound decision making process;
- Encouraging and promoting critical discussion to ensure that dissenting views can be expressed and discussed within the decision-making process;
- Ensuring members of the board of directors receives accurate, timely, and relevant information;
- Ensuring the conduct of proper orientation for first time directors and provides training opportunities for all directors; and
- Ensuring conduct of performance evaluation of the board of directors at least once a year.

The President & General Manager is an executive director who is responsible in the general supervision, administration and management of the Bank. There are nine (9) non-executive directors who are responsible for oversight function on the business and affairs of the Bank, and one (1) of whom is an independent director.

e. Board composition

Name of Director	i. Type of directorship	ii. No. of years served as director	iii. Number shares held	iv. Percentage of ownership
1. Misael P. Santos	Chairman	7	20,755	1.10%
2. Edwin S. Fojas	Executive	37	103,414	5.48%
3. Raymundo A. Del Rosario	Non-executive	33	157,630	8.35%
4. Joselito C. Fojas	Non-executive	10	7,497	0.40%
5. Elena J. Malabanan	Non-executive	36	163,597	8.66%
6. Emmanuel P. Santos	Non-executive	11	295,552	15.65%
7. Purificacion N. Garcia	Non-executive	33	44,494	2.36%
8. Cynia J. Fojas	Non-executive	33	64,956	3.44%
9. Maria Criselda M. Fojas	Executive	10	9,535	0.50%
10. Maria Elisa P. Fojas	Non-executive	11	800	0.04%
11. Roberto U. Teo	Non-executive Independent	7	1	-

f. Board qualification

Name of Director, Nationality and Age	Relevant Qualifications/ experience
1. Misael P. Santos (Filipino, 54 years old)	Dr. Misael P. Santos was elected as member of the Board of Directors on February 18, 2017. He was appointed Chairman by the Board of Directors in 2020. His training includes corporate governance for rural bank directors, Anti-Money Laundering (AML) Regulations and Risk Management. He is a medical doctor by profession. He graduated from the De La Salle University with degrees in Bachelor of Sciencein Biology and Medicine.
2. Emmanuel P. Santos (Filipino, 63 years old)	Dr. Emmanuel P. Santos was elected as Chairman of the Board on February 10, 2018 and was succeeded by Dr. Misael P. Santos in 2020. He is a member of the Executive/ Credit Committee. His trainings include Corporate Governance, Risk Management for Rural Bank Directors, AML Regulations and risk management. Mr. Santos studied Bachelor of Science in Psychology and Medicine in University of Sto.Tomas.
3. Edwin S. Fojas (Filipino, 73 years old)	Mr. Edwin S. Fojas is the President and General Manager since 1985. Concurrently he holds the chairmanship of the Executive/ Credit Committee. A career banker for more than 30 years, Mr. Fojas started his banking career in a Commercial Bank, where he gained experience and knowledge in banking, prior to his on-boarding with this Bank. His trainings include Corporate Governance Course for rural bank directors; Microfinance Modular Training conducted by the Rural Bankers Association of the Philippines (RBAP) – Microenterprise Access to Banking Services (MABS); Acquired Asset Management and Bank Security; AML Regulations and risk management. Mr. Fojas graduated from De La Salle University with a degree of Bachelor of Science in Commerce and completed post graduate studies of Masters in Business Management at the Asian Institute of Management.
4. Raymundo A. Del Rosario (Filipino, 76 years old)	Mr. Raymundo A. Del Rosario was elected as member of the Board of Directors since 1991. He is the incumbent Vice President and a member of the Executive/ Credit Committee.

	Mr. Del Rosario is also serving a member of the Provincial Board of the Province of Cavite, after being elected in 2020. Aside of his more than 25 years' experience as director of the bank, Mr. Del Rosario had been engaged in construction, real estate, gas service station business. His trainings included Corporate Governance for rural bank directors, AML regulations and risk management. Mr. Del Rosario studied Bachelor of Science in Commerce at the Far Eastern University.
5. Joselito C. Fojas (Filipino, 73 years old)	Mr. Joselito C. Fojas was elected as member of the Board of Directors since 2013, He is the incumbent Treasurer and a member of the Executive/ Credit Committee. He is also a Director and Treasurer of Soleil Capitale Philipines, Inc., a subsidiary of Soleil Chartered Bank with head office in New York, USA and engaged in financial packaging and in the issuance of financial instruments. He is also a member of the Board of Directors of Green House Techno Development Corp., member of the Board of Trustees of the Institute of Reproductive Health, a foundation engaged primarily in the propagation of natural family planning methods, a partner of the Source Organic Market, a company engaged in marketing and distribution of organic produce, and a partner of First Option Realty, a company engaged in real estate marketing and brokering. His trainings include corporate governance for rural bank directors, AML regulations and risk management. Mr. Fojas took up Bachelor of Science in Industrial Engineering in the University of the Philippines and finished post graduate Masters in Business Management at the Asian Institute of Management.
6. Elena J. Malabanan (Filipino, 86 years old)	Dr. Elena J. Malabanan was elected as member of the Board of Directors in 1988. Dr. Malabanan has served as member of the Board of Directors for more than 30 years. She is a member of the Audit Committee. Her trainings included corporate governance for rural bank directors, best practices in crafting a customized risk management manual, AML regulations and risk management. She studied Bachelor of Science in Medicine in University of Sto. Tomas.
7. Purificacion N. Garcia (Filipino, 87 years old)	Ms. Purificacion N. Garica was elected as member of the Board of Directors since 1993. She is a member of the Audit Committee

	Her training includes corporate governance for rural bank directors, AML regulations and risk management. She graduated from National Teachers College with a degree in Bachelor of Science in Education.
8. Cynia J. Fojas (Filipino, 83 years old)	Dr. Cynia J. Fojas was elected as member of the Board of Directors in 1992.Dr. Fojas has served as member of the Board of Directors for more than 2 decades. Her trainings included corporate governance for rural bank directors, best practices in crafting a customized risk management manual, AML regulations and risk management. She studied Bachelor of Science in Medicine in University of Sto. Tomas.
9. Maria Criselda M. Fojas (Filipino, 37 years old)	Ms. Maria Criselda M. Fojas was elected as member of the Board of Directors since 2013. She was formerly a member of the Audit Committee and Corporate Governance Committee. Her trainings include corporate governance and risk management for rural bank directors, AML regulations and risk management. Ms. Fojas graduated from De La Salle University with a degree in Political Science. She also completed her Bachelor of Laws in Arellano University. She serves the Bank as Chief Legal Officer.
10. Sonia N. Fojas (Filipino, 88 years old)	Ms. Sonia N. Fojas was elected as member of the Board of Directors in 2024. She was formerly the Cashier of the bank from 1972 to 2011 and was subsequently elected as Corporate Secretary before she was elected as Board of Director this February 2024. Ms. Fojas graduated from Philippine Women's University with a degree in BS Pharmacy. Later on, she also graduated from San Sebastian College – Cavite with a degree in BS Commerce. She attended Basic Rural Banking Course in 1973.

11. Roberto U. Teo (Filipino, 74 years old)	. Roberto U. Teo was appointed independent director to the Board on February 18, 2017. As independent director, he holds the chairmanship of the Audit Committee. . Teo is also a member of the Board of Directors of LBP Leasing and Finance Corporation, a fully owned subsidiary of the Land Bank of the Philippines, Chairman of the Board of Mt Apo Travel and Tours Inc. (since 2013), President and director of GT Philippines Inc. (since 2013). He was a former Director at the Tourism Infrastructure and Enterprise Zone Authority (2014-2018), and served as Assistant City Administration for Operation of Davao City. His trainings include corporate governance for rural bank directors, public corporate governance for board of directors of GOCCs, comprehensive real estate seminar and review, franchising seminar, tourism congress pre-planning workshop, executive director seminar, AML regulations and risk management. Mr. Teo is a graduate of the Asian Institute of Management with a Master in Business Management Degree. He completed his Bachelor of Science in Chemical Engineering at the De La Salle University.

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

Board Level Committees	Membership	Function
Executive/ Credit Committee	Edwin S. Fojas –Chairperson Members: Raymundo A. Del Rosario Emmanuel P. Santos Joselito C. Fojas	-Meet frequently as necessary and, acting as a loan committee, shall have the power to examine and approve or disapprove loans application. -Assist the Board of Directors in fulfilling its corporate governance responsibilities. -Oversee risk management program
Audit Committee	Roberto U. Teo – Chairperson Members: Elena J. Malabanan Purificacion N. Garcia	-Oversee the financial reporting Framework -Monitor and evaluate the adequacy and effectiveness of the internal control system -Oversee the internal audit function and external audit function - Oversee implementation of corrective actions -Investigate significant issues /concerns raised

h. The Board of Directors was elected by the Stockholders in their annual meeting held on February 10, 2024. The Board met 24 times, while Audit Committee and Executive/ Credit Committee held 4 and 37 meetings, respectively, in 2024. Executive / Credit Committee meetings were conducted face-to-face, while on the other hand, meetings of the Board of Directors and Audit Committee were held via teleconferencing using Zoom application.

Hereunder is the report of Directors' attendance in board and board-level committee meetings during the calendar year 2024, including the number of board and committee meetings and percentage attended by each director.

Name of Director	Board Number of Attended and Percentage of attendance		Audit Committee Number of meetings Attended and Percentage		Executive/ Credit Committee Number of Meetings Attended and percentage	
	No.	%	No.	%	No.	%
Emmanuel P. Santos	24	100			32	86
Edwin S. Fojas	24	100			35	95
Raymundo A. Del Rosario	24	100			15	41
Joselito C. Fojas	24	100			15	41
Elena J. Malabanan	24	100	4	100		
Misael P. Santos	24	100				
Purificacion N. Garcia	24	100	4	100		
Sonia N. Fojas	24	100				
Cynia J. Fojas	24	100				
Maria Criselda M. Fojas	24	100				
Roberto U. Teo	24	100	4	100		
Total of Meetings Held During the Year	24		4		37	

i. List of executive officers/senior management

Name of Officer, Nationality and Age	Position	Relevant qualifications/ experience
Edwin S. Fojas (Filipino, 73 years old)	President & General Manager	Mr. Fojas graduated from De La Salle University with a degree of Bachelor of Science in Commerce and completed post graduate studies of Masters in Business Management at the Asian Institute of Management. He has more than 30 years of banking experience. Also, he completed trainings in Corporate Governance Course conducted by the De La Salle University in 2002; Microfinance Modular Training conducted by the Rural Bankers Association of the Philippines (RBAP) – Microenterprise Access to Banking Services (MABS) in 2002; Acquired Asset Management and Bank Security sponsored by the Confederation of Southern Tagalog Rural Bankers (CSTRB) in 2003 and 2004, respectively; Anti Money Laundering in-house training conducted by the Compliance Officer in 2015; and Corporate Governance for Rural Bank Directors and Officers conducted by the RBRDFI in 2018.
Imelda D. Montenegro (Filipino, 61 years old)	Assistant General Manager/ Comptroller	Ms. Montenegro has a Bachelor of Science in Commerce major in Accounting at the St. Paul's College. She has more than 30 years of banking experience in accounting, lending, branch operations, and treasury. Her trainings include corporate housekeeping, best practices in credit, microfinance, market and credit risk management and treasury/comptrollership management.

j. Performance assessment program

The Assessment and Evaluation System of the Bank involves assessment of the activities or accomplishments of the Board, Committees and Individual Directors, Officers and Staff. The performance assessment program consists of the following steps:

Step 1 – Identification of Criteria and Expected Activities
Step 2 – Methodology and Assessment Approach
Step 3 – Assessment Timetable
Step 4 – Corporate Governance and Operational Improvement Program
Step 5 – Documentation
Step 6 – Directives, Desired Actions and Areas of Improvements

The Board of Directors, as a whole, in coordination with the Compliance Officer, conducts the self-assessment, assessment of committees and compliance officer; the Audit Committee assesses/evaluates the Internal Auditor; Senior Management is evaluated by the Corporate Governance Committee, while the other officers and staff are evaluated by the Assistant General Manager or by their respective supervisors. Management reports to the Board of Directors the results of the performance evaluation of officers and staff and shall provide recommendations based on the results of the rating. The recommendations maybe in the form of merit increase, promotions or both.

The Board of Directors, President and Bank Officers document all its assessment activities for future reference. This is to ensure a common understanding of the corporate governance and operational improvement program, including improvement of bank personnel. It is also to assign clear accountability for its effective implementation, both the program and the timetable for its implementation should be appropriately documented.

The Board of Directors, President and Bank Officers provide/set instructions to the ratee so as to improve the results of the assessment/ evaluation and of the Bank's operations as a whole.

Such specific actions and recommendations commensurate with the issues identified and resulting assessment on the quality of corporate governance, operational activities and personnel improvement thru training will be part of the recommendation.

k. Orientation and Education Program

The Directors and Senior Management maintain professional integrity and continuously seek to enhance their skill, knowledge and understanding of the activities that the bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuous education or training. Directors and Senior Management attend corporate governance seminar conducted by BSP accredited training providers, prior to, or at least immediately after, assumption of office. The Compliance Officer conducts an in-house training of the Directors and Senior Management in the matter of risk management, updates on Anti-Money Laundering regulations and other relevant laws, rules and regulations.

As part of the continuing education, the Directors attended webinars on (1) AML/CTF Fundamentals dated June, 18, 2024 and TFA Course dated June 20, 2024 both via online training provided by AMLC.

The Bank's Human Resources Department (HRD) has implemented an annual program continuing education for rank and file, supervisors and middle management, and senior management with a combination of in-house and external training based on the training needs and results of performance evaluation.

l. Retirement and Succession Policy

The normal retirement date of Senior Management is upon his/her attainment of age sixty (60). However, the Board may approve extension of tenure of the President/ General Manager to remain active after his/her normal retirement date but not beyond 80 years old. On the other hand, the Bank does not impose mandatory retirement age for the Directors. Independent directors 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 Bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

Succession Policy provides Bank's succession plan to identify and develop internal personnel with the potential to fill key or critical organization positions. The Bank's Succession Plan involves planning for smooth continuation and to manage gaps that will arise when individuals in key positions leave or are promoted thru the individual development plan.

m. Remuneration and Incentive Policy

The Bank provides rewarding careers by maintaining competitive compensation and benefits program for employees. The remuneration policy of the Bank applies to all employees including its senior officers. The relative value of each job and corresponding pay levels are determined by a competency-based job evaluation system. The Human Resources Department regularly reviews compensation policies and recommends changes through the Corporate Governance Committee for endorsement to the Board of Directors for approval.

On top of the salaries, the Bank's employees, including its senior management, also receive other compensation and benefits such as:

- Profit-sharing as provided by the Bank's By-laws
- Performance-based incentives/merit bonus
- 13th month pay
- Overtime pay
- Leaves (Vacation, sick ,maternity, paternity, solo parent, and special leave for women)
- Medical benefits (hospitalization and out-patient benefits for employees)
- Financial assistance loans for officers and employees
- Rice subsidy
- Retirement benefits based on tenure and salary

i. Remuneration Policy and Structure for Executive and Non-Executive Directors

Executive and non-executive directors receive a per diem allowance for actual attendance at meetings. The said directors also participate in the profit sharing as provided in the Bank's By-laws.

ii. Remuneration Policy for Senior Management

The Board of Directors determines and approves the salaries of the Senior Management, specifically, the President/General Manager and the Assistant General Manager. The said senior officers are the top two highest paid personnel of the Bank.

n. Policies and procedures on related party transactions

i. Overarching policies and procedures for managing related party transactions

The Bank recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. In this regard, it is the Policy of the Bank that related party transactions (RPT) are done on an arm's length basis. Towards this end, the Bank exercises appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to the bank and its depositors, creditors, fiduciary clients, and other stakeholders.

The Board manages conflicts of interest or potential conflicts of interest and is responsible in:

- Evaluating on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTS are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board of directors and regulators/supervisors.

- Evaluating all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the BSFI are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTS, the Committee takes into account, among others, the following:

  - The related party's relationship to the Bank and interest in the transaction;
  - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to the Bank of the proposed RPT;
  - The availability of other sources of comparable products or services; and
  - An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

ii. Material RPTs

All RPTs that are considered material are subject to the approval by the Board of Directors. The Bank's internal policy on RPT:

- Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties.

- Directs Management to report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- Ensures that transactions with related parties, including write-off of exposures are subject to periodic independent review or audit process.
- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

o. Self-Assessment Function

i. Internal Audit and Compliance Functions

The internal audit function, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the Bank's records, physical properties, and personnel pertinent to carrying out any engagement. It also has the authority to directly access and to communicate with any officer or employee, to examine any activity or entity of the bank, as well as to access any records, files or data whenever relevant to the exercise of its assignment. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity also has free and unrestricted access to the Board.

The compliance function remains sufficiently independent of the operations that it conducts compliance testing and evaluation to enable him/her to perform his/her duties in a manner, which facilitates impartial and effective professional judgments and recommendations. The compliance function has no operational responsibilities. The compliance function reports directly to the Board of Directors on a monthly basis.

The Compliance Officer reports on a regular basis to senior management on compliance matters. The report refers to the compliance risk assessment that has taken place during the reporting period, including any changes in the compliance risk profile based on relevant measurements such as performance indicators, summary of any identified breaches and/or deficiencies and the corrective measures recommended to address them, and report on corrective measures already taken.

ii. Review of Effectiveness and Adequacy of the Internal Control System

The Audit Committee provides assistance to the Board of Directors in reviewing the assurance reports of the Internal Audit Department covering the results of assessment on the adequacy and effectiveness of internal controls, risk management and governance processes, and in overseeing the financial management processes, the systems of internal accounting and financial controls, the performance and independence of the external and internal auditor, and annual independent audit of the Bank's financial statements.

Internal control and risk management are further strengthened with the Board of Directors' approval of the Audit Committee recommendations arising from periodic review of Internal Audit, management reports and consultation with the Bank's frontline and support units.

p. Dividend policy

Prior to the declaration of dividends, the Board of Directors ensures compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution. The Board of Directors has the power to declare and approve cash dividend, while the stockholders have the right to approve stock dividends. The net amount available for dividends is the amount of unrestricted or free retained earnings and undivided profits reported in the statement of financial position as of the calendar year-end immediately preceding the date of divided declaration. For the year 2024, the bank declared and paid cash dividend amounting to ₱ 12,012,755 or 6.35 per share.

q. Corporate Social Responsibility

Every graduation month for elementary and high school levels in the Municipality of Tanza, Cavite, the Bank awards the highest honor graduates of elementary and high schools, public or private, with medal, token cash in form of savings deposit account and testimonial luncheon as part of the Bank's corporate social responsibility with aim in inspiring young achievers of the community.

However, in the wake of health crisis, the Board decided to temporarily defer awarding of medals, token cash, and holding of testimonial ceremony since year 2021 and plan to resume it in the future years.

r. Consumer Protection Practices

i. Role and Responsibility of the Board and Senior Management

The Board of Directors of the Bank is ultimately responsible for ensuring that consumer protection practices are embedded in the Bank's business operations. The Board and Senior Management are responsible for developing the Bank's consumer protection strategy and establishing an effective oversight over the Bank's consumer protection programs.

The Board is primarily responsible for approving and overseeing the implementation of the Bank's consumer protection policies as well as the mechanism to ensure compliance with said policies. While Senior Management is responsible for the implementation of the consumer protection policies approved by the Board, the latter shall be responsible for monitoring and overseeing the performance of Senior Management in managing the day to day consumer protection activities of the Bank.

ii. Consumer Protection Risk Management System of the Bank

As part of the Bank's consumer protection risk management system, the bank has put in place appropriate management controls and take reasonable steps to ensure that in handling complaints/requests, it identifies and remedies any recurring or systemic problems, and identifies weaknesses in the Bank's internal control procedures or process by:

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

iii. Consumer Assistance Management System

In order that financial consumers are provided with accessible, affordable, independent, fair, accountable, timely and efficient means for resolving complaints with their financial transactions. The Bank has established the Consumer Assistance Management System (CAMS) for complaint handling and redress. CAMS shall provide guidelines on receiving, recording, evaluating, resolving, monitoring, reporting and giving feedback to consumers.

The Consumer Assistance Group is responsible in handling consumer concerns. The said Group is composed of the Consumer Assistance Group Head, who is concurrently the Assistant General Manager; Consumer Help In-charge in the person of Department Heads and Branch Managers; and, the front-liner who is designated as Consumer Help Officer.

The Assistant General Manager heads the Consumer Assistance Group. Each Manager/Supervisor is in- charge of the Department's/Branch's/MBO's designated consumer help officer who handles consumer concerns. There are alternates for the in-charge and help officer of each team to ensure presence of consumer help officer during banking hours. Group Head is be responsible for the i) overseeing and evaluating the effectiveness of CAMS; and ii) reporting to the Board and Senior Management.

The Consumer Help In-Charge is responsible for handling complaint/request which is escalated by the Consumer Help Officer. On a daily basis, this officer shall review the register of consumer concern and reports the same to the Group Head. The complex complaint/request may further be escalated by the In- charge to the Group Head or Senior Management for proper disposition.

The Consumer Help Officer is a front-liner who: i) receives and acknowledges consumer concerns; ii) records concerns in a Register/database; iii) makes an initial review and investigation of concerns; iv) handles simple complaint/request or escalates complex complaint/request to the Consumer help-in- charge; and reports to the Unit Consumer Help In-Charge.

6. Corporate Information

a. Organizational structure

Name of Officer	Position
1. Edwin S. Fojas	President & General Manager
2. Imelda D. Montenegro	Assistant General Manager/ Comptroller
3. Ma. Criselda M. Fojas	Chief Legal Officer
4. Elijah S. Maranan	Acting Compliance Officer
5. Richelle M. Villar	Cashier
6. Marites T. Luis	Accounting Manager
7. Ruel B. Andaya	Loan Documentation & Administrative Manager
8. Jasmin A. Riemedio	Credit Risk Manager
9. Joel Trapago	Collection Manager
10. Jonathan I. Montesines	Information and Communication Technology Manager
11. Marinelle De Ocampo,	Acting Internal Audit Manager
12. John Kayvin D. Pareja	Customer Service Manager
13. John Patrick L. Castillo	Branch Manager – Molino
14. Myra P. Arcena	Branch Manager – Indang
15. Rodel H. Rogador	Branch Manager - Naic
16. John Philip J. Cezar	Branch Manager - Mamburao
17. Elisha Grace V. Alcantara	Branch Manager – Teresa
18. Jane Lindle T. Talavera	Branch Manager – Tanay
19. James A. Molod	Branch Manager – Mendez
20. Lucila P. Jimenez	Branch Manager – Alfonso

b. List of major stockholders (with 2% and up of stockholdings) of the bank, including nationality, percentage of stockholdings and voting status.

Name of Stockholder	Nationality	Percentage of Ownership	Voting Status
1. Emmanuel P. Santos	Filipino	15.65%	Voting
2. Elena J. Malabanan	Filipino	8.66%	Voting
3. Raymundo A. Del Rosario	Filipino	8.35%	Voting
4. Heirs of Lily C. Fojas	Filipino	8.30%	Voting

Name of Stockholder	Nationality	Percentage of Ownership	Voting Status
5. Edwin S. Fojas	Filipino	5.48%	Voting
6. Myrna S. Fojas	Filipino	4.98%	Voting
7. Macario S. Fojas	Filipino	4.93%	Voting
8. Heirs of Jovencio S. Fojas, Jr.	Filipino	4.69%	Voting
9. Leticia P. Santos	Filipino	4.25%	Voting
10. Cynia J. Fojas	Filipino	3.44%	Voting
11. Purificacion N. Garcia	Filipino	2.36%	Voting

c. List and description of products and services offered

The Bank's products and services are as follows:

Product/Services	Description
Deposit	Regular savings, ATM savings, special savings, checking account, regular time deposit, long term non-negotiable time deposit
Loans	SME, microfinance, salary/consumption, housing, corporate loan, agricultural loan
Remittance	Western Union,TransFast, BDO Remit
Bills Payment	Utility bills, etc. (Bayad Center)
Others	SSS paying (pension) agent Microinsurance Electronic Payment and Financial Services (EPFS): • InstaPay – Receiving of Funds only • PESONet – Receiving of Funds only

d. Bank website and social media accounts

- Website: www.bangkomabuhay.com.ph.
- Facebook account: Bangko Mabuhay – A Rural Bank, Inc.
- Instagram account: bangkomabuhayofficial

e. List of banking units as of December 31, 2024:

Bank Office	Location	Contact Numbers
1. Head Office	Bangko Mabuhay Building, A. Soriano Highway, Bgy. Daang Amaya III, Tanza, Cavite	(046) 489-2010-2013
2. Molino Branch	Bangko Mabuhay Building, Zapote-Paliparan Road, Bgy. Molino III, Bacoor City, Cavite	(046) 872-2356; (046) 460-4748; (046) 230-2232;
3. Indang Branch	Bangko Mabuhay Building, De Ocampo St., Poblacion, Indang, Cavite	(046) 430-9435; (046) 423-3595; (046) 230-2197
4. Naic Branch	Bangko Mabuhay Building, P. Poblete St., Bgy. Gombalza, Naic, Cavite	(046) 412-0598; (046) 412-0529; (046) 230-1322;
5. Mamburao Branch	San Jose St., Bgy. 7, Mamburao, Occidental Mindoro	(043)458-1274
6. Teresa Branch	No. 48 Corazon C. Aquino Avenue (formerly Pres. M.L. Quezon St.), Poblacion, Teresa, Rizal	(02) 8552-7837; (02) 7004-5440;
7. Tanay Branch	Near Tanay Public Market, SitioPasipit, Bgy. Plaza Aldea, Tanay, Rizal	(02)-8635-7458 (02)-7213-3464
8. Mendez Branch	1325 J.P.Rizal St. Brgy. Poblacion 4 Mendez Cavite 4121	(046) 413-0164; (046) 230-1417;
9. Alfonso Branch	Bgy. Luksuhin Ibaba, Alfonso, Cavite	(046) 404-5775; (046) 230-2124;
10. Manggahan Branchlite	No. 36 Grepps Building, CM Delos Reyes St., Bgy. Manggahan, Gen. Trias City, Cavite	(046) 430-6265; (046) 238-3347;
11. Sablayan Branchlite	Dangero St., Brgy. Buenavista, Sablayan,Occidental Mindoro	(043) 457-0786

7. Information on sustainability finance as required under Section 153 of the Manual of Regulations for Banks (MORB).

a. Overview of Environmental and Social (E&S) risk management system

The Bank is cognizant that climate change and other environmental and social risks could pose financial concerns considering their significant and protracted implications on the Bank's operations and financial interest. Therefore, the Board and Senior Management are committed to embed sustainability principles in the Bank's governance framework, risk management system, business strategy and operations.

Toward this end, the Bank shall promote a culture that fosters environmentally and socially responsible business decisions and build its team's internal capacity and awareness of climate risks on how to assess and manage the same, integrate this process into existing risk management system. Managing climate-related physical risks contributes to the reduction of credit risk on the Bank's loan portfolio.

b. Breakdown of E&S Risk Exposures of the Bank per Sector

The Bank caters to agricultural sector, housing sector and the micro, small and medium enterprises (MSMEs). These sectors are exposed or vulnerable to physical risks or E&S risk. Hereunder is the breakdown of E&S risk exposures of the Bank per sector:

Loans Subject to E&S Risk Exposure as of December 31, 2024

Loan Product		Current		Past Due		Non-Performing		Total
Agra-agri credit								
a. Agrarian reform loans	₱		₱	-	₱	213,370	₱	213,370
b. Other agri credits		40,065,672		-		3,296,246		43,361,918
Microfinance		24,029,400		-		6,900,839		30,930,239
SME Loans								
a. Small enterprise		149,359,727		6,687,052		7,819,817		163,866,596
b. Medium enterprise		157,959,894		-		3,816,204		161,776,098
Loans for housing purpose		65,615,430		914,189		5,372,705		71,902,324
Total	₱	437,030,123	₱	7,601,241	₱	27,419,181	₱	472,050,545
% to Total Loan Portfolio		83%		1%		5%		89%

Loans Subject to E&S Risk Exposure as of December 31, 2023

Loan Product		Current		Past Due		Non-Performing		Total
Agra-agri credit								
a. Agrarian reform loans	₱		₱	-	₱	213,370	₱	213,370
b. Other agri credits		34,621,846		398,325		9,119,138		44,139,309
Microfinance		18,604,831		-		7,686,416		26,291,247
SME Loans								
a. Small enterprise		120,252,805		6,001,305		12,697,677		138,951,787
b. Medium enterprise		156,685,722		-		-		156,685,722
Loans for housing purpose		58,490,665		3,466,464		3,035,650		64,992,779
Total	₱	388,655,869	₱	9,866,094	₱	32,752,251	₱	431,274,214
% to Total Loan Portfolio		81%		2%		7%		90%

c. Information on Existing and Emerging E&S risks and their impact on the Bank

The Bank’s operates in the Region 4-A, in Provinces of Cavite and Rizal; and in Region 4-B, in the Province of Occidental Mindoro. The Bank recognizes that the existing and emerging E&S risks and its potential impact on the Bank of climate change should be taken into consideration in its strategic plan. These impacts include major changes in rainfall patterns and distributions, threats to the natural ecosystems, declining rice yields, increasing intense droughts, rising sea level, and water scarcity, among others.

Understanding and deepening the knowledge level on physical risks and transition risks brought about by the E&S risks will enable the Bank to finance agricultural, housing and MSME sectors in a sustainable manner. Physical risks refer to the potential loss or damage to tangible assets arising from climate change and/or other weather-related condition, while transition risks pertain to potential economic adjustment cost resulting from policy, legal, technology, market change to meet climate change mitigation and adaption requirements.

d. Initiatives to Promote Adherence to Internationally-recognized Sustainability Standards and Practices

The Board and Senior Management strive to promote adherence to internationally-recognized sustainability standards and practices by:

- Enhancing the understanding and technical skills of Bank personnel on sustainability finance through capacity building;
- Monitoring the Bank’s progress in attaining sustainability objectives and reporting thereof to the Board of Directors; and
- Ensuring operation and personnel performance are consistent with the objectives.

Alas Oplas & Co., CPAs

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Independent Member of
B K R International

INDEPENDENT AUDITORS' REPORT

To the Stockholders and the Board of Directors
BANGKO MABUHAY (A RURAL BANK), INC.
A. Soriano Highway, Brgy. Daang Amaya III,
Tanza, Cavite

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 5.01.04 to the financial statements which describes the basis used by the Bank in setting up allowance for credit losses. As stated in Bangko Sentral ng Pilipinas (BSP) Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with PFRS 9, shall, at a minimum, be subject to regulatory guidelines in setting up allowance for credit losses prescribed under Appendix 15 of the Manual of Regulations for Banks. Following the guidance of Circular 1011 and Appendix 100 of the Manual of Regulations for Banks (MORB) of the Bangko Sentral ng Pilipinas in adopting PFRS 9 impairment requirements, the Bank assessed the ECL in accordance with the said standard and based on management judgement it was determined that the amount recognized as allowance based on Appendix 15 of the MORB is reasonable. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Bank as of December 31, 2023 were audited by another auditor whose report dated April 13, 2024 expressed an unqualified opinion on those statements.

As part of our audit as of December 31, 2024 financial statements, we also audited the reclassification of comparative amounts described in Note 25 to the financial statements that were applied to amend the December 31, 2023 financial statements. In our opinion, such reclassifications are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2023 financial statements of the Bank other than with respect to the reclassifications and, accordingly, we do not express an opinion or any form of assurance on the December 31, 2023 financial statements.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Alas Oplas & Co., CPAs

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 31 and Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 30 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 **BANGKO MABUHAY (A RURAL BANK), INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027
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 12, 2025
Makati City, Philippines

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(With Comparative Figures for 2023)
In Philippine Peso

	Notes	2024	2023
ASSETS			
Cash and other cash items	8	**26,462,376**	20,470,032
Due from Bangko Sentral ng Pilipinas	8	**16,120,477**	22,361,022
Due from other banks	8	**430,508,605**	482,828,275
Investment securities at amortized cost - net	9	**705,236,894**	740,520,244
Loans and other receivables - net	10	**547,077,601**	484,242,987
Bank premises, furniture, fixtures and equipment – net	11	**48,384,229**	48,012,073
Investment properties - net	12	**103,891,225**	108,789,867
Intangible assets – net	13	**1,076,050**	1,755,141
Deferred tax assets	21	**12,678,456**	9,999,617
Other assets	14	**38,034,289**	37,079,156
TOTAL ASSETS		**1,929,470,202**	1,956,058,414
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	15	**1,484,926,146**	1,531,077,084
Bills payable	16	**25,000,000**	30,000,000
Accrued and other liabilities	17	**23,398,568**	23,162,679
Total Liabilities		**1,533,324,714**	1,584,239,763
Equity			
Common stocks	18	**188,879,800**	188,879,800
Additional paid-in capital	18	**26,811,831**	26,811,831
Surplus free	18	**177,640,519**	153,671,181
Actuarial gain on defined benefit obligation - net of tax	24	**2,813,338**	2,455,839
Total Equity		**396,145,488**	371,818,651
TOTAL LIABILITIES AND EQUITY		**1,929,470,202**	1,956,058,414

See Notes to Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for 2023)
In Philippine Peso

	Notes	**2024**	2023
INTEREST INCOME			
Loans and other receivables	10	**91,199,965**	83,617,781
Investment securities at amortized cost	9	**36,248,056**	32,185,294
Due from other banks	8	**6,311,103**	8,008,114
		133,759,124	123,811,189
INTEREST EXPENSE			
Deposit liabilities	15	**(4,314,188)**	(5,429,557)
Bills payable	16	**(30,278)**	(27,500)
Lease liabilities	17	**(23,989)**	(81,582)
		(4,368,455)	(5,538,639)
NET INTEREST INCOME		**129,390,669**	118,272,550
OTHER OPERATING INCOME	19	**51,793,692**	57,254,234
TOTAL OPERATING INCOME		**181,184,361**	175,526,784
OPERATING EXPENSES	20	**(145,921,675)**	(138,587,233)
PROFIT BEFORE TAX		**35,262,686**	36,939,551
INCOME TAX BENEFIT (EXPENSE)	21	**707,446**	(5,192,005)
PROFIT		**35,970,132**	31,747,546
OTHER COMPREHENSIVE INCOME	24	**357,499**	4,150,864
TOTAL COMPREHENSIVE INCOME		**36,327,631**	35,898,410

See Notes to Financial Statements.

BANGKO MABUHAY (A RURAL BANK), INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for 2023)
In Philippine Peso

	Common stocks (Note 18)	**Additional paid-in capital** (Note 18)	**Surplus free** (Note 18)	**Actuarial gain on defined benefit obligation – net of tax** (Note 24)	**Total**
Balance at December 31, 2022	188,879,800	26,811,831	121,923,635	(1,695,025)	335,920,241
Profit	–	–	31,747,546	–	31,747,546
Other comprehensive income	–	–	–	4,150,864	4,150,864
Balance at December 31, 2023	188,879,800	26,811,831	153,671,181	2,455,839	371,818,651
Cash dividends declared	–	–	(12,012,755)	–	(12,012,755)
Profit	–	–	35,970,132	–	35,970,132
Other comprehensive income	–	–	–	357,499	357,499
Prior year adjustment	–	–	11,961	–	11,961
Balance at December 31, 2024	**188,879,800**	**26,811,831**	**177,640,519**	**2,813,338**	**396,145,488**

See Notes to Financial Statements.

BANGKO MABUHAY (A RURAL BANK), INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for 2023)
In Philippine Peso

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**35,262,686**	36,939,551
Adjustments for:			
Interest income on investment securities at amortized cost	9	**(36,248,056)**	(32,185,294)
Gain on sale of investment properties	12,19	**(29,205,803)**	(34,293,842)
Depreciation and amortization	20	**13,376,090**	13,781,251
Interest income on bank deposits	8	**(6,311,103)**	(8,008,114)
Retirement benefit expense	24	**986,060**	1,900,134
Gain on sale of bank premises, furniture, fixtures and equipment	11,19	**(393,418)**	(274,804)
Interest expense on lease liability	17	**23,989**	81,582
Operating cash flows before working capital changes		**(22,509,555)**	(22,059,536)
Changes in operating assets and liabilities			
Decrease (increase) in:			
Loans and other receivables - net		**(53,630,922)**	(88,397,102)
Other assets		**(4,285,756)**	14,310,138
Increase (decrease) in:			
Deposit liabilities		**(46,150,938)**	(111,854,142)
Accrued and other liabilities		**(1,155,222)**	1,246,210
Cash used in operations		**(127,732,393)**	(206,754,432)
Interest received		**40,261,550**	43,498,608
Income tax paid		**–**	(17,923,084)
Net cash used in operating activities		**(87,470,843)**	(181,178,908)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of investment securities at amortized cost	9	**584,821,023**	578,736,210
Acquisition of investment securities at amortized cost	9	**(546,000,000)**	(549,000,000)
Proceeds from disposal of investment properties	12	**20,721,840**	45,229,819
Acquisition of bank premises, furniture, fixtures and equipment	11	**(7,529,131)**	(11,891,021)
Proceeds from disposal of bank premises, furniture, fixtures and equipment	11	**395,885**	1,375,463
Acquisition of intangible assets	13	**(319,083)**	(827,866)
Net cash generated from investing activities		**52,090,534**	63,622,605
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of bills payable	16	**(30,000,000)**	(10,000,000)
Proceeds from availment of bills payable	16	**25,000,000**	30,000,000
Dividends paid	18	**(11,492,552)**	–
Payment of lease liability - principal and interest	17	**(695,010)**	(862,928)
Net cash generated from (used in) financing activities		**(17,187,562)**	19,137,072
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(52,567,871)**	(98,419,231)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		**20,470,032**	22,922,329
Due from Bangko Sentral ng Pilipinas		**22,361,022**	42,350,245
Due from other banks		**482,828,275**	558,805,986
		525,659,329	624,078,560
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	8	**26,462,376**	20,470,032
Due from Bangko Sentral ng Pilipinas	8	**16,120,477**	22,361,022
Due from other banks	8	**430,508,605**	482,828,275
	8	**473,091,458**	525,659,329

See Notes to Financial Statements.

BANGKO MABUHAY (A RURAL BANK), INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(With Comparative Figures for 2023)
In Philippine Peso

1. CORPORATE INFORMATION

BANGKO MABUHAY (A RURAL BANK), INC. (the "Bank") was registered with the Philippine Securities and Exchange Commission (SEC) on January 21, 2015 under SEC Registration No. CS201500594 through the consolidation of Rural Bank of Tanza (Cavite), Inc. and Rural Bank of Teresa (Rizal), Inc. The consolidation was approved by the Bangko Sentral ng Pilipinas (BSP) and the Philippine Deposit Insurance Corporation (PDIC) as part of the Strengthening Program for Rural Banks (SPRB), in accordance with Republic Act No. 7353, also known as The Rural Banks Act of 1992, and Monetary Board Resolution No. 1541, dated September 19, 2013. On March 23, 2015, the BSP issued the Bank a Certificate of Authority to operate as a rural bank, and it began its operations as a consolidated bank on April 1, 2015.

The Bank is authorized by the Bangko Sentral ng Pilipinas (BSP) to operate a foreign currency deposit under Republic Act Nos. 8791 and 7353, and the Manual of Regulations for Banks.

The Bank's registered head office address is located at A. Soriano Highway, Brgy. Daang Amaya III, Tanza, Cavite. The Bank is domiciled in the Philippines.

The Bank currently has eight (8) branches and two (2) branch lite units (BLUs) located in the provinces of Cavite, Rizal and Occidental Mindoro.

The Bank's branches and branch lite units are located as follows:

Branches/BLUs	Address	Commencement Date
Molino	Zapote-Paliparan Road, Molino III, Bacoor, Cavite	August 1995
Indang	502 De Ocampo Street, Poblacion, Indang, Cavite	October 1995
Naic	Corner Pascual H. Poblete & Balong Pari St., Poblacion, Naic, Cavite	January 1996
Mamburao	San Jose St., Barangay VII, Mamburao, Occidental Mindoro	October 2008
Teresa	#48 Corazon C. Aquino Ave. Brgy. Poblacion Teresa, Rizal	April 2015
Tanay	Sitio Pasipit, Brgy. Plaza Aldea, Tanay, Rizal	April 2015
Manggahan BLU	36 CM Delos Reyes St., Greps Bldg., Manggahan, General Trias, Cavite	December 2015
Mendez	1325 J.P. Rizal St. Poblacion IV Mendez, Cavite	October 2016
Alfonso	282 Luksuhin Ibaba Alfonso, Cavite	December 2017
Sablayan BLU	Dangeros St. Buenavista, Sablayan, Occidental Mindoro	June 2024

The Bank's products and services are traditional deposits such as savings deposits, special savings deposits, and time deposits. The Bank also offers various types of loans such as microfinance, agricultural and other consumption loans.

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 PFRS Accounting Standards are applied by the Bank in preparation of its financial statements except for the requirements of the following standards:

PFRS 9 Financial Instruments – For impairment, the Bank adopted Appendix 15 of Manual of Regulations for Banks (MORB) that provides guidelines for provisioning based on number of days past due, collaterals, and type of loan.

2.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where a Financial Reporting Standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

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 ongoing 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 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)

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 Bank 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 Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

Date of Recognition
The Bank recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

'Day 1' Difference
Where the transaction price in a non-active market is different with the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

4.01.01 Financial Assets

Initial Recognition and Measurement
Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVPL, includes transaction cost.

Classification
The Bank classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVOCI, and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Bank's business model for managing the asset and its contractual cash flow characteristics.

Financial Assets at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As of December 31, 2024 and 2023, the Bank's cash and cash equivalents, investment securities at amortized cost, loans and other receivables and other financial assets are classified under this category as disclosed in Notes 8, 9, 10 and 14.

a) *Cash and cash equivalents*
This includes cash on hand, checks and other cash items and deposits held at call with banks. Cash in banks earn interest as indicated in the instrument. These are unrestricted as to withdrawal and are recorded at face amount.

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

b) *Investment securities at amortized cost*
Investment securities at amortized cost include non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as at amortized cost 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. Investment securities at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, these financial assets are subsequently measured at amortized cost. Gains and losses are recognized in the statement of comprehensive income when the investment securities at amortized cost are derecognized and impaired, as well as through the amortization process.

c) *Loans receivable*
Loans receivable include those arising from direct loans to members including officers and employees. 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 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 'Provision for credit losses' in the statement of comprehensive income.

d) *Other financial assets*
This includes accrued interest receivable from loans, account receivables, petty cash and other funds.

<u>Financial assets at FVOCI</u>
Financial assets at FVOCI include debt and equity securities.

Debt Instruments at FVOCI
For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met: (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (2) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

As of December 31, 2024 and 2023, the Bank does not have debt instruments at FVOCI.

Equity Instruments at FVOCI
For equity instruments that are not held for trading, the Bank may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument-by-instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings. Equity securities at FVOCI are not subject to impairment assessment.

As of December 31, 2024 and 2023, the Bank does not have equity securities at FVOCI.

Financial Assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not "solely for payment of principal and interest", and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Bank may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also includes equity instruments which the Bank had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As of December 31, 2024 and 2023, the Bank does not have equity securities at FVPL.

Reclassification

The Bank reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the re-classification date.

Impairment
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 Appendix 15 of the Manual of Regulations for Banks 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.

Derecognition
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The right to receive cash flows from the asset has expired;
- The Bank retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Bank has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Bank's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of Bank that the Bank could be required to repay.

4.01.02 Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized costs, the initial measurement is net of any directly attributable transaction costs.

Classification
The Bank classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2024 and 2023, the Bank does not have liabilities at FVPL.

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at December 31, 2024 and 2023, the Bank's deposit liabilities, bills payable, and accrued and other liabilities (except statutory payables and unearned income) are classified under this as disclosed in Notes 15, 16 and 17.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Bank does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

4.01.03 Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

4.02 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are measured at cost less any accumulated depreciation, amortization and impairment losses. Cost consists of purchase price and costs directly attributable to 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.

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

Building	–	2 - 20 years
Furniture, fixtures and equipment	–	more than 1 - 10 years
Information technology equipment	–	more than 1 - 15 years
Transportation equipment	–	2 - 8 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of 7 years or the lease term.

Construction in progress (CIP) represents property and equipment under construction or in development and is stated at cost. Cost includes direct costs of construction, applicable borrowing costs, and other related expenditures necessary to prepare the asset for its intended use.

CIP is not depreciated. Depreciation begins only when the construction is completed and the asset is available for use, at which point the asset is transferred to the appropriate bank premises, furniture, fixtures and equipment account and depreciated over its estimated useful life.

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.

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 Intangible assets

Intangible assets with indefinite useful lives are subject to an annual impairment test, either individually or at the level of the relevant cash-generating unit (CGU). In addition, the assessment of an asset's useful life is reviewed annually to determine whether the classification as having an indefinite useful life remains appropriate. If, based on this review, it is no longer supportable to maintain the indefinite life classification, the asset's useful life is revised to a finite period. Such a change is accounted for prospectively in accordance with applicable accounting standards.

Computer software comprises purchased software licenses used in the Bank's core banking system. These software licenses are not specific to any particular hardware and do not constitute integral components of related hardware. Accordingly, they are classified as intangible assets and are amortized on a straight-line basis over their estimated useful lives, typically ranging from two to five (2-5) years.

Costs incurred for the maintenance of computer software are expensed as incurred.

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired at the acquisition date of Rural Bank of Mendez, Inc. in 2016. It is recognized as an intangible asset and reflects expected future economic benefits arising from synergies, workforce, customer relationships, or other intangible elements that are not separately identifiable. Goodwill has an indefinite useful life.

A gain or loss arising from the derecognition of an intangible asset—whether through retirement or disposal—is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The resulting gain or loss is recognized in the statement of comprehensive income at the date the asset is derecognized.

4.04 Investment Property

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.

4.05 Other Assets

Other assets not classified as financial assets, bank premises, furniture, fixtures and equipment, and investment property, includes prepaid expenses and stationery & supplies on hand. 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.

4.06 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.

4.07 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; and (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.

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:

Income from Assets Sold or Exchange
Income from assets sold or exchange is recognized when the title to the assets is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included as part of “other operating income” in the statement of comprehensive income.

Fees, Commissions, and Other Income
Fees, commissions, and other income are generally recognized on an accrual basis when the service has been provided, and is based on various criteria for each specific income source.

Fees and commission arising from loans, deposits, and other banking transactions are taken up as income based on the agreed terms and conditions.

Other income is recognized only upon collection or accrued when there is a reasonable certainty as to their collectability.

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 Income
Interest income are recognized in the statements of comprehensive income for all interest-bearing financial instruments using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are integral part of the effective interest rate. The change in carrying amounts is recorded as "interest income".

In the case of past due accounts, interest income is recognized only upon the actual collection, as provided under existing BSP regulations.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the effective interest rate method and shown as deduction from loans.

Service Fees
Service fees are collected from borrowers to cover direct and indirect expenses in processing credit applications, and are recognized using the effective interest method.

Recovery of Charged-off Assets
Income arising from collection on recoveries from impairment of previously written-off accounts are recognized in the year of recovery.

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, 2019, 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;
- 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.

4.10.02 The Bank as Lessor
Property leased out under operating lease is included in investment property in the statement of financial position. Rental income under operating lease is recognized in profit or loss on a straight-line basis over the period of the lease.

4.11 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including trustees 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, bonus and incentives, directors' fees, SSS, PHIC, HDMF contributions, accumulating and vesting credit leaves and gratuity pay.

4.11.02 Post-employment Benefits
The retirement obligations recognized are computed on the basis of the provisions of R.A. 7641. The cost or providing benefits is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement benefit obligation recognized in the statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds and that have terms to maturity approximating to the terms of the related retirement benefit obligation.

The Bank recognizes immediately the following changes in the retirement benefit obligation in the statements of comprehensive income:
- Service costs comprising current service costs, gains and losses on curtailment and non-routine settlements; and
- Net interest expense or income, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Remeasurements, comprising actuarial gains or losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, excluding net interest, are recognized immediately in the statements of financial position with a corresponding debit or credit to equity through "other comprehensive income" in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The last actuarial valuation report obtained from an independent actuary was as of December 2024.

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 Provisions, Contingent Liabilities and Contingent Assets

4.13.01 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.

4.13.02 Contingencies
Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

4.14 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.15 Events After the End of 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. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with PFRS Accounting Standards requires management to use estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The Bank 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 Classification of Financial Assets
The Bank determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Bank determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at fair value through profit or loss.

Management assessed that there is no change in the objective of holding the investments, as a result, the carrying amounts of investment securities at amortized cost, are ₱705,236,894 and ₱740,520,244 as of December 31, 2024 and 2023, respectively, as disclosed in Note 9.

5.01.02 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 fulfill 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.

5.01.03 Fair Value of Financial Instruments
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs.

5.01.04 Determining Method of Computing ECL
As stated in Bangko Sentral ng Pilipinas (BSP) Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with PFRS 9, shall, at a minimum, be subject to regulatory guidelines in setting up allowance for credit losses prescribed under Appendix 15 of the Manual of Regulations for Banks.

5.01.05 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 Uncertainties

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5.02.01 Estimating Allowances for Credit Losses
The Bank estimates the allowance for credit losses related to its loans and receivables based on assessment of specific accounts where the Bank has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer’s current credit status based on third party credit reports and known market factors. The Bank used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated, notwithstanding the provisioning requirements under Manual of Regulations for Banks (MORB).

The Bank also considers financial assets that are more than 30 days past due to be the latest point at which allowance for credit losses should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for credit losses would increase the recognized operating expenses and decrease current assets.

In both years, the Bank assessed its loans and other receivables and determined that certain borrowers are unable to meet their financial obligations. Consequently, no provision for credit losses was recognized by the Bank in 2024 and 2023 as disclosed in Note 23. Allowance for credit losses – loans amounted to ₱29,579,058 and ₱33,795,437 as of December 31, 2024 and 2023, respectively, as disclosed in Note 10. Allowance for credit losses – SCR amounted to ₱8,458,068 in 2024 and 2023, as disclosed in Note 10. Allowance for credit losses – accounts receivable amounted to ₱6,051,112 in 2024 and 2023, as disclosed in Note 14.

The Bank has assessed that the allowance for credit losses on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Bank only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for credit losses on other financial assets at amortized cost was recognized in 2024 and 2023.

5.02.02 Reviewing Residual Values, Useful Lives and Depreciation Method of Bank's Premises, Furniture, Fixtures and Equipment and Investment Properties

The residual values, useful lives and depreciation method of the Bank's premises, furniture, fixtures and equipment and investment properties are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank's premises, furniture, fixtures and equipment and investment properties would increase the recognized operating expenses and decrease non-current assets.

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

In both years, Management assessed that there are no indications that there has been a significant change in pattern used by the Bank to consume its asset's future economic benefit. As of December 31, 2024 and 2023, the carrying amounts of bank premises, furniture, fixtures and equipment as disclosed in Note 11 amounted to ₱48,384,229 and ₱48,012,073, respectively. The carrying amount of investment properties amounted to ₱103,891,225 and ₱108,789,867, as of December 31, 2024 and 2023, respectively, as disclosed in Note 12. The carrying amount of intangible assets amounted to ₱1,076,050 and ₱1,755,141, as of December 31, 2024 and 2023, respectively, as disclosed in Note 13.

5.02.03 Determining Impairment of Non-Financial Asset

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment loss was recognized on bank premises, furniture, fixtures and equipment and intangible assets in 2024 and 2023, as disclosed in Notes 11 and 13. Accumulated impairment losses on investment properties recognized as of 2024 and 2023 amounted to ₱12,081,824 and ₱12,016,287, respectively, as disclosed in Note 12.

5.02.04 Fair Value Measurement of Investment Properties
Investment properties are measured using the cost model, in accordance with the applicable financial reporting framework. While investment properties are carried at cost less accumulated depreciation and any impairment losses, their fair values, as disclosed in Note 7 to the financial statements, are determined by the Bank using the discounted cash flow (DCF) valuation technique, due to the unavailability of current or recent observable market prices for similar properties.

The valuation is based on assumptions that reflect market conditions existing at each reporting date, including the expected selling price under installment terms, the anticipated timing of the sale, and the appropriate discount rates. The estimated selling price is determined by either an independent or internal appraiser, using the current appraised values of the properties or of comparable properties in similar locations and conditions.

For investment properties with appraisals conducted prior to the end of the current reporting period, management assesses whether any significant events or changes in circumstances have occurred during the intervening period that may require adjustments to the disclosed fair values. If there are material changes in the key inputs or sources of information used in the fair value determination—such as market conditions, selling prices, or discount rates—these may warrant a revision in the fair value disclosure.

Furthermore, if the revised fair value indicates a potential impairment, the carrying amount of the affected investment property is assessed for impairment and adjusted accordingly in the financial statements, in accordance with the applicable accounting standards.

5.02.05 Determination and Valuation of Post-employment Defined Benefits
The determination of the Bank's obligation and the related cost of post-employment and other retirement benefits is based on actuarial valuations, which in turn depend on the selection of key assumptions. These assumptions, which are disclosed in Note 24 to the financial statements, include, among others, the discount rate, the expected rate of return on plan assets, and future salary increase rates.

Any significant changes in these actuarial assumptions may materially affect the amounts recognized in profit or loss, other comprehensive income, and the carrying amount of the post-employment benefit obligation in subsequent reporting periods.

The amounts recognized in respect of the Bank's post-employment benefit obligation and related expense, including a detailed analysis of the movements in the estimated present value of the obligation, are presented in Note 24 to the financial statements. The note also discloses the significant actuarial assumptions used in estimating the obligation and expected return on plan assets.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

6.01 General Risk Management Principles

The Bank's financial instruments comprise cash and cash equivalents, investment securities at amortized cost, loans and other receivables, other assets, and other financial liabilities such as deposit liabilities, bills payable, and accrued and other liabilities to finance the Bank's operations.

The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk and operational risk. The management reviews and agrees on policies for managing each of these risks and they are summarized below.

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

	Notes		2024		2023
Financial assets					
Cash and other cash items	8	₱	**26,462,376**	₱	20,470,032
Due from BSP	8		**16,120,477**		22,361,022
Due from other banks	8		**430,508,605**		482,828,275
Investment securities at amortized cost - net	9		**705,236,894**		740,520,244
Loans and other receivables - net	10		**547,077,601**		484,242,987
Other assets*	14		**12,602,634**		12,467,981
		₱	**1,738,008,587**	₱	1,762,890,541
Financial liabilities					
Deposit liabilities	15	₱	**1,484,926,146**	₱	1,531,077,084
Bills payable	16		**25,000,000**		30,000,000
Accrued and other liabilities**	17		**7,917,785**		9,023,683
		₱	**1,517,843,931**	₱	1,570,100,767

**excluding non-financial assets amounting to ₱25,431,655 and ₱24,611,175 in 2024 and 2023, respectively.*
***excluding non-financial liabilities amounting to ₱15,480,783 and ₱14,138,996 in 2024 and 2023, respectively.*

6.02 Credit Risk

Credit risk refers to the potential loss that may arise from the failure of borrowers and/or counterparties to fulfill their contractual obligations. The Bank manages and mitigates credit risk by setting defined limits on the amount of risk it is willing to accept for individual counterparties, as well as for concentrations within specific industries. Additionally, the Bank continuously monitors exposures relative to these limits to ensure adequate control over credit risk.

The Bank has established a comprehensive credit policy that sets forth the principles and standards for the approval and management of credit risk. This policy outlines the parameters for credit activities and delineates the roles and responsibilities of individuals and functions involved in the credit process. Credit policies and standards are reviewed periodically to assess their effectiveness and to ensure they remain relevant in light of changing market conditions.

The Board of Directors (BOD) has delegated the oversight of credit risk management to its Credit Committee, while retaining approval authority for exposures that exceed pre-set limits and for macroeconomic scenarios used in the calculation of ECL. For example, the BOD approves the overall credit strategy, including the portfolio mix, and delegates the authority for daily credit activities to the Credit Committee.

The Credit Risk Management department is responsible for the effective management of the Bank's credit risk. Key responsibilities of the department include:

a) Formulating credit policies that govern credit assessment, risk grading, reporting, and ensure compliance with regulatory and statutory requirements,
b) Monitoring the Bank's credit portfolio and concentration risk exposures,
c) Reviewing and assessing credit risk on an ongoing basis,
d) Maintaining the Bank's credit risk scorecards,
e) Providing advice and guidance to business units, offering specialist skills to promote best practices in the management of credit risk.

The Bank's credit exposures primarily arise from its lending, treasury, and other activities. Credit risk is quantified through the Bank's risk profile and performance metrics, which are regularly monitored and assessed. These metrics, along with relevant risk data, are reported to the BOD on a monthly basis to ensure effective oversight and management of credit risk.

The carrying amount of financial assets recognized in the financial statements represents the Bank's maximum exposure to credit risk.

6.02.01 Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk of the Bank as of December 31, 2024 and 2023, without considering the effects of credit risk mitigation techniques:

	Notes	2024	2023
Checks and other cash items	8	₱ –	₱ 4,800
Due from BSP	8	**16,120,477**	22,361,022
Due from other banks	8	**430,508,605**	482,828,275
Investment securities at amortized cost*	9	**728,577,052**	767,398,075
Loans and other receivable**	10	**585,174,415**	526,666,492
Other assets***	14	**12,602,634**	12,467,981
		₱ 1,772,983,183	₱ 1,811,726,645

**gross of unamortized discount amounting to ₱23,340,158 and ₱26,877,831 in 2024 and 2023, respectively.*
***gross of unamortized discount amounting to ₱59,688 and ₱170,000 in 2024 and 2023, respectively and allowance for credit losses amounting to ₱38,037,126 and ₱42,253,505 in 2024 and 2023, respectively.*
****excluding non-financial assets amounting to ₱25,431,655 and ₱24,611,175 in 2024 and 2023, respectively.*

6.02.02 Risk Concentration of the Maximum Exposure to Credit Risk

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 geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Bank's financial strength and undermine public confidence.

6.02.03 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**	**Pa st Due but not Impaired**	**Impaired**	**Total**
Cash and other cash items*	–	–	–	–
Due from BSP	16,120,477	–	–	16,120,477
Due from other banks	430,508,605	–	–	430,508,605
Investment securities at amortized cost**	728,577,052	–	–	728,577,052
Loans and other receivables***	531,696,999	41,467,740	12,009,676	585,174,415
Other assets****	12,602,634	–	–	12,602,634
	1,719,505,767	**41,467,740**	**12,009,676**	**1,772,983,183**

2023	Neither Past Due nor Impaired	Past Due but not Impaired	Impaired	Total
Cash and other cash items*	4,800	–	–	4,800
Due from BSP	22,361,022	–	–	22,361,022
Due from other banks	482,828,275	–	–	482,828,275
Investment securities at amortized cost**	767,398,075	–	–	767,398,075
Loans and other receivables***	463,715,630	48,687,741	14,263,121	526,666,492
Other assets****	12,467,981	–	–	12,467,981
	1,748,775,783	48,687,741	14,263,121	1,811,726,645

**except for cash on hand amounting to ₱26,462,376 and ₱20,465,232 in 2024 and 2023, respectively.*
***gross of unamortized discount amounting to ₱23,340,158 and ₱26,877,831 in 2024 and 2023, respectively.*
****gross of unamortized discount amounting to ₱59,688 and ₱170,000 in 2024 and 2023, respectively and allowance for credit losses amounting to ₱38,037,126 and ₱42,253,505 in 2024 and 2023, respectively.*
*****excluding non-financial assets amounting to ₱25,431,655 and ₱24,611,175 in 2024 and 2023, respectively.*

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 are loans and receivables 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. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

Impaired loans and receivables are loans and receivables 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.

6.02.04 Aging Analysis

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

	2024	2023
Outstanding receivables:*		
Current accounts	₱ **487,385,858**	₱ 428,993,351
Past due accounts:		
1 – 30 days past due	**7,138,316**	2,025,687
31 – 60 days past due	**9,655,001**	8,388,360
61 – 90 days past due	**6,146,934**	3,318,109
over 90 days past due	**17,503,085**	36,893,084
	₱ **527,829,194**	₱ 479,618,591

**Amounts are at gross amount*

6.02.05 Measurement of Allowance for Credit Losses

As a general rule, Especially Mentioned and Substandard – Underperforming [e.g., substandard accounts that are unpaid or with missed payment of less than ninety (90) days] shall be considered as Stage 2 accounts, while Substandard Non-performing, Doubtful, and Loss accounts shall be considered as Stage 3 accounts.

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 accommodations:

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

PAR for microfinance loans

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.

6.03 Liquidity risk

Liquidity risk is defined as the potential threat to earnings or capital arising from the Bank’s inability to meet its obligations as they become due, without incurring unacceptable losses or costs. The Bank adopts a conservative approach to liquidity risk and maintains various options for emergency funding in the event of a liquidity crisis. The Bank's liquidity risk is quantified through key performance metrics, which are stress-tested under multiple scenarios. These results, along with any relevant insights, are reported to the BOD on a monthly basis.

Liquidity risk is managed by ensuring the Bank holds sufficient liquid assets and conducts thorough assessments to meet short-term funding needs. The Bank also maintains a strong focus on high collection performance. Deposits with banks are typically short-term in nature, with nearly all being available on demand or within one month.

As of December 31, 2024 and 2023, minimum liquidity ratio of the Bank is 96.01% and 97.87%, respectively.

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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 but not more than 15 years	Total
Financial Assets:					
Cash on hand	₱ 26,462,376	₱ –	₱ –	₱ –	₱ 26,462,376
Due from BSP	16,120,477	–	–	–	16,120,477
Due from other banks	353,508,605	67,000,000	10,000,000	–	430,508,605
Investment securities at amortized cost*	109,820,054	455,886,830	9,926,460	152,943,708	728,577,052
Loans and other receivables - gross**	12,868,642	68,398,339	100,039,951	403,867,483	585,174,415
Other assets***	490,955	12,111,679	–	–	12,602,634
	₱ 519,271,109	**₱ 603,396,848**	**₱ 119,966,411**	**₱ 556,811,191**	**₱ 1,799,445,559**

**gross of unamortized discount amounting to ₱23,340,158.*
***gross of unamortized discount amounting to ₱59,688 and allowance for credit losses amounting to ₱38,037,126.*
****excluding non-financial assets amounting to ₱25,431,655.*

Financial Liabilities:					
Deposit liabilities	₱ 1,224,530,288	₱ 161,432,973	₱ 45,971,917	₱ 52,990,968	₱ 1,484,926,146
Bills payable	25,000,000	–	–	–	25,000,000
Accrued and other liabilities****	7,917,785	–	–	–	7,917,785
	₱ 1,257,448,073	**₱ 161,432,973**	**₱ 45,971,917**	**₱ 52,990,968**	**₱ 1,517,843,931**

*****excluding non-financial liabilities amounting to ₱15,480,783.*

BANGKO MABUHAY (A RURAL BANK), INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(With Comparative Figure for 2023)
In Philippine Peso

2023	On Demand	Due Within 1 Year	Due Beyond 1 Year But Not More Than 5 Years	Due Beyond 5 Year But Not More Than 15 Years	Total
Financial Assets:					
Cash on hand	₱ 20,465,232	₱ –	₱ –	₱ –	₱ 20,465,232
Due from BSP	22,361,022	–	–	–	22,361,022
Due from other banks	325,448,598	147,379,677	10,000,000	–	482,828,275
Investment securities at amortized cost*	4,660,845	522,384,648	56,619,174	183,733,408	767,398,075
Loans and other receivable-gross**	12,721,834	54,820,110	100,553,639	358,570,909	526,666,492
Other assets***	54,201	12,413,780	–	–	12,467,981
	₱ 385,711,732	₱ 736,998,215	₱ 167,172,813	₱ 542,304,317	₱ 1,832,187,077

**gross of unamortized discount amounting to ₱26,877,831.*
***gross of unamortized loan discount amounting to ₱170,000 and allowance for credit losses amounting to ₱42,253,505.*
****excluding non-financial assets amounting to ₱24,611,175.*

	On Demand	Due Within 1 Year	Due Beyond 1 Year But Not More Than 5 Years	Due Beyond 5 Year But Not More Than 15 Years	Total
Financial Liabilities:					
Deposit liabilities	₱ 1,190,935,110	₱ 220,352,994	₱ 51,063,753	₱ 68,725,227	₱ 1,531,077,084
Bills payable	30,000,000	–	–	–	30,000,000
Accrued and other liabilities****	7,345,633	974,575	703,475	–	9,023,683
	₱ 1,228,280,743	₱ 221,327,569	₱ 51,767,228	₱ 68,725,227	₱ 1,570,100,767

*****excluding non-financial liabilities amounting to ₱14,138,996.*

6.04 Interest Rate Risk

Interest rate risk refers to the potential impact on earnings or capital resulting from adverse movements in interest rates. To measure the sensitivity of its resources, liabilities, and off-balance sheet items to interest rate fluctuations, the Bank conducts an interest rate gap analysis within its banking book. The banking book refers to resources on the Bank's statement of financial position that are expected to be held to maturity, typically consisting of customer loans and deposits from both corporate and retail clients. The primary focus of this analysis is to assess the effect of interest rate changes on accrual or reported earnings. This analysis provides management with insights into the repricing profile of the Bank's interest-sensitive assets and liabilities within the banking book.

The BOD has established earnings-at-risk (EaR) limits to manage the Bank's interest rate exposure. These positions are closely monitored on a regular basis. Management tracks its exposure to interest rate fluctuations by modeling the impact of interest rate changes on the net worth of the Bank's total books. This modeling evaluates how varying interest rate scenarios affect the net interest positions across the Bank's total portfolio.

To manage its net interest margin, the Bank strategically invests excess funds in high-yield investments and other short-term time deposits.

6.05 Operational Risks

Operational risk refers to the risk of direct or indirect loss arising from a broad range of causes related to the Bank's engagement with financial instruments. These may stem from internal processes, personnel, systems, or infrastructure, as well as from legal and regulatory requirements and generally accepted standards of corporate behavior.

Responsibility for managing operational risk exposures lies with the Executive Committee and Senior Management, who oversee the implementation of policies aimed at minimizing expected losses. This includes allocating capital to cover unexpected losses and maintaining insurance coverage to address potential catastrophic events.

The Bank employs a risk-based approach to operational risk management, which involves mapping risks across critical business processes. This proactive process includes identifying, assessing, and mitigating operational risks to reduce their impact on the Bank's activities. Operational risk incidents are recorded, escalated, and monitored by individual business units, with oversight provided by the second line of defense.

In support of this framework, the BOD has established a robust Internal Audit function, which works closely with Management to ensure that audit findings are addressed and resolved in a timely manner.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value hierarchy 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.

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

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.

7.01 Fair Value Determination

The following table presents a comparison by category of carrying amounts and estimated 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					
Investment securities at amortized cost	705,236,894	–	705,236,894	–	705,236,894
Loans and other receivables - net	547,077,601	–	547,077,601	–	547,077,601
	1,252,314,495	**–**	**1,252,314,495**	**–**	**1,252,314,495**
LIABILITIES					
Deposit liabilities	**1,484,926,146**	**–**	**1,484,926,146**	**–**	**1,484,926,146**
2023					
ASSETS					
Investment securities at amortized cost	740,520,243	–	740,520,243	–	740,520,243
Loans and other receivables - net	484,242,987	–	484,242,987	–	484,242,987
	1,224,763,230	–	1,224,763,230	–	1,224,763,230
LIABILITIES					
Deposit liabilities	1,531,077,084	–	1,531,077,084	–	1,531,077,084

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

7.01.02 Loans and other Receivable
Loans receivable are net of provisions for credit losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at original rates to determine fair value.

7.01.03 Deposit Liabilities
The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of other deposits represents the estimated cash flows expected to be paid which are discounted at the current market rates.

7.01.04 Accrued and Other Liabilities
Due to their short duration, the carrying amounts of accrued interest and other expenses and other liabilities in the statement of financial position are considered to be reasonable approximations of their fair values.

7.01.05 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 12, 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 fair value of investment properties for the years ended December 31, 2024 and 2023 amounted to ₱664,672,686 and ₱646,944,471, respectively, as disclosed in Note 12, 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.

8. CASH AND CASH EQUIVALENTS

The account consists of the following:

		2024		2023
Cash and other cash items:				
Cash on hand	₱	**26,462,376**	₱	20,465,232
Checks and other cash items		**–**		4,800
		26,462,376		20,470,032
Due from BSP		**16,120,477**		22,361,022
Due from other banks		**430,508,605**		482,828,275
		446,629,082		505,189,297
	₱	**473,091,458**	₱	525,659,329

Cash and Other Cash Items

Cash and other cash items refers to cash on hand representing the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier, including notes and coins in the possession of tellers and those kept in automated teller machines (ATM) as of December 31, 2024 and 2023. On the other hand, checks and other cash items account refers to the total amount of checks and other cash items received after the clearing cut-off time until the close of the regular banking hours.

Due from Bangko Sentral ng Pilipinas (BSP)

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. Due from BSP bears annual interest rate of zero in 2024 and 2023.

Pursuant to BSP Circular No. 1175 Series of 2023, the reserve requirement against deposit liabilities for rural banks is reduced to one percent (1%) for savings, time and demand deposits. On top of the regular reserve requirements, legal reserves against peso demand deposits, savings, and time deposit and deposit substitutes shall be zero percent (0%) for rural banks.

Subsequently, under BSP Circular No. 1201 Series of 2024, the reserves against deposit liabilities for rural banks was further reduced to zero percent (0%) for savings, time and demand deposits.

The Bank has satisfactorily complied with the reserve requirements of the BSP as of December 31, 2024 and 2023.

Due from Other Banks
Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its working funds. Peso denominated deposits earn interest at annual rates ranging from 0.00% to 6.10% in 2024 and 2023.

Interest earned on deposits on local banks amounted to ₱6,311,103 and ₱8,008,114 in 2024 and 2023, respectively.

9. INVESTMENT SECURITIES AT AMORTIZED COST - net

This account consists of:

	2024	2023
Face amount	₱ **728,577,052**	₱ 767,398,075
Unamortized discounts/premiums	**(23,340,158)**	(26,877,831)
	₱ **705,236,894**	₱ 740,520,244

Movements in the account are disclosed below:

	2024	2023
Balance, January 1	₱ **767,398,075**	₱ 797,134,285
Acquisitions during the year	**546,000,000**	549,000,000
Maturities during the year	**(584,821,023)**	(578,736,210)
	728,577,052	767,398,075
Unamortized discounts	**(23,340,158)**	(26,877,831)
Balance, December 31	₱ **705,236,894**	₱ 740,520,244

Interest rate ranges from 2.625% to 8.000% and from 2.380% to 8.000% in 2024 and 2023, respectively, with maturity ranging from less than one (1) year to twenty-five (25) years.

Interest earned on investment securities amounted to ₱36,248,056 and ₱32,185,294 in 2024 and 2023, respectively.

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.

Under current banking regulations, investments in bonds and other debt instruments shall not exceed 50% of adjusted statutory net worth plus 40% of total deposits liabilities. As of December 31, 2024 and 2023 the Bank is compliant with such regulations.

10. LOANS AND OTHER RECEIVABLES - net

The Bank's loans and other receivables consist of:

	2024	2023
Current loans	₱ 487,385,858	₱ 428,993,351
Past due loans	39,298,136	44,396,402
Items in litigation	1,145,200	6,228,838
Total loans receivable	527,829,194	479,618,591
Sales contract receivable	43,484,174	31,947,790
Accrued interest receivable	13,861,047	15,100,111
Total loans and other receivables - gross	585,174,415	526,666,492
Unamortized discounts	(59,688)	(170,000)
Total loans and other receivables - amortized cost	585,114,727	526,496,492
Allowance for credit losses - loans receivable	(29,579,058)	(33,795,437)
Allowance for credit losses - sales contract receivable	(8,458,068)	(8,458,068)
Total loans and other receivables - net	₱ 547,077,601	₱ 484,242,987

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 installment basis whereby the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

The breakdown of sales contract receivables are as follows:

	2024	2023
Performing	₱ 31,158,552	₱ 18,850,548
Non-performing	12,325,622	13,097,242
	₱ 43,484,174	₱ 31,947,790

The movement of the allowance for credit losses on loans receivable at December 31, 2024 and 2023 as disclosed in Note 23 are summarized as follows:

	2024	2023
Balance at January 1	₱ 33,795,437	₱ 37,926,204
Write-off	(2,012,933)	(2,538,933)
Reversals and disposals	(2,203,446)	(1,591,834)
Balance at December 31	₱ 29,579,058	₱ 33,795,437

Allowance for credit losses - loans receivable is comprised of the following:

	2024	2023
Specific loan loss provision	₱ 24,782,858	₱ 29,930,603
General loan loss provision	4,796,200	3,864,834
	₱ 29,579,058	₱ 33,795,437

The allowance for credit losses which includes both specific and general loan loss reserves, represents management estimates of credit losses 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. The BSP observes certain criteria and guidelines based largely on the classification of loans in establishing specific loss reserves.

Interest income earned by the Bank from its loans and other receivables are disclosed below:

		2024		2023
Loans receivable	₱	**87,224,966**	₱	80,648,927
Sales contract receivable		**3,974,999**		2,968,854
	₱	**91,199,965**	₱	83,617,781

10.01 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.

Section 304 of the MORB 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.

Installment 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.

10.02 Non-Performing Loans

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

Loans, investments, receivables or any financial asset shall be considered non-performing, 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.

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

		2024		2023
Past due accounts:				
1 – 90 days	₱	**14,130,403**	₱	3,364,787
91 – 180 days		**2,281,005**		14,035,569
Over 180 days		**15,222,080**		22,857,515
	₱	**31,633,488**	₱	40,257,871

As of December 31, 2024 and 2023, non-performing loans (NPLs) not fully covered by allowance for credit losses are as follows:

		2024		2023
Total Non-performing loans	₱	**31,633,488**	₱	40,257,871
Less: Non-performing loans covered by allowance for credit losses		**15,424,252**		21,421,258
	₱	**16,209,236**	₱	18,836,613

Information regarding the Bank's non-performing loans (based on Circular 941) are as follows:

	2024	2023
Ratio of gross NPLs to gross TLP (%)	**5.99%**	8.39%
Ratio of net NPLs to gross TLP (%)	**3.07%**	3.93%
Ratio of total allowance for credit losses to gross NPLs (%)	**93.51%**	83.95%
Ratio of specific allowance for credit losses on gross TLP to gross NPLs (%)	**78.34%**	74.35%

11. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFFE) - net

The carrying amounts of the Bank's BPFFE are as follows:

2024	Land	Building	Leasehold Rights and Improvements	Furniture, Fixtures and Other Equipment	Transportation Equipment	Construction-in-Progress	Right-of-Use-Assets	Total
Cost:								
At January 1	₱ 16,157,142	₱ 65,226,187	₱ 679,273	₱ 45,801,866	₱ 18,854,612	₱ 3,190,000	₱ 3,888,425	₱ 153,797,505
Additions	–	–	–	2,543,525	1,817,106	3,168,500	–	7,529,131
Reclassification	–	6,358,500	–	–	–	(6,358,500)	–	–
Adjustments / Write-off	–	–	–	(1,215,006)	(3,190,036)	–	(2,681,093)	(7,086,135)
At December 31	**16,157,142**	**71,584,687**	**679,273**	**47,130,385**	**17,481,682**	**–**	**1,207,332**	**154,240,501**
Accumulated Depreciation:								
At January 1	–	46,263,449	628,217	41,548,367	14,014,040	–	3,331,359	105,785,432
Depreciation (Note 20)	–	2,897,916	51,050	2,622,463	2,088,075	–	539,498	8,199,002
Adjustments / Write-off	–	3,784	–	(2,374,985)	(3,075,868)	–	(2,681,093)	(8,128,162)
At December 31	**–**	**49,165,149**	**679,267**	**41,795,845**	**13,026,247**	**–**	**1,189,764**	**105,856,272**
Carrying Amount	**₱ 16,157,142**	**₱ 22,419,538**	**₱ 6**	**₱ 5,334,540**	**₱ 4,455,435**	**₱ –**	**₱ 17,568**	**₱ 48,384,229**

In 2024, the Bank disposed several properties with a carrying amount of ₱2,467 for cash amounting ₱395,885. The sale resulted to a gain on sale amounting to ₱393,418 which is included in other operating income, as disclosed in Note 19.

The reconciliation of the changes in this account as of December 31, 2023 follows:

2023	Land	Building	Leasehold Rights and Improvements	Furniture, Fixtures and Other Equipment	Transportation Equipment	Construction-in-Progress	Right-of-Use-Assets	Total
Cost:								
At January 1	₱ 16,157,142	₱ 63,360,492	₱ 679,273	₱ 47,226,078	₱ 17,761,537	₱ –	₱ 3,888,425	₱ 149,072,947
Additions	–	3,709,508	–	1,896,772	3,094,741	3,190,000	–	11,891,021
Disposals	–	(1,843,813)	–	–	(107,164)	–	–	(1,950,977)
Derecognition / Adjustments	–	–	–	(3,320,984)	(1,894,502)	–	–	(5,215,486)
At December 31	16,157,142	65,226,187	679,273	45,801,866	18,854,612	3,190,000	3,888,425	153,797,505
Accumulated Depreciation:								
At January 1	–	43,759,139	551,640	43,009,696	13,812,345	–	2,657,335	103,790,155
Depreciation (Note 20)	–	2,504,310	76,577	2,709,972	2,096,197	–	674,024	8,061,080
Derecognition / Adjustments	–	–	–	(4,171,301)	(1,894,502)	–	–	(6,065,803)
At December 31	–	46,263,449	628,217	41,548,367	14,014,040	–	3,331,359	105,785,432
Carrying Amount	₱ 16,157,142	₱ 18,962,738	₱ 51,056	₱ 4,253,499	₱ 4,840,572	₱ 3,190,000	₱ 557,066	₱ 48,012,073

In 2023, the Bank disposed several properties with a carrying amount of ₱1,950,977 for ₱2,225,781, ₱1,375,463 represents cash payment. The sale resulted to a gain on sale amounting to ₱274,804 which is included in other operating income, as disclosed in Note 19.

Furniture, fixtures and other equipment comprise furniture and fixtures, information technology equipment and other office equipment.

Based on the management's assumptions, which is based on the recoverable amount of the properties, no impairment loss is required to be recognized both in 2024 and 2023. No properties were used as collateral for liabilities as at December 31, 2024 and 2023.

All additions in 2024 and 2023 were paid in cash.

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.

12. INVESTMENT PROPERTIES - net

The investment properties pertain to land and building acquired by the Bank in settlement of loans through foreclosure. Movements of this account are as follows:

2024		**Land**		**Building**		**Total**
Cost:						
At January 1	₱	96,872,319	₱	56,560,222	₱	153,432,541
Additions		4,489,089		5,033,207		9,522,296
Disposals		(8,461,366)		(5,580,053)		(14,041,419)
At December 31		**92,900,042**		**56,013,376**		**148,913,418**
Accumulated Depreciation:						
At January 1		–		32,626,387		32,626,387
Depreciation (Note 20)		–		4,178,914		4,178,914
Disposals		–		(3,864,932)		(3,864,932)
At December 31		**–**		**32,940,369**		**32,940,369**
Allowance for Impairment Losses: (Note 23)						
At January 1		10,898,385		1,117,902		12,016,287
Provision for impairment (Note 20)		100,647		–		100,647
Disposals		(35,110)		–		(35,110)
At December 31		**10,963,922**		**1,117,902**		**12,081,824**
Carrying amount	₱	**81,936,120**	₱	**21,955,105**	₱	**103,891,225**

2023		Land		Building		Total
Cost:						
At January 1	₱	103,649,669	₱	58,410,616	₱	162,060,285
Additions		947,480		2,124,927		3,072,407
Disposals		(7,724,830)		(3,975,321)		(11,700,151)
At December 31		96,872,319		56,560,222		153,432,541
Accumulated Depreciation:						
At January 1		–		28,846,151		28,846,151
Depreciation (Note 20)		–		4,417,414		4,417,414
Adjustment		–		(637,178)		(637,178)
At December 31		–		32,626,387		32,626,387
Allowance for Impairment Losses: (Note 23)						
At January 1		11,025,381		1,117,902		12,143,283
Reversal and disposal		(126,996)		–		(126,996)
At December 31		10,898,385		1,117,902		12,016,287
Carrying amount	₱	85,973,934	₱	22,815,933	₱	108,789,867

The Bank acquired its investment properties from foreclosure of properties. All real and other properties acquired are accounted for as investment properties.

In 2024, investment properties with carrying amount of ₱9,517,437 are sold for ₱38,723,240, ₱20,721,840 representing the cash payment received at the time of sale and ₱18,001,400 transacted under installment payment schemes. The sale resulted to gain on sale amounting to ₱29,205,803, as disclosed in Note 19.

In 2023, investment properties with carrying amount of ₱10,935,977 are sold for ₱45,229,819. The entire sale price was received in cash. The sale resulted to gain on sale amounting to ₱34,293,842, as disclosed in Note 19.

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. Allowance for impairment losses amounted to ₱12,081,824 and ₱12,016,287 in 2024 and 2023, respectively, as disclosed in Note 23.

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

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 fair value of investment properties for the years ended December 31, 2024 and 2023 amounted to ₱664,672,686 and ₱646,944,471, respectively, as disclosed in Note 7, 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.

Income earned from investment properties under rental arrangements amounted to ₱3,040,617 and ₱3,105,459 in 2024 and 2023, respectively, as disclosed in Note 19. Direct expenses incurred from these properties are depreciation expenses amounting to ₱4,178,914 and ₱4,417,414 in 2024 and 2023, respectively, as disclosed in Note 20.

13. INTANGIBLE ASSETS – net

Intangible Assets refers to the identifiable non-monetary assets without physical substance such as the core banking system being used by the Bank.

Movement of the account is disclosed below:

	Note		2024		2023
Cost:					
At January 1		₱	**14,183,613**	₱	13,205,035
Additions			**319,083**		827,866
Adjustments			**(46,667)**		150,712
At December 31			**14,456,029**		14,183,613
Accumulated Depreciation:					
At January 1			**12,428,472**		10,975,003
Amortization	20		**998,174**		1,302,757
Adjustments			**(46,667)**		150,712
At December 31			**13,379,979**		12,428,472
Carrying Amount		₱	**1,076,050**	₱	1,755,141

14. OTHER ASSETS

This account consists of:

	Note		2024		2023
Accounts receivable*		₱	**12,111,679**	₱	12,413,780
Goodwill			**10,703,347**		10,703,347
Prepaid tax			**8,246,518**		6,913,747
Retirement plan asset	24		**3,610,482**		4,119,877
Prepaid expenses			**2,055,636**		2,051,898
Petty and other cash funds			**490,955**		54,201
Stationery and supplies on hand			**227,658**		233,294
Miscellaneous assets			**588,014**		589,012
		₱	**38,034,289**	₱	37,079,156

**net of allowance for credit losses amounting to ₱6,051,112 in 2024 and 2023 as disclosed in Note 23.*

Prepaid expenses include the remaining unexpired portion of the cost of insurance on fire, MSPR, fidelity bonds of employees, prepaid taxes and licenses.

Accounts receivable represents claims or advance payment on various non-loan transactions and amount due from other parties. This account is measured at face value and reduced by allowance for credit losses.

Goodwill represents the excess of the cost of acquisition of the Bank over the fair value of the net assets acquired at the date of acquisition. This is from the acquisition of Rural Bank of Mendez, Inc. which was acquired in 2016.

Retirement plan asset represents the amount set aside for the retirement of the Bank's officers and employees.

Stationery and supplies represent the cost of unused stationeries, printed forms, and office supplies.

Miscellaneous assets are items owned by the Bank which cannot be classified under any of the foregoing asset accounts.

15. DEPOSIT LIABILITIES

The Bank's deposit liabilities as of December 31 consist of the following:

		2024		2023
Savings deposits	₱	**1,157,638,255**	₱	1,164,427,539
Demand deposits		**228,325,006**		246,860,564
Time deposits		**98,962,885**		119,788,981
	₱	**1,484,926,146**	₱	1,531,077,084

Deposit liabilities bear annual interest rates ranging from 0.71% to 2.0% in 2024 and 0.08% to 1.10% in 2023.

Under the existing BSP regulations, savings deposits and special savings deposits of the Bank are subject to statutory reserve equivalent to 0% and 1% in 2024 and 2023, respectively, except basic deposit accounts which are subject to 0% reserve requirement. As of December 31, 2024 and 2023, the Bank is compliant with such regulations.

Interest expense on deposit liabilities charged to profit or loss in 2024 and 2023 amounted to ₱4,314,188 and ₱5,429,557, respectively.

16. BILLS PAYABLE

Movement of the Bank's bills payable is as follows:

	2024	2023
Balance, January 1	₱ **30,000,000**	₱ 10,000,000
Availments	**25,000,000**	30,000,000
Payments	**(30,000,000)**	(10,000,000)
Balance, December 31	₱ **25,000,000**	₱ 30,000,000

Interest rate of bills payable ranges from 5% to 7% in 2024 and 2023. Interest incurred in 2024 and 2023 amounted to ₱30,278 and ₱27,500, respectively, and is presented as part of interest expense in the statement of comprehensive income.

17. ACCRUED AND OTHER LIABILITIES

This account consists of:

	Note	2024	2023
Accrued other expenses		₱ **11,701,764**	₱ 11,479,977
Accounts payable		**6,779,862**	7,706,758
Government payables		**3,527,445**	2,326,215
Accrued interest payable		**597,227**	613,450
Dividends payable	18	**520,203**	–
Unearned income		**25,000**	50,000
Lease liabilities		**20,493**	703,475
Miscellaneous payable		**226,574**	282,804
		₱ **23,398,568**	₱ 23,162,679

All accruals made by the Bank at the end of the year will be debited/paid in the following year.

Accrued expenses pertain to documentary stamp tax, gross receipt tax, fringe benefit and incentives that were incurred during the year but were only paid in the following year. These are non-interest bearing and normally settled within 10 to 30 days.

Accounts payable items include various claims by other parties as of the year end.

Government payables consist of withholding taxes payable, government contributions, and amounts due to the Treasurer of the Philippines. The withholding taxes payable represents tax withheld on interest expense on deposits, compensation and other transactions on which the Bank is obliged to withhold as withholding agent of the government. This amount had been remitted by the Bank in January of the succeeding year.

17.01 Lease Liabilities

The details of the Bank's lease liabilities and their carrying amounts are as follows:

	Note	2024	2023
Balance, January 1		₱ **703,475**	₱ 1,484,821
Interests		**23,989**	81,582
Payments		**(695,010)**	(862,928)
Adjustments	18	**(11,961)**	–
Balance, December 31		₱ **20,493**	₱ 703,475

The maturity analysis of lease liabilities as at December 31, 2024 and 2023 is as follows:

2024		**Lease Payments**		**Finance Charges**		**Net Present Values**
Within 1 year	₱	20,617	₱	124	₱	20,493
1 – 2 years		–		–		–
Total	**₱**	**20,617**	**₱**	**124**	**₱**	**20,493**

2023		Lease Payments		Finance Charges		Net Present Values
Within 1 year	₱	750,836	₱	67,854	₱	682,982
1 – 2 years		20,617		124		20,493
Total	₱	771,453	₱	67,978	₱	703,475

18. EQUITY

18.01 Preferred Stocks

Authorized preference share capital amounted to ₱10,000,000 divided into 100,000 shares with par value of ₱100 per share. There were no subscribed and paid preference share as of December 31, 2024 and 2023.

18.02 Common Stocks

Shown below are the details on the movement of common stock:

	2024			2023		
	Shares		**Amount**	Shares		Amount
Authorized capital at ₱100 par value	**1,900,000**	**₱**	**190,000,000**	1,900,000	₱	190,000,000
Subscribed and paid up:						
Ending, ordinary	**1,888,798**		**188,879,800**	1,888,798		188,879,800
	1,888,798	**₱**	**188,879,800**	1,888,798	₱	188,879,800

18.03 Additional Paid-In Capital

Below are the details on the movement of additional paid in capital:

		2024		2023
Balance, December 31	**₱**	**26,811,831**	₱	26,811,831

The ordinary shareholders of the Bank are given least priority as to asset liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among the ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restrictions for reserve requirement and preferred dividends, if any.

18.04 Surplus Free

The table below shows the surplus - free for the years ended December 31, 2024 and 2023:

	2024	2023
Balance, January 1	₱ **153,671,181**	₱ 121,923,635
Profit	**35,970,132**	31,747,546
Dividends declared	**(12,012,755)**	–
Prior year adjustment	**11,961**	–
	₱ **177,640,519**	₱ 153,671,181

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, the Bank declared cash dividend of ₱6.36 per share or a total of ₱12,012,755 for its ordinary shareholders on record as of December 31, 2023 through Board Resolution No. 2024-032.

Movements of dividends payable are disclosed below:

	Note	2024	2023
Balance, January 1		₱ **–**	₱ –
Dividend declaration		**12,012,755**	–
Payments		**(11,492,552)**	–
Balance, December 31	17	₱ **520,203**	₱ –

The nature of prior year adjustment for the year 2024 is disclosed below:

	Note	2024	2023
Adjustment on finance lease liability	17	₱ **11,961**	₱ –

18.05 Capital Management

The primary objective of the Bank's capital management are 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.

On August 24, 2022, the BSP issued Circular No. 1151, Amendments to Minimum Capitalization of Rural Banks, increasing the minimum capitalization requirement to ₱120 million for rural banks with 6 to 10 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. As of the reporting date, the Bank is in compliance with the provisions of the aforementioned circular.

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; and
   ii. Additional Tier 1 (AT1) Capital

b) Tier 2 Capital

CET1 Capital consists of:

a) Paid-up common stock
b) Surplus free
c) Other comprehensive income
   i. Actuarial gain on defined benefit obligation

   Subject to deductions/regulatory adjustments for:
   i. Deferred tax asset
   ii. Goodwill
   iii. Intangible assets
   iv. Defined benefit pension fund assets

Tier 2 Capital consists of:
a) 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	₱	**368,077,152**	₱	342,446,737
AT1 Capital		**–**		–
Tier 1 Capital		**368,077,152**		342,446,737
Tier 2 Capital		**4,796,200**		3,864,834
Qualifying capital		**372,873,352**		346,311,571
Total risk-weighted assets	₱	**1,355,621,502**	₱	1,345,362,434
CET1 Ratio		**27.15%**		25.45%
CCB		**21.15%**		19.45%
Tier 1 capital		**27.15%**		25.45%
Total CAR		**27.51%**		25.74%

The Bank's leverage ratio, computed as total capital over total assets, is 19.73% and 18.37%, as of December 31, 2024 and 2023, respectively.

19. OTHER OPERATING INCOME

This account consists of:

	Notes		2024		2023
Gain on sale of investment properties	12	₱	**29,205,803**	₱	34,293,842
Fees and commission income			**16,974,532**		19,129,992
Rental income	12		**3,040,617**		3,105,459
Gain on sale of BPFFE	11		**393,418**		274,804
Recovery on charged-off assets			**161,048**		68,026
Foreign exchange gain (loss)			**45,618**		(9,717)
Miscellaneous income			**1,972,656**		391,828
		₱	**51,793,692**	₱	57,254,234

Fees and commissions income consists of fund transfers, commissions on mortgage redemption insurance, remittances, bank commission and inspection fee on loans, ATM convenience fees, ATM fees income, and others.

Recovery on charged-off assets pertains to the collection of the 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 of charged-off assets is composed only of collections of accounts previously written-off.

Miscellaneous income represents other charges and fees collected by the Bank other than income from its ordinary business operations. These items are recognized when collected.

20. OPERATING EXPENSES

This account consists of the following:

	Notes	2024	2023
Compensation and other benefits		₱ **77,848,926**	₱ 71,658,545
Taxes and licenses		**15,070,294**	15,049,910
Depreciation and amortization		**13,376,090**	13,781,251
Security and janitorial		**10,008,248**	9,344,489
Insurance		**4,415,595**	4,740,731
Utilities expense		**4,280,936**	3,916,173
Postage and telephone		**3,441,259**	3,792,788
Fuel and lubricants		**2,595,068**	2,491,593
Repairs and maintenance expense		**2,544,082**	2,221,625
Stationery and supplies used		**2,465,345**	1,950,122
Information technology expense		**2,143,668**	1,449,245
Litigation expenses		**1,301,854**	2,191,676
Representation and entertainment		**1,216,172**	856,145
Management and professional fees		**1,041,563**	889,483
Fees and commissions		**804,852**	1,290,326
Traveling expense		**586,306**	492,685
Advertising and publicity		**575,782**	601,506
Rent		**256,065**	–
Subscription and membership fees		**164,455**	161,414
Impairment loss	12,23	**100,647**	–
Donation and charitable contributions		**80,774**	280,166
Fines and penalties		**39,617**	–
Miscellaneous expenses		**1,564,077**	1,427,360
		₱ **145,921,675**	₱ 138,587,233

Breakdown of compensation and other benefits are as follows:

	Note	2024	2023
Salaries and wages		₱ **37,502,956**	₱ 34,465,230
Fringe benefit - officers and employees		**32,988,095**	30,308,772
SSS, Philhealth, and Pag-ibig contributions		**4,751,815**	4,012,409
Director's fee		**1,620,000**	972,000
Retirement benefit expense	24	**986,060**	1,900,134
		₱ **77,848,926**	₱ 71,658,545

Depreciation and amortization is composed of the following:

	Notes	2024	2023
Depreciation expense			
Bank premises, furniture, fixtures and equipment	11	₱ **8,199,002**	₱ 8,061,080
Investment properties	12	**4,178,914**	4,417,414
		12,377,916	12,478,494
Amortization expense			
Intangible assets	13	**998,174**	1,302,757
		₱ **13,376,090**	₱ 13,781,251

The Bank has elected not to recognize a lease liability for short term leases (lease of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liability amounted ₱256,065 and nil for the years ended December 31, 2024 and 2023.

21. INCOME TAXES

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 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 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.

21.01 Income Tax Recognized in Profit or Loss

Components of income tax expense (benefit) are as follows:

		2024		2023
Income tax expense – current	₱	**2,090,559**	₱	1,693,498
Income tax expense (benefit) - deferred		**(2,798,005)**		3,498,507
	₱	**(707,446)**	₱	5,192,005

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

		2024		2023
Accounting profit	₱	**35,262,686**	₱	36,939,551
Tax expense at 25%		**8,815,672**		9,234,887
Tax effect of the following:				
Interest income subject to final tax		**(10,639,790)**		(10,048,352)
Disallowed interest expense		**1,086,116**		1,364,264
Non-deductible expenses		**30,098**		98,418
Expired MCIT		**791,654**		1,594,835
Tax effects of unrecognized DTA		**(791,196)**		2,947,953
	₱	**(707,446)**	₱	5,192,005

In Philippine Peso

21.02 Deferred Tax Assets

The Bank's deferred tax asset amounted to ₱12,678,456 and ₱9,999,617 as of December 31, 2024 and 2023.

Components of deferred tax asset are as follows:

	NOLCO	Excess of MCIT	Excess of lease liability over ROU asset	Retirement benefit obligation	Unamortized past service cost	Total deferred tax assets
Balance, December 31, 2022	₱ 6,436,693	₱ 3,241,503	₱ 3,003,638	₱ 816,290	₱ –	₱ 13,498,124
Origination	–	98,663	–	–	767,102	865,765
Reversal	(580,946)	–	(2,967,036)	(816,290)	–	(4,364,272)
Balance, December 31, 2023	5,855,747	3,340,166	36,602	–	767,102	9,999,617
Origination	1,617,214	2,090,559	–	–	(119,166)	3,588,607
Reversal	–	(791,654)	(32,880)	–	(85,234)	(909,768)
Balance, December 31, 2024	**₱ 7,472,961**	**₱ 4,639,071**	**₱ 3,722**	**₱ –**	**₱ 562,702**	**₱ 12,678,456**

21.03 Unrecognized Deferred Tax Assets

The components of the Bank's unrecognized deferred tax assets are as follows:

2024	Allowance for credit losses	Accumulated impairment losses	Refined benefit obligation – net	Total tax base	Unrecognized DTA (25%)
Balance, December 31, 2023	₱ 54,054,617	₱ 12,016,287	₱ –	₱ 66,070,904	₱ 16,517,726
Originations	–	100,647	986,060	1,086,707	271,676
Write-offs	(2,012,933)	–	–	(2,012,933)	(503,233)
Reversal/Disposal	(2,203,446)	(35,110)	–	(2,238,556)	(559,639)
Balance, December 31, 2024	**₱ 49,838,238**	**₱ 12,081,824**	**₱ 986,060**	**₱ 62,906,122**	**₱ 15,726,530**

21.04 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 shall there be 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; OR
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
   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.

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

On February 03, 2021, 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%.

21.06 Net Operating Loss Carry Over (NOLCO)

Under Section 34(D) (3) of NIRC, the net operating loss of business or enterprises 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.

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 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.

On 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 fiscal-year 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 consecutive taxable years.

It should be noted that generally, under existing rules (Section 34 of the Tax Code and RR No. 14-01), the accumulated net operating loss of a business by individuals engaged in trade or business or practice of profession and domestic and resident foreign corporations can be carried over as a deduction from gross income only for the next three consecutive taxable years.

As of December 31, 2024 and 2023, the Bank has available NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Balance	Tax benefit	Expiry date
2024	₱ 6,468,857	₱ –	₱ –	₱ 6,468,857	₱ 1,617,214	2027
2022	9,762,043	–	–	9,762,043	2,440,511	2025
2021	7,470,008	–	–	7,470,008	1,867,502	2026
2020	8,514,721	(2,323,786)	–	6,190,935	1,547,734	2025
	₱ 32,215,629	**₱ (2,323,786)**	**₱ –**	**₱ 29,891,843**	**₱ 7,472,961**	

21.07 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 1992; thus, the Bank is subject to MCIT.

Under Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE)” Act, effective July 1, 2020, the minimum corporate income tax (MCIT) will be reduced from 2% to 1% effective July 2020 until June 30, 2023. However, in computing the income due/payable for the taxable 2023, it can be noted that the MCIT rate from January 1 to June 30, 2023 is 1%, and for July to December 31, 2023, the rate will be back to 2%, thus, the MCIT rate to be used, shall be the average rate of 1.5%.

MCIT can be applied as deduction from the Bank’s future regular income tax payable within three (3) years from the year the MCIT was paid. Breakdowns are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unexpired	Valid Until
2024	₱ 2,090,559	₱ –	₱ –	₱ –	₱ 2,090,559	2027
2023	1,693,498	–	–	–	1,693,498	2026
2022	855,014	–	–	–	855,014	2025
2021	791,654	–	–	(791,654)	–	2024
	₱ 5,430,725	**₱ –**	**₱ –**	**₱ (791,654)**	**₱ 4,639,071**	

22. RELATED PARTY TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting entities, which are under common control with the reporting enterprise, or between, and/or among the reporting entities and its key management personnel, directors, or its shareholders.

There are transactions and arrangements between the Bank and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements.

22.01 DOSRI Loans

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

a. 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.
b. 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.

Details of DOSRI and related party loans as of December 31, 2024 and 2023 is as follows:

2024		**DOSRI Loans**		**Related Party Loans (Inclusive of DOSRI Loans)**
Total outstanding DOSRI/related party loans	₱	–	₱	–
Percent of DOSRI/related party accounts to total loans		–		–
Percent of unsecured DOSRI/related party accounts to DOSRI/related party accounts		–		–
Percent of past due DOSRI/related party accounts to total DOSRI/related party accounts		–		–
Percent of nonperforming DOSRI/related party accounts to total DOSRI/related party accounts		–		–

2023		DOSRI Loans		Related Party Loans (Inclusive of DOSRI Loans)
Total outstanding DOSRI/related party loans	₱	–	₱	286,972
Percent of DOSRI/related party accounts to total loans		–		0.06%
Percent of unsecured DOSRI/related party accounts to DOSRI/related party accounts		–		–
Percent of past due DOSRI/related party accounts to total DOSRI/related party accounts		–		–
Percent of nonperforming DOSRI/related party accounts to total DOSRI/related party accounts		–		–

The Bank assessed that related party loans are not impaired as of December 31, 2024 and 2023. General loan loss provisions for related party loans amounted to nil as of December 31, 2024 and 2023.

22.02 DOSRI Deposits

Deposits from DOSRI are shown below:

		2024		2023
Savings deposit	₱	**24,644,960**	₱	23,898,012

For 2024 and 2023, interest on DOSRI deposits is 0.08%.

22.03 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	₱	**5,309,640**	₱	4,603,411
Post-employment benefits		**159,289**		147,602
	₱	**5,468,929**	₱	4,751,013

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

22.04 Transactions with Retirement Fund

The Bank's retirement benefit fund is being maintained by BDO Unibank, Inc. and The Insular Life Assurance Co., Ltd. The fair value of the fund amounted to ₱22,714,179 and ₱23,102,363 as at December 31, 2024 and 2023, as disclosed in Note 24.

The fund is invested in a diversified portfolio of fund types. The Bank made contributions to and benefit payments from the fund as disclosed in Note 24.

23. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Allowance for credit and impairment losses is comprised of the following:

	Notes	**2024**	2023
Balance at January 1			
Loans receivable	10	₱ **33,795,437**	₱ 37,926,204
Sales contract receivable	10	**8,458,068**	8,458,068
Investment properties	12	**12,016,287**	12,143,283
Accounts receivables	14	**6,051,112**	6,051,112
		60,320,904	64,578,667
Provision for credit and impairment losses			
Investment properties	12	**100,647**	–
Write-off			
Loans and other receivables	10	**(2,012,933)**	(2,538,933)
Reversals and disposals			
Loans and other receivables	10	**(2,203,446)**	(1,591,834)
Investment properties	12	**(35,110)**	(126,996)
		(2,238,556)	(1,718,830)
Balance at December 31			
Loans receivable	10	**29,579,058**	33,795,437
Sales contract receivable	10	**8,458,068**	8,458,068
Investment properties	12	**12,081,824**	12,016,287
Accounts receivables	14	**6,051,112**	6,051,112
		₱ **56,170,062**	₱ 60,320,904

24. RETIREMENT BENEFITS

The Bank's Retirement Plan is non-contributory which provides a retirement benefit equal to one-half month's final salary for every year of service. The term one half month salary shall mean fifteen (15) days salary based on the latest salary rate plus one- twelfth (1/12) of the 13th month pay and the cash equivalent of not more than the cash five (5) days of service incentive leaves (SIL) or approximately twenty-two and a half (22.5) days. Benefits are paid in a lump sum upon retirement.

The most recent actuarial valuations of plan assets and the present value of the retirement benefit obligation were carried out at December 31, 2024 by Actuarial Advisers, Inc. The present value of the retirement benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The assumptions used to determine retirement benefits of the Bank as of the last actuarial valuation report are as follows:

	2024	2023
Discount rate	**6.09% per annum**	6.31% per annum
Salary rate increase	**3.00% per annum**	3.00% per annum

The amount of net retirement plan assets recognized in the statements of financial position as of December 31, 2024 and 2023 are determined as follows:

	Note	2024	2023
Fair value of plan assets		₱ **22,714,179**	₱ 23,102,363
Present value of defined benefit obligation		**(19,103,697)**	(18,982,486)
Net retirement plan assets	14	₱ **3,610,482**	₱ 4,119,877

Movements in the present value of the defined benefit obligation for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Balance, January 1	₱ **18,982,486**	₱ 25,121,611
Current service cost	**1,246,024**	1,770,834
Interest expense	**1,197,795**	994,816
Benefits paid	**(2,246,705)**	(4,373,951)
Actuarial gain – defined benefit obligation	**(75,903)**	(4,530,824)
Balance, December 31	₱ **19,103,697**	₱ 18,982,486

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

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

Movements in fair value of plan assets for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Balance, January 1	₱ **23,102,363**	₱ 21,856,453
Contribution to funds	**–**	5,134,305
Benefits paid	**(2,246,705)**	(4,373,951)
Interest income	**1,457,759**	865,516
Returns (loss) on plan assets	**400,762**	(379,960)
Balance, December 31	₱ **22,714,179**	₱ 23,102,363

The composition of the fair value of plan assets as of December 31, 2024 and 2023, by category and associated risk characteristics, are as follows:

		2024		2023
UITFs	₱	**14,766,978**	₱	6,470,993
Government bonds		**4,564,515**		13,835,096
Corporate bonds		**1,247,860**		1,151,228
Loans and other receivables		**101,094**		215,160
Cash and cash equivalents		**10,216**		75,390
Other funds		**2,023,516**		1,354,496
	₱	**22,714,179**	₱	23,102,363

Retirement benefit expense recognized in profit or loss is as follows:

	Note		2024		2023
Current service cost		₱	**1,246,024**	₱	1,770,834
Interest expense			**1,197,795**		994,816
Interest income			**(1,457,759)**		(865,516)
	20	₱	**986,060**	₱	1,900,134

Amounts recognized in other comprehensive income (OCI) in respect of these retirement benefit plans are as follows:

		2024		2023
Other comprehensive income (loss) in equity, Jan. 1	₱	**2,455,839**	₱	(1,695,025)
Actuarial gain - defined benefit obligation		**75,903**		4,530,824
Return (loss) on plan asset		**400,762**		(379,960)
Deferred tax effect		**(119,166)**		–
Defined benefit income in statement of comprehensive income		**357,499**		4,150,864
Other comprehensive income in equity, Dec. 31	₱	**2,813,338**	₱	2,455,839

The information on the sensitivity analysis and the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation are described below:

	Impact on Retirement Benefit Obligation		
2024	**Change in Assumption**	**Increase in Assumption**	**Decrease in Assumption**
Discount rate	+/- 0.5%	298,231	341,132
Salary growth rate	+/- 1.0%	747,594	570,261

	Impact on Retirement Benefit Obligation		
2023	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 0.5%	235,831	271,528
Salary growth rate	+/- 1.0%	588,497	451,611

Maturity analysis of the undiscounted benefit payments is as follow:

		2024		2023
1 year and less	₱	**7,148,576**	₱	8,064,910
More than 1 year to 5 years		**169,360**		169,371
More than 5 years to 10 years		**3,455,655**		2,510,004
More than 10 years to 15 years		**5,433,741**		4,507,197
More than 15 years to 20 years		**17,946,835**		16,510,630
More than 20 years		**191,124,445**		162,301,561

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit retirement plan, the Bank is exposed to a number of risks, the most significant of which are as follows:

a. Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are equities, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.
b. Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

25. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2023 separate financial statements and note disclosures have been reclassified to conform to the current year's presentation. Details are as follows:

Old classification	New classification	Notes	Amount
Other assets	Intangible assets - net	13	1,755,141
Income tax payable	Other assets	14	1,693,498
Income tax benefit (expense)	Interest income - investment securities at amortized cost	9	8,046,324
Income tax benefit (expense)	Interest income - due from other banks	8	2,002,028

Management believes that the above reclassifications resulted to a better presentation of the separate financial statements and did not have any effect on prior year's profit or loss.

The effects of the reclassifications to the 2023 financial statements are as follows:

Particulars	Before reclassification Dr (Cr)	Reclassification adjustment Dr (Cr)	After reclassification Dr (Cr)
Statement of financial position			
Intangible assets - net	–	1,755,141	1,755,141
Other assets	40,527,796	(3,448,639)	37,079,157
Income tax payable	1,693,498	(1,693,498)	–
Statement of comprehensive income			
Income tax benefit (expense)	15,240,357	(10,048,352)	5,192,005
Interest income - investment securities at amortized cost	40,231,618	(8,046,324)	32,185,294
Interest income - due from other banks	10,010,142	(2,002,028)	8,008,114

26. RECONCILIATION OF 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:

	2023	**Cash Inflow**	**Cash Outflow**	**Non-cash changes**	**2024**
Bills payable	**30,000,000**	**25,000,000**	**(30,000,000)**	**–**	**25,000,000**
Lease liabilities	**703,475**	**–**	**(695,010)**	**12,028**	**20,493**
Dividends payable	**–**	**–**	**(11,492,552)**	**12,012,755**	**520,203**
	30,703,475	**25,000,000**	**(42,187,562)**	**12,024,783**	**25,540,696**

	2022	Cash Inflow	Cash Outflow	Non-cash changes	2023
Bills payable	10,000,000	30,000,000	(10,000,000)	–	30,000,000
Lease liabilities	1,484,821	–	(862,928)	81,582	703,475
	11,484,821	30,000,000	(10,862,928)	81,582	30,703,475

27. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Bank is not aware of any pending or threatened litigation, claims or assessments or unasserted claims of assessments that are required by PAS 37 to be accrued or disclosed in the financial statements. The Bank has not consulted a lawyer concerning litigation, claims or assessments. The Bank has complied with all aspects of contractual agreements that could have a material effect on the accounts in the event of non-compliance.

The Bank's contingent accounts arising from off-balance sheet items are disclosed in Note 31.

28. EVENTS AFTER THE REPORTING DATE

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 on April 12, 2025.

30. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 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, duties 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 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

Gross receipts tax paid and accrued during the year are as follows:

	2024	2023
Gross receipts tax paid	₱ **8,315,264**	₱ 8,473,599
Gross receipts tax payable	**3,241,141**	2,890,155
	₱ **11,556,405**	₱ 11,363,754

30.02 Withholding Taxes

Withholding taxes paid and accrued during the year are as follows:

2024	**Paid**	**Accrued**	**Total**
Withholding tax on compensation	₱ 661,531	₱ 630,292	₱ 1,291,823
Final withholding tax	2,145,010	80,092	2,225,102
Expanded withholding tax	1,135,541	549,182	1,684,723
	₱ **3,942,082**	₱ **1,259,566**	₱ **5,201,648**

2023	Paid	Accrued	Total
Withholding tax on compensation	₱ 1,127,005	₱ 816,829	₱ 1,943,834
Expanded withholding tax	1,017,896	516,391	1,534,287
Final withholding tax	995,415	85,657	1,081,072
	₱ 3,140,316	₱ 1,418,877	₱ 4,559,193

30.03 Taxes and Licenses

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 taxes:				
Gross receipts tax	₱	**11,556,405**	₱	11,363,754
Documentary stamp tax		**1,694,123**		1,983,224
BIR annual registration fee		**–**		6,000
Local taxes:				
Business permit and license		**1,294,427**		1,056,107
Real property taxes		**225,372**		275,345
Other taxes and licenses		**299,967**		365,480
	₱	**15,070,294**	₱	15,049,910

30.04 Deficiency Tax Assessments and Tax Cases

As of December 31, 2024 and 2023, the Bank has no deficiency tax assessments and has no tax cases, litigation and/or prosecution.

31. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 8, 2020, the Monetary Board of the Bangko Sentral ng Pilipinas issued BSP circular 1074, *Amendments to the Regulation on the Financial Audits of Banks*, which requires Banks to include the following additional information:

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	**9.37%**	11.81%
Return on average assets	**1.85%**	2.13%
Net interest margin	**7.63%**	7.44%

31.02 Capital Instruments Issued

Description of capital instrument issued by the Bank is disclosed in Note 18.

31.03 Significant Credit Exposures

Disclosures as to industry/economic sector are as follows (net of unamortized discount):

	2024			2023		
	Peso Amount	**% to total loans**	**% to Tier 1**	Peso Amount	% to total loans	% to Tier 1
Real estate activities	**245,031,330**	**46.43%**	**66.57%**	217,206,693	45.30%	63.43%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**68,518,579**	**12.98%**	**18.62%**	57,232,417	11.94%	16.71%
Agriculture, forestry and fishing	**43,446,955**	**8.23%**	**11.80%**	44,341,042	9.25%	12.95%
Human health and social service activities	**37,086,825**	**7.03%**	**10.08%**	30,006,423	6.26%	8.76%
Household consumption	**35,175,932**	**6.66%**	**9.56%**	31,460,018	6.56%	9.19%
Transportation and storage	**26,216,297**	**4.97%**	**7.12%**	26,805,762	5.59%	7.83%
Construction	**14,042,981**	**2.66%**	**3.82%**	19,503,136	4.07%	5.70%
Education	**10,271,494**	**1.95%**	**2.79%**	10,806,712	2.25%	3.16%
Accommodation and food service activities	**4,724,194**	**0.89%**	**1.28%**	10,708,434	2.23%	3.13%
Mining and quarrying	**1,032,431**	**0.19%**	**0.28%**	1,389,772	0.30%	0.41%
Water supply, sewerage, waste management and remediation activities	**303,251**	**0.06%**	**0.08%**	–	0.00%	0.00%
Information and communication	**293,717**	**0.06%**	**0.08%**	–	0.00%	0.00%
Other service activities	**41,625,520**	**7.89%**	**11.31%**	29,988,182	6.25%	8.76%
	527,769,506	**100.00%**		479,448,591	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 ₱36,807,715 and ₱34,244,674, 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 exposed to credit risk concentration on real estate activities, wholesale and retail trade, repair of motor vehicles, motorcycles, agriculture, forestry and fishing, human health and social service activities, 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 exposed to credit risk concentration on real estate activities, wholesale and retail trade, repair of motor vehicles, motorcycles, and agriculture, forestry and fishing amounting to more than 10% of Tier 1 Capital.

31.04 Breakdown of Total Loans

31.04.01 As to Security

Breakdown of loans as to secured and unsecured, and secured loans as to type of security (net of unamortized discount) are disclosed below:

	2024	2023
Secured by real estate mortgage	**₱ 483,751,836**	₱ 442,093,494
Secured by other collaterals	**1,526,447**	1,024,334
Secured	**485,278,283**	443,117,828
Unsecured	**42,491,223**	36,330,763
	₱ 527,769,506	₱ 479,448,591

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**
Commercial loan	₱	344,101,400	₱	18,536,861	₱	362,638,261
Consumer loan		111,997,279		9,687,011		121,684,290
Agriculture-agrarian loan		40,037,339		3,409,616		43,446,955
	₱	**496,136,018**	**₱**	**31,633,488**	**₱**	**527,769,506**

2023		Performing		Non-performing		Total
Commercial loan	₱	376,735,396	₱	26,796,498	₱	403,531,894
Consumer loan		27,435,153		4,024,865		31,460,018
Agriculture-agrarian loan		35,020,171		9,436,508		44,456,679
	₱	439,190,720	₱	40,257,871	₱	479,448,591

31.05 Information on Related Party Loans

Information on related party loans is disclosed in Note 22.

31.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

The Bank has no secured liabilities and assets pledged as of December 31, 2024 and 2023.

31.07 Contingencies and Commitments Arising from Off-balance Sheet Items

The following is a summary of the Bank's contingent accounts arising from off-balance sheet as describe in BSP Circular 1074 as of December 31, 2024 and 2023:

		2024		2023
Unused credit lines	**₱**	**4,953,318**	₱	7,902,121
Items held as collateral		**916**		941
		4,954,234		7,903,062

II. Compliance with Appendix 62 of the MORB -Capital Adequacy Ratio Disclosure in the Annual Report

A. Capital Structure and Capital Adequacy

		2024 (in P Millions)	2023 (in P Millions)
1	Tier 1 capital		
	Paid up common stock	188.880	188.880
	Additional paid in capital	26.812	26.812
	Retained earnings	141.658	121.924
	Undivided Profits	35.970	33.019
	Total Tier 1 Capital	368.077	368.939
2	Tier 2 Capital		
	General Loan Loss Provision	4.796	3.865
3	Deductions from Tier 1 and Tier 2 Capital		
	Unsecured DOSRI		
	Deferred tax asset	12.678	9.999
	Goodwill	10.703	10.703
	Intangible Asset, net	1.076	1.755
	Total Deductions	24.457	22.457
4	Total Qualifying Capital	372.873	346.312
7	Capital Requirement for Operational Risk	180.643	168.167
8	Total Capital Adequacy Ratio Tier 1 Capital Adequacy Ratio	27.51% 27.15%	25.74% 25.45%