MOORE Roxas Tabamo & Co.

Roxas Tabamo & Co.

Unit 707, 7th Floor AppleOne Equicom Tower
Mindanao Avenue corner Biliran Road
Cebu Business Park, Cebu City 6000 Philippines

T: (+6332) 340 4033
F: (+6332) 340 4037
E: cebu@roxastabamo.com

roxastabamo.com

INDEPENDENT AUDITOR'S REPORT

The Shareholders and the Board of Directors
ASPAC Rural Bank, Inc.
M.C. Briones Highway cor. Gen. Ricarte St., Guizo
Mandaue City, Cebu

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ASPAC Rural Bank, Inc.** (the "Bank") which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

BOA 0005, valid until December 27, 2026
SEC Accreditation No. 0005 valid until 2025

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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 audits.

Report on the Supplementary Information Required by the Bangko Sentral ng Pilipinas (BSP) and Bureau of Internal Revenue (BIR)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Notes 25 and 26 to the financial statements are presented for purposes of filing with the BSP and BIR, respectively, and are not a required part of the basic financial statements. Such information are the responsibility of management. The information have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS TABAMO & CO.

Aljuver R. Gamao
Partner
CPA Certificate No. 0126931
Tax Identification No. 944-910-315
BIR Accreditation No. 08-001682-023-2025, issued on January 8, 2025,
effective until January 7, 2028
SEC Accreditation No. 126931-SEC, Group A, issued on November 8, 2022,
effective for the audit of 2022 to 2026 financial statements of SEC covered institutions
BSP Accreditation No. 126931-BSP, Group A, issued on May 4, 2020,
effective for the audit of 2019 to 2023 (extended to 2024*) financial statements of BSP covered institutions
PTR No. 2801809, issued on January 23, 2025, Cebu City

April 21, 2025
Cebu City

* Extension is covered by BSP Circular No. 1210, Series of 2025, *Revised Framework on the Selection of External Auditors.*

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CERTIFICATION

In connection with our audit of the financial statements of **ASPAC Rural Bank, Inc.** (the "Bank") as at and for the year ended December 31, 2024 and in compliance with Appendix 55 of Section 174 of the Manual of Regulations for Banks (MORB), we report the following:

a. We have complied with the confidentiality clause in our engagement letter pertinent to read-only access to the Report of Examination of the BSP; and

b. The Bank disclosed the information required under Appendix 55 to Section 174 of the MORB, in its annual audited financial statements.

ROXAS TABAMO & CO.

Aljuver R. Gamao
Partner

April 21, 2025
Cebu City

MOORE Roxas Tabamo & Co.

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April 21, 2025

Bangko Sentral ng Pilipinas
Financial Supervision Department I
15th Floor BSP Multi-storey Bldg.
Bangko Sentral ng Pilipinas
A. Mabini Street
1004 Malate, Metro Manila

Attention: **MS. MARIA RISSA P. VARGAS**
Officer in-charge

In connection with our audit of the financial statements of **ASPAC Rural Bank, Inc.** as at and for the year ended December 31, 2024, we are issuing this certification that our audit did not result in the discovery of any material findings or occurrences involving the matters enumerated in Items 7.a to 7.f of Appendix 55 of Section 174 of the Manual of Regulations for Banks (MORB), as amended by Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 dated February 7, 2020.

Our audit was conducted in accordance with the Philippine Standards on Auditing (PSA) to provide reasonable rather than absolute assurance that financial statements are free of material misstatement whether caused by fraud and/or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists.

Due to the inherent limitations of our work, it should be understood that nothing in this letter could be construed as constituting an admission or declaration of any act or omission on our part that could give rise to any cause of action against us by **ASPAC Rural Bank, Inc.** if any of the findings or occurrences enumerated in Items 7.a to 7.f of Appendix 55 of Section 174 of the MORB, as amended by BSP Circular No. 1074 dated February 7, 2020 should be discovered by any regulatory or examining bodies.

This certification is intended solely for the above stated purpose.

Very truly yours,

ROXAS TABAMO & CO.

By:

Aljuver R. Gamao
Partner

SUBSCRIBED AND SWORN to before me this ________ day of APR 29 2025 2025 for and in the City of Cebu, affiant exhibiting to me her PRC ID Card No. ________ issued on ________ at Cebu.

NOTARY PUBLIC

Doc No: 121
Page No: 26
Book No: 40
Series of 2025

ATTY. JASPER C. PELAYO
NOTARY PUBLIC FOR THE CITY OF CEBU
ROLL NO. 63918
NOTARIAL COMMISSION NO. 126-15
UNTIL DEC. 2025
IBP No. 476179; 12 Nov. 2024/CEBU
PTR No. 1381691; 20 Nov. 2024 / CEBU
MCLE COMPLIANCE NO. VII-0019468/14 APR. 2025
96-E CARDINAL ROSALES AVE. BRGY. LUZ
6000 CEBU CITY, PHILIPPINES

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CERTIFICATION

In compliance with Appendix 55 to Section 174 of the Manual of Regulations for Banks (MORB), we hereby certify that our audit of the financial statements of **ASPAC Rural Bank, Inc.** (the "Bank") as at and for the year ended December 31, 2024 noted no material weaknesses on the Bank's internal control and risk management system, including issues on the quality of governance that should be brought to the attention of the Board/Management and that would warrant the submission of a Letter of Comments. It is understood, however, that the accountability of the external auditor is based on matters within the normal scope of an audit conducted in accordance with the Philippine Standards on Auditing.

ROXAS TABAMO & CO.

Aljuver R. Gamao
Partner

April 21, 2025
Cebu City

ASPAC RURAL BANK, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

	Note	**2024**	2023
ASSETS			
Cash on hand	*24*	**₱31,271,936**	₱29,220,581
Due from Bangko Sentral ng Pilipinas (BSP)	*5*	**100,000**	38,578,309
Due from other banks	*6*	**338,658,200**	386,443,263
Investments at amortized cost	*7*	**23,888,326**	3,939,866
Loans and receivables – net	*8*	**994,765,414**	767,240,470
Investment properties – net	*9*	**27,843,441**	29,423,721
Bank premises, furniture, fixtures and equipment – net	*10*	**92,891,453**	60,497,016
Right-of-use assets – net	*19*	**416,450**	1,559,459
Deferred tax assets – net	*20*	**39,223,958**	34,171,996
Other assets – net	*11*	**27,490,929**	25,353,151
		₱1,576,550,107	₱1,376,427,832
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	*12*		
Time		**₱527,454,823**	₱397,086,780
Demand		**339,623,952**	321,383,428
Savings		**299,960,754**	299,380,391
		1,167,039,529	1,017,850,599
Accrued interest and other expenses	*13*	**21,328,882**	6,590,094
Income tax payable		**—**	1,998,213
Retirement benefit obligation	*14*	**17,689,996**	10,038,687
Lease liabilities	*19*	**510,088**	1,845,965
Other liabilities	*15*	**28,395,781**	27,134,817
Total Liabilities		**1,234,964,276**	1,065,458,375
Equity			
Common shares	*16*	**136,332,300**	136,332,300
Preferred shares	*16*		
Preferred shares		**420,000**	420,000
Treasury shares		**(420,000)**	(420,000)
		136,332,300	136,332,300
Cumulative remeasurements on defined benefit obligation	*14*	**(7,811,882)**	(3,534,160)
Retained earnings - reserves	*16*	**13,691,418**	13,691,418
Retained earnings – free	*16*	**199,373,995**	164,479,899
Total Equity		**341,585,831**	310,969,457
		₱1,576,550,107	₱1,376,427,832

See Notes to the Financial Statements.

ASPAC RURAL BANK, INC.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Notes	**2024**	2023
INTEREST INCOME ON			
Loans receivables	*8,24*	**₱152,974,838**	₱103,452,272
Due from other banks	*6,24*	**5,691,399**	6,223,885
Investments at amortized cost	*7,24*	**776,998**	185,389
		159,443,235	109,861,546
INTEREST EXPENSE ON			
Deposit liabilities	*12,24*	**16,745,601**	6,965,313
NET INTEREST INCOME BEFORE PROVISION FOR EXPECTED CREDIT LOSSES		**142,697,634**	102,896,233
PROVISION FOR EXPECTED CREDIT LOSSES ON LOANS	*8,24*	**45,171,448**	12,675,439
NET INTEREST INCOME AFTER PROVISION FOR EXPECTED CREDIT LOSSES		**97,526,186**	90,220,794
OTHER OPERATING INCOME	*17*	**53,212,214**	23,977,366
INCOME BEFORE OPERATING EXPENSES		**150,738,400**	114,198,160
OPERATING EXPENSES	*18*	**105,482,604**	86,099,116
INCOME BEFORE INCOME TAX		**45,255,796**	28,099,044
INCOME TAX EXPENSE	*20*	**10,361,700**	5,967,926
NET INCOME		**34,894,096**	22,131,118
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined obligation	*14*	**(5,703,629)**	(5,690,884)
Tax effect on remeasurement of defined benefit obligation	*14,20*	**1,425,907**	1,422,721
		(4,277,722)	(4,268,163)
TOTAL COMPREHENSIVE INCOME		**₱30,616,374**	₱17,862,955
BASIC AND DILUTED EARNINGS PER SHARE	*21*	**₱25.59**	₱16.23

See Notes to the Financial Statements.

ASPAC RURAL BANK, INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Capital Shares		Treasury Share		Retained Earnings		
	Common Shares *(Note 16)*	**Preferred Shares** *(Note 16)*	**Preferred Shares** *(Note 16)*	**Cumulative remeasurements on defined benefit obligation** *(Note 14)*	**Reserves** *(Note 16)*	**Free**	**Total**
As at January 1, 2024	**₱136,332,300**	**₱420,000**	**(₱420,000)**	**(₱3,534,160)**	**₱13,691,418**	**₱164,479,899**	**₱310,969,457**
Net income during the year	**—**	**—**	**—**	**—**	**—**	**34,894,096**	**34,894,096**
Other comprehensive loss	**—**	**—**	**—**	**(4,277,722)**	**—**	**—**	**(4,277,722)**
As at December 31, 2024	**₱136,332,300**	**₱420,000**	**(₱420,000)**	**(₱7,811,882)**	**₱13,691,418**	**₱199,373,995**	**₱341,585,831**
As at January 1, 2023	₱136,332,200	₱420,000	(₱420,000)	₱734,003	₱13,691,418	₱142,348,781	₱293,106,402
Issuance of common shares	100	—	—	—	—	—	100
Net income during the year	—	—	—	—	—	22,131,118	22,131,118
Other comprehensive loss	—	—	—	(4,268,163)	—	—	(4,268,163)
As at December 31, 2023	₱136,332,300	₱420,000	(₱420,000)	(₱3,534,160)	₱13,691,418	₱164,479,899	₱310,969,457

See Notes to the Financial Statements.

ASPAC RURAL BANK, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Notes	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱45,255,796**	₱28,099,044
Adjustments for:			
Depreciation	*9,10,18,19*	**5,930,095**	4,808,662
Provision for credit losses on loans	*8,24*	**45,171,448**	12,675,439
Retirement benefit expense	*14,18*	**1,947,680**	1,279,374
Reversals for credit losses on loans	*8,17,24*	**(1,220,378)**	(1,523,087)
Recovery on charged off assets	*11,17*	**(17,963,368)**	—
Gain on disposal of bank premises, furniture, fixtures and equipment	*10,17*	**(2,993)**	(84,195)
Gain on sale of investment properties	*9,17*	**(1,419,720)**	(1,932,360)
Interest expense	*12,19,24*	**16,832,949**	7,152,160
Amortization of discount on bonds	*7*	**(92,495)**	(34,103)
Operating income before working capital changes		**94,439,014**	50,440,934
Decrease (increase) in:			
Loans and receivables		**(271,476,014)**	(321,065,592)
Other assets		**(2,137,779)**	(13,822,790)
Increase (decrease) in:			
Deposit liabilities		**149,188,930**	335,394,544
Accrued interest and other expenses		**14,738,788**	2,289,109
Other liabilities		**1,260,964**	5,343,352
Net cash generated from (used for) operations		**(13,986,097)**	58,579,557
Income taxes paid		**(15,985,967)**	(2,814,064)
Interest paid		**(16,745,601)**	(6,965,313)
Proceeds from recovery of charged off assets		**17,963,368**	**—**
Contribution to retirement fund	*14*	**—**	(1,400,581)
Net cash flows provided by (used in) operating activities		**(28,754,297)**	47,399,599
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of furniture, fixtures and equipment	*10*	**3,000**	936,954
Proceeds from sale of Investment properties	*9*	**3,000,000**	2,529,010
Proceeds from investments at amortized costs	*7*	**2,604,222**	820,996
Acquisitions of bank premises, furniture, fixtures, and equipment	*10*	**(37,181,530)**	(15,143,372)
Acquisitions of investments at amortized cost	*7*	**(22,460,187)**	—
Net cash flows used in investing activities		**(54,034,495)**	(10,856,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common shares	*16*	**—**	100
Payment of lease liabilities	*19*	**(1,423,225)**	(1,511,033)
Net cash flows used in financing activities		**(1,423,225)**	(1,510,933)
NET INCREASE (DECREASE) IN CASH		**(84,212,017)**	35,032,254
CASH, JANUARY 1		**₱454,242,153**	419,209,899
CASH, DECEMBER 31		**₱370,030,136**	₱454,242,153
CASH			
Cash on hand	*24*	**₱31,271,936**	₱29,220,581
Due from Bangko Sentral ng Pilipinas	*5*	**100,000**	38,578,309
Due from other banks	*6*	**338,658,200**	386,443,263
		₱370,030,136	₱454,242,153

Forward

	Notes	**2024**	2023
SIGNIFICANT NON-CASH TRANSACTIONS			
Increase in investment properties from transfers of loans receivable due to foreclosures	*9*	**₱—**	₱296,928
Decrease in loans receivable from reclassification due to foreclosures	*9*	**—**	(296,928)
		₱—	₱—

See Notes to the Financial Statements.

ASPAC RURAL BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. **Reporting Entity**

ASPAC Rural Bank, Inc. (the “Bank”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 4, 1974. The Bank is organized under the laws and regulations governing the establishments and operations of Rural Banks in the Philippines under RA No. 720, as amended by Republic Act (RA) No. 7353 (Rural Bank Act of 1992). Its primary purpose is to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries and enterprises, to have and exercise all authority and powers, to do and perform acts, and to transact all businesses which may be legally had or done by Rural Banks organized under the aforementioned RA and to do all other things incident thereto and necessary and proper in connection with the said purpose within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP).

The Bank’s registered Head Office address is M.C. Briones Highway cor. Gen. Ricarte St., Guizo, Mandaue City, Cebu. As at December 31, 2024 and 2023, the Bank has 11 branches in Cebu Province.

The financial statements as at and for the years ended December 31, 2024 and 2023 were approved and authorized for issue by the Board of Directors (BOD) on April 21, 2025.

2. **Basis of Preparation**

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

Basis of Measurement
The financial statements of the Bank have been prepared on a historical cost basis.

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is the functional currency of the Bank. All values are rounded off to the nearest peso (₱), except when otherwise indicated.

3. **Material Accounting Policy Information**

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Bank adopted effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases – Lease Liability in a Sale and Leaseback*. The amendment updated PFRS 16 to clarify that the requirements for Right of assets and lease liabilities in PFRS 16 apply to a sale-and-lease back after initial recognition. It also clarified that the ‘lease payments’ shall be determined in such a way that the seller-lessee would not recognize any gain or loss that relates to the Right-of-use asset retained by the seller-lessee. The amendment has been applied retrospectively.

New and Amended PFRS Issued but Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2024 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, *Lack of Exchangeability*. These amendments require companies to apply a consistent approach in assessing whether a currency is exchangeable and how to estimate the exchange rate if it is not. It also requires additional disclosures in estimating the exchange rate.

  The comparative period is not restated for this amendment.

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*. The amendments clarify the requirements relating to (a) timing of derecognition of liabilities when they are settled using an electronic payments system and (b) how to assess contractual cash flow characteristics of financial assets, including those with environment, social and governance (ESG)-linked features. It also amends the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and cost.

  While the amendment is applied retrospectively, the comparative period is not restated for this amendment.

- Annual Improvements to PFRS Accounting Standards – Volume 11

  - Amendments to PFRS 7, *Financial Statements – Disclosures*. The amendment addressed a potential confusion in paragraph B38 of PFRS 7 which requires entities to disclose the gain or loss on derecognition of financial assets where a fair value measurement involves unobservable inputs. The confusion arose from an obsolete reference to a paragraph that was deleted from the standard when PFRS 13, *Fair Value Measurement* was issued. The implementation guidance accompanying PFRS 7 clarifies the disclosures of deferred differences between fair values and transaction prices and, credit risk.

  - Amendments to PFRS 9, *Financial Instruments – Lessee Derecognition of Lease Liabilities and Transaction Price*. The amendment clarifies the application of the requirements in PFRS 9 to account for an extinguishment of a lessee' lease liability. It also clarifies the definition of 'transaction price', addressing potential confusion arising from a reference in Appendix A to PFRS 9 to the definition in PFRS 15, *Revenue from Contracts with Customers*.

  - Amendments to PAS 7, *Statement of Cash Flows – Cost Method*. The amendment addressed a potential confusion of applying paragraph 37 of PAS 7 that arises from the use of the term 'cost method' that is no longer defined in PFRS Accounting Standards.

  These amendments are applied retrospectively with the comparative period restated, except for the amendments relating to derecognition of lease liabilities in PFRS 9, which only applies to lease derecognized on or after the amendment is adopted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosures of Financial Statements*. This standard will replace PAS 1, *Presentation of Financial Statements*. It requires the statement of profit or loss to be broken down into three subsections, operating, investing and financing, similar to the layout of the cash flow statement. It also requires management performance measurers that are used by a company in other communications to be included in a note to the financial statements including a reconciliation to the nearest PFRS equivalent measure. The standard provides additional guidance on the aggregation and disaggregation of information on the face of financial statements and the notes to provide a useful structured summary of the reporting entity's assets, liabilities, equity, income, and expenses that are useful to users in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

  PFRS 18 is applied retrospectively with the comparative period restated.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Bank.

<u>Financial Assets and Financial Liabilities</u>

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.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Classification. The Bank classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Bank's business model and its contractual cash flow characteristics.

Financial Assets at Amortized Cost. Financial assets shall be 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 allowance for impairment, if any. 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. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as non-current assets.

As at December 31, 2024 and 2023, the Bank's cash on hand, due from BSP and other banks, investments at amortized cost, loans receivables and other assets are included under this category (Notes 5, 6, 7, 8 and 11).

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 through the amortization process.

As at December 31, 2024 and 2023, the Bank's liabilities arising from its deposit liabilities, accrued interest and other expenses, lease liabilities, and other liabilities, excluding statutory liabilities, are included under this category (Notes 12, 13, 15 and 19).

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 other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets. The Bank records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The Bank defines default as the event where the borrower is unlikely to repay or becomes 31 days past due on its contractual payments. The Bank also considers a variety of instances that may indicate unlikeliness to pay that may be specific to borrowers, general economic conditions, and an assessment of current conditions as well as the forecast of future conditions.

The Bank assesses whether there has been a significant increase in credit risk since initial recognition through its internal credit assessment. When the Bank determines that a borrower has a well-defined credit weakness, it is deemed that the credit risk has significantly increased since initial recognition. These weaknesses may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable.

Derecognition of Financial Assets and Liabilities

Financial Assets. 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 consideration that the Bank could be required to repay.

Financial Liabilities. 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 statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Bank could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Cash and Other Cash Items
Cash and other cash items include cash on hand which are measured at amortized cost and checks and other cash items (COCI) with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Due from Bangko Sentral ng Pilipinas (BSP)
Due from BSP represents amount of funds placed as reserved deposits with the BSP in lieu of government securities holding to be bought directly from BSP. This account is measured at amortized cost of deposited amounts denominated at Philippine functional currency.

Due from Other Banks
Due from other banks represents the balances of deposit accounts maintained with other resident banks excluding loans and advances. This account is measured at amortized cost of deposits amounts denominated at Philippine functional currency.

Investments at Amortized Cost
Investments at amortized costs refer to held-to-maturity financial assets, with fixed or determinable payments and fixed maturity. These are measured upon initial recognition at their fair value plus transaction costs that are directly attributable to the acquisition of the securities. After initial recognition, the Bank measures these securities at their amortized cost using the effective interest method. Gains or losses arising from the change in the fair value of bonds are recognized in profit or loss when the security is derecognized or impaired, and through the amortization process.

Other Assets
Other assets represent expenses not yet incurred but already paid in cash. Other assets are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in the operations or expire with the passage of time.

Bank Premises, Furniture, Fixtures and Equipment
Bank premises, furniture, fixtures and equipment, except land, are stated at cost less accumulated depreciation and any impairment losses. Costs comprise its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the asset.

Land is stated at cost less any impairment in value and is not depreciated.

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

Category	Estimated useful life
Buildings	5-30 years
Leasehold improvements	10 years
Transportation equipment	2-3 years
Furniture, fixtures and equipment	2-3 years

Leasehold improvements are amortized over the term of the lease or the life of the improvements, whichever is shorter.

The useful lives and depreciation and amortization methods are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of bank premises, furniture, fixtures and equipment.

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Investment Properties

Investment properties consist of properties held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment properties, except for land, are measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable in which case the investment property acquired is measured at the carrying amount of asset given up.

Real and other properties acquired (RPA) in settlement of loans through foreclosure or dation in payment are classified under 'Investment Properties' upon: (1) entry of judgment in case of judicial foreclosure; (2) execution of the Sheriff's Certificate of Sale in case of extrajudicial foreclosure; and (3) notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

Where the carrying amount of ROPA exceeds ₱5 million, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

The carrying amount of investment properties shall be allocated to land, building, other non-financial assets based on their fair values, which allocated carrying amounts shall become their initial costs.

Subsequent to initial recognition, investment properties, except for land, are stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed on the straight-line method. The estimated useful life used is 10 years. Land is stated at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any resulting gain or loss from the retirement or disposal of an investment property is included in profit or loss in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred.

Transfers are made to investment properties when, and only 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.

Leases

At the inception of a contract, the Bank assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Bank has the right to direct the use of the asset of either:
  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

At the inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

For contracts entered into before January 1, 2019, the Bank determines whether an arrangement is or contains a lease based on whether of:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of output.

Leases previously classified as operating leases

Bank as a lessee. The Bank recognizes a right-of-use asset and lease liability at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

Estimated useful lives of real properties range from 8 to 10 years.
In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments option renewal period if the Bank is reasonably to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. It is remeasured when there is a change in future lease payments or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets. The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Bank presents its right-of-use assets that do not meet the definition of investment property in “property and equipment” (as a separate line item) and a separate line item for its lease liabilities in the statements of financial position.

Bank as a lessor. Leases where the Bank does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term.

Impairment of Non-Financial Assets
The carrying amounts of Bank’s non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of comprehensive income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurements
The Bank measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Bank.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

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

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

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

Deposit Liabilities
Deposit liabilities are recognized initially at fair value and subsequently measured at amortized cost less settlement payment.

Accrued Interest Expenses and Other Payables
Accrued interest expenses, and other payables are obligations to pay for the goods and services provided to the Bank. These are recognized initially at their nominal value and are subsequently measured at amounts in which they are paid.

Provisions
Provisions are recognized when: (a) the Bank has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Other Liabilities
Other liabilities represent the Bank's liabilities to suppliers, insurance companies, taxing authorities for documentary stamps and collections from in litigation accounts and statutory obligations as at end of the year which includes withholding tax payable at source and on wages and final withholding tax. This also includes unearned rent income and payments received from third-party for sold RPA that are yet to be applied on the borrowers' loan account. These are currently due and demandable.

Share Capital
Common Shares
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Preferred Shares
Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Bank, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Bank.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statements of comprehensive income as accrued.

Retained Earnings
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares
Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Bank's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income (loss) of the Bank pertains to gain (loss) on actuarial valuation on retirement.

Revenue Recognition
Revenue from contract with borrowers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Bank perform its obligations; (b) the Bank's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Bank's performance does not create an asset with an alternative use to the Bank and the Bank has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Bank also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Bank has assessed that it acts as a principal in all of its revenue sources.

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

Interest income on loans receivables. Interest income on loans receivables is recognized based on the effective interest method, except in the case of non-performing receivables which is in accordance with existing BSP regulations. Interest income on these non-performing receivables is recognized only upon collection. However, interest income on past-due loans arising from discount amortization and the contractual interest of the account is accrued as provided for in PFRS 9.

Interest income on bank deposits and investments. Interest income on bank deposits and investments is recognized as the interest accrues on a time proportion basis taking into account the effective yield on the asset or EIR. Interest income earned from investments, deposits and placements is presented net of applicable tax withheld by banks.

Service charges and fees and commission. Generally, fees and commission are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability. Service fees from the release of loans are recognized upon collection of such service fees from the loan borrowers.

Gains (losses) on sale/de-recognition of non-financial assets. Gains (losses) on sale/de-recognition of non-financial assets are recognized when the title of the assets is transferred to the buyer or when collectability of the entire sales is reasonably assured. It is determined as the difference between the net selling price and the carrying amount of the asset, which is recognized in profit or loss in the period of the retirement or disposal.

Miscellaneous income. This includes inspection and filing fees collected relative to the loans released and penalties on past due loans, which are normally recorded at the time these are collected.

Rent. Revenue from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

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

Costs and expenses are presented using the function of expense method. Costs of services are directly attributable in the rendition of services. Operating expenses are costs attributable to the administrative and other business activities of the Bank.

Interest expense. Interest expense on deposit liabilities is recognized in profit or loss when incurred. It is calculated using the effective interest method and is credited to the depositors' account regularly.

Employee benefits

Short-term Employee Benefits

Short-term employee benefits which include salaries and wages, short-term compensated absences, bonuses and non-monetary benefits are recognized as expense in the period when the economic benefits are withheld. Unpaid benefits at the end of the reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

Retirement Benefits

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized immediately when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. The Bank periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference 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, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow 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 measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the statements of comprehensive income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other assets - net” or “Income tax payable” accounts in the statements of financial position.

Earnings per Share

Basic earnings per share (EPS) is determined by dividing profit or loss attributable to the ordinary equity holders of the Bank for the year by the weighted average number of ordinary shares outstanding during the year, after considering the retroactive effect of any stock dividends declared during the year, if any.

For the purpose of calculating diluted EPS, profit or loss attributable to ordinary equity holders of the Bank, and the weighted average number of shares outstanding, is adjusted for the effects of all dilutive potential ordinary shares.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. As at December 31, 2024 and 2023, the Bank had not recognized any contingencies arising from off-balance sheet items, transaction related contingencies, short-term self-liquidating trade-related contingencies arising from the movement of goods, sale and repurchase agreements not recognized in the statement of financial position, interest and foreign exchange-rate related items; and other commitments.

Events After the Reporting Date
Post year-end events that provide additional information about the Bank's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. **Use of Judgments, Estimates and Assumptions**

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Bank has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the financial statements:

Classification of financial instruments. The Bank exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The classification of financial assets and financial liabilities is presented in Note 24.

Fair Value of Financial Instruments. Where the fair values of financial assets and liabilities recorded as at financial reporting date cannot be derived from active markets, they 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, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation.

Disclosures of fair values of the Bank's financial assets and financial liabilities in a way that permit it to be compared with its carrying amounts are shown in Note 24.

Fair Value of RPA Classified as Investment Properties. The Bank determines and discloses the fair value of RPA classified as investment properties through independent and/or in-house appraisers on the basis of recent sales of similar properties in the same area as the investment properties. It also takes into account the economic conditions prevailing at the time the valuations were made as well as the physical condition of the properties.

The carrying amounts and fair values of investment properties as at December 31, 2024 and 2023 are disclosed in Note 9.

Classification of Acquired Properties. The Bank classifies its acquired properties as bank premises, furniture, fixture and equipment if used in operations, as assets held for sale if expected that the properties will be recovered through sale rather than use, as investment properties if intended to be held for capital appreciation or as financial assets if qualified as such in accordance with PFRS 9.

Determination Whether an Arrangement Contains a Lease. The Bank assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 19.

Bank as Lessee. The Bank has entered into lease agreements as a lessee. Depreciation of right-of-use of asset and interest expense on lease liability recognized in profit or loss are disclosed in Notes 18 and 19, respectively.

Bank as Lessor. The Bank has entered into lease agreements as a lessor. The Bank has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the statements of income amounted to ₱7,842,856 and ₱6,139,931 in 2024 and 2023 (Notes 17 and 19).

Evaluating Deferred Tax. In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon the Bank's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Credit Losses on Financial Assets. The Bank reviews its debt financial assets subject to ECL on a regular basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers. The measurement of credit losses across all categories of such financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculation is based on the guidelines issued by the BSP, which is based on the age of the loans and other factors affecting the collectability of accounts. These factors include, but are not limited to, the length of the Bank's relationship with the counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, historical loss experience and forward-looking adjustments. The Bank calibrates the calculation to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. increase in inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Bank's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The amount and timing of the recorded expenses for any period would differ if the Bank made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded costs and expenses and decrease current assets.

The total allowance for credit losses on loans receivables as at December 31, 2024 and 2023 amounted to ₱119,375,017 and ₱88,662,241, respectively (Note 8).

The carrying value of loans and receivables net of allowance for credit losses, amounted to ₱994,765,414 and ₱767,240,470 as at December 31, 2024 and 2023, respectively (Note 8).

The total allowance for credit losses on other receivables amounted to ₱14,447,254 and ₱32,410,622 as at December 31, 2024 and 2023, respectively (Note 11).

The carrying value of other assets, net of allowance for losses, amounted to ₱27,647,872 and ₱25,353,151 as at December 31, 2024 and 2023, respectively (Note 11).

Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties and Right of Use Assets. The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, depreciable investment properties and right of use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of bank premises, furniture, fixtures and equipment, depreciable investment properties and right of use assets are based on 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 premises, furniture, fixtures and equipment, depreciable investment properties and right of use assets would increase recorded operating expenses and decrease total assets.

The estimated useful lives of bank premises, furniture, fixtures and equipment, depreciable investment properties and right of use assets are discussed in Note 3 and showed no changes in 2024 and 2023.

The carrying values of bank premises, furniture, fixtures and equipment, net of accumulated depreciation and amortization amounted to ₱92,891,453 and ₱60,497,016 as at December 31, 2024 and 2023, respectively (Note 10).

The carrying values of investment properties, net of accumulated depreciation amounted to ₱27,843,441 and ₱29,423,721 as at December 31, 2024 and 2023, respectively (Note 9).

The carrying values of right of use assets, net of depreciation amounted to ₱416,450 and ₱1,559,459 as at December 31, 2024 and 2023, respectively (Note 19).

Impairment of Non-Financial Assets. The Bank assesses at each financial position date whether there is an indication that the carrying amount of all non-financial assets may be impaired. If any such indications exist, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. At the financial reporting date, the Bank assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Based on management's assessment, the allowance for impairment losses on investment properties amounted to ₱5,289,935 as at December 31, 2024 and 2023. The net book values of investment properties and bank premises, furniture, fixture and equipment are disclosed in Notes 9 and 10, respectively.

Recognition of Deferred Tax Assets. The Bank reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimates of future taxable income indicate that temporary differences will be realized in the future. Deferred tax assets recognized in the statements of financial position amounted to ₱39,223,958 and ₱34,171,996 as at December 31, 2024 and 2023, respectively (Note 20).

Estimation of Contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential results. The Bank is a party to certain lawsuits or claims involving recoveries of sum of money arising from the ordinary course of business. However, the Bank's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material impact on the Bank's financial statements. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

The key estimates and assumptions used in the financial statements are based upon the Bank's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Fair Value Measurements. A number of the Bank's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Bank has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Bank uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial assets and liabilities are discussed in Note 24.

5. Due from Bangko Sentral ng Pilipinas (BSP)

This account consists of:

	Note	**2024**	2023
Mandatory reserves	*12*	**₱—**	₱10,178,506
Other than mandatory reserves		**100,000**	28,399,803
	12	**₱100,000**	₱38,578,309

The account consists of demand deposit account with BSP to meet the reserve requirements against deposit and deposit substitute liabilities in accordance with Section 252, Composition of Reserves, of the Manual of Regulations for Banks (MORB). It states that the required reserves shall be kept in the form of deposits placed in the Bank's Demand Deposit Accounts (DDAs) with the BSP (Note 12).

6. Due from Other Banks

This pertains to funds and other deposits in local currency maintained with other local banks, primarily to facilitate checks or drafts or other similar payment order collections and other banking services.

The details of the account are as follows:

	2024	2023
Demand deposit	**₱134,367,639**	₱93,557,085
Savings deposit	**120,252,287**	153,083,453
Time deposit	**84,038,274**	139,802,725
	₱338,658,200	₱386,443,263

Interest income earned was based on the depository banks' savings and time deposit rates ranging from 0.05% to 5.80% and 0.0625% to 5.85% in 2024 and 2023, respectively. Interest earned on due from other banks amounted to ₱5,691,399 and ₱6,223,885 for the years ended December 31, 2024 and 2023, respectively (Note 24).

7. Investments at Amortized Cost

In 2024, the Bank obtained investments in Agrarian Reform Ten-Year Bonds with maturities on various dates from December 29, 2026 to January 5, 2034.

The investment carries interests at 0.01% to 0.46% based on average 91–day Treasury bills rate prevailing in the market. Interest income earned from this investment amounted to ₱776,998 and ₱185,389 in 2024 and 2023, respectively (Note 24).

The movement of investments at amortized cost is as follows:

	2024	2023
Beginning balance	**₱4,095,995**	₱4,916,991
Additions	**22,460,187**	—
Redemptions	**(2,604,222)**	(820,996)
	23,951,960	4,095,995
Less: Unamortized discount on bonds		
Discount	**156,129**	190,232
Amortization	**(92,495)**	(34,103)
	63,634	156,129
	₱23,888,326	₱3,939,866

The contractual maturity dates as at December 31, 2024 and 2023 of the investments at amortized cost follow:

	2024	2023
One to five years	**₱15,425,946**	₱3,755,161
More than five years	**8,462,380**	184,705
	₱23,888,326	₱3,939,866

8. **Loans and Receivables - Net**

This account consists of:

	2024	Percentage to total	2023	Percentage to total
Loans (various)	**₱1,116,060,213**	**98.67**	₱848,828,805	97.70
Other agricultural credit loans	**15,061,497**	**1.33**	19,984,016	2.30
Gross loans receivables	**1,131,121,710**	**100.00**	868,812,821	100.00
Unearned interest and discounts	**(22,188,475)**		(18,626,911)	
Loans receivables at amortized cost	**1,108,933,235**		850,185,910	
Sales contract receivable (SCR)	**5,207,196**		5,716,801	
Total loans and receivables	**1,114,140,431**		855,902,711	
Allowance for credit losses	**(119,375,017)**		(88,662,241)	
	₱994,765,414		₱767,240,470	

Interest earned on loans receivables amounted to ₱152,974,838 and ₱103,452,272 for the years ended December 31, 2024 and 2023, respectively (Note 24).

Generally, the loans receivables carried nominal interest rates as at December 31 as follows:

	2024	2023
Maturing in:		
One year	6% to 24%	6% to 30%
Two to five years	6% to 24%	6% to 42%

In 2024 and 2023, sales contract receivable carried an annual interest rate of 14%.

Loans and discounts include past due and items in litigation as follows:

	2024	2023
Past due and non-performing	**₱115,448,023**	₱86,715,089
Past due but not yet non-performing	**19,439,352**	34,847,255
Items in litigation	**10,200,955**	17,612,536
Balance at end of year	**₱145,088,330**	₱139,174,880

The loans receivables were not used and/or pledged as security to any liability of the Bank for both 2024 and 2023.

As at December 31, 2024 and 2023, the outstanding loans and other credit transactions with certain directors, officers, stockholders and related interests (DOSRI) of Bank amounted to ₱791,791 and ₱954,643, respectively (Notes 22.1 and 25).

Interest earned from DOSRI loans amounted to ₱82,209 and ₱15,152 for the years ended December 31, 2024 and 2023, respectively (Note 22.1).

The contractual maturity dates of the loans receivables as at December 31, 2024 and 2023 follows:

	2024	Percentage to total	2023	Percentage to total
Due within one year	**₱501,926,761**	**45.26**	₱454,760,280	53.49
One to five years	**473,499,870**	**42.70**	321,146,106	37.77
More than five years	**133,506,604**	**12.04**	74,279,524	8.74
	₱1,108,933,235	**100.00**	₱850,185,910	100.00

The reconciliation of the Bank's allowance for credit losses on loans receivables follows:

	Notes	**2024**	2023
Balance, January 1		**₱88,662,241**	₱87,804,059
Provisions	*24*	**45,171,448**	12,675,439
Reversals	*17,24*	**(1,220,378)**	(1,523,087)
Written off loans		**(13,238,294)**	(10,294,170)
December 31		**₱119,375,017**	₱88,662,241

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

As at December 31, 2024 and 2023, the non-performing loans (NPL) of the Bank follow:

	2024	2023
Total NPL	**₱125,648,978**	₱104,327,625
Less: NPL classified as Loss by BSP and are fully covered by allowance for impairment losses	**110,314,681**	81,735,000
	₱15,334,297	₱22,592,625

NPL represented approximately 1.38% and 2.66% of the amortized cost loan portfolio as at December 31, 2024 and 2023, respectively.

Loans which were not paid at their contractual due date shall be classified as past due for the total outstanding thereof. However, banks may provide a curing period on a credit product-specific basis. Any cure period policy by the Bank is based on verifiable collection experience and reasonable judgement and that the Bank shall regularly review the reasonableness of its cure period policy. As a general rule, the cure period policy shall not exceed 30 days, however for microfinance and other small loans that feature high frequency payments, the cure period allowable shall not exceed 10 days.

For accounts to be considered non-performing, loans must either be; impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and or interest is unlikely without foreclosure of collateral, if any, even without any missed contractual payments. All other loan principal, interest, and or other accrued interest that have been capitalized, refinanced, or delayed by agreement that are unpaid for more than 90 days are considered non-performing even if not considered impaired.

9. Investment Properties – Net

This account consists of real properties, other than those used for banking purposes or held for investment, acquired by the Bank in settlement of loans through foreclosure or dation in payment and/or for other reasons, whose carrying amount will be recovered principally through a sale transaction.

The carrying amount of investment properties are as follows:

	2024	2023
Cost	**₱34,745,763**	₱36,326,043
Accumulated depreciation	**(1,612,387)**	(1,612,387)
Allowance for impairment	**(5,289,935)**	(5,289,935)
	₱27,843,441	₱29,423,721

The movements in the account are as follows:

	Note	2024	2023
Cost			
Balance, January 1		**₱36,326,043**	₱36,622,971
Additions		**—**	299,722
Disposals		**(1,580,280)**	(596,650)
Balance, December 31		**34,745,763**	36,326,043
Accumulated depreciation			
Balance, January 1		**1,612,387**	1,606,202
Depreciation	*18*	**—**	6,185
Balance, December 31		**1,612,387**	1,612,387
Allowance for impairment losses			
Balance, December 31		**5,289,935**	5,289,935
Net book values		**₱27,843,441**	₱29,423,721

As at December 31, 2024 and 2023, the Bank has a property with a carrying amount of ₱16,260,000 which was appraised to be valued at ₱220,142,000. Appraisal of ROPA is made every two (2) years.

Appraised value of investment property as at December 31, 2024 and 2023 amounted to ₱274,807,083 and ₱279,643,083, respectively, as determined by the Bank's appraisers, except for the property with the carrying amount of ₱16,260,000 which the appraisal was performed by third-party appraisers acceptable to BSP, on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. Details on the fair value of investment properties are disclosed in Note 24.

In 2023, the additions to foreclosed properties amounted to ₱299,722. The foreclosed properties in 2023 were redeemed by the borrowers within the agreed redemption period. Total gain on sale of acquired assets (included in 'other operating income' in the statements of comprehensive income) amounted to ₱1,419,720 and ₱1,932,360 in 2024 and 2023, respectively (Note 17). Proceeds received amounted to ₱3,000,000 and ₱2,529,010 in 2024 and 2023, respectively.

Litigation/assets acquired expense charged in profit or loss from investment properties amounted to ₱33,030 and ₱330,586 in 2024 and 2023, respectively (Note 18).

As at December 31, 2024 and 2023, there were no contractual obligations to purchase, construct or develop investment property nor repairs, maintenance or enhancements.

10. Bank Premises, Furniture, Fixtures and Equipment – Net

The details of bank premises, furniture, fixtures and equipment are as follows:

	Note	Land	Buildings	Leasehold improvements	Transportation equipment	Furniture, fixtures & equipment	Total
Cost							
At January 1, 2023		₱28,948,374	₱64,625,598	₱1,044,504	₱2,842,800	₱22,610,771	₱120,072,047
Additions		272,557	10,081,239	451,731	—	4,337,845	15,143,372
Disposals		—	—	—	(911,651)	(947,306)	(1,858,957)
At December 31, 2023		29,220,931	74,706,837	1,496,235	1,931,149	26,001,310	133,356,462
Additions		8,555,850	13,288,036	258,776	6,077,236	9,001,632	37,181,530
Disposals						(110,785)	(110,785)
At December 31, 2024		**37,776,781**	**87,994,873**	**1,755,011**	**8,008,385**	**34,892,157**	**170,427,207**
Accumulated depreciation							
At January 1, 2023		—	46,752,683	988,956	1,990,023	20,545,972	70,277,634
Depreciation	*18*	—	1,731,727	55,256	—	1,801,027	3,588,010
Disposals		—	—	—	(58,892)	(947,306)	(1,006,198)
At December 31, 2023		—	48,484,410	1,044,212	1,931,131	21,399,693	72,859,446
Depreciation	*18*	—	2,206,423	148,889	—	2,431,774	4,787,086
Disposals		—	—	—	—	(110,778)	(110,778)
At December 31, 2024		—	**50,690,833**	**1,193,101**	**1,931,131**	**23,720,689**	**77,535,754**
Net book values							
At December 31, 2024		**₱37,776,781**	**₱37,304,040**	**₱561,910**	**₱6,077,254**	**₱11,171,468**	**₱92,891,453**
At December 31, 2023		₱29,220,931	₱26,222,427	₱452,023	₱18	₱4,601,617	₱60,497,016

In 2024, the Bank disposed certain furniture, fixtures and equipment with a net book value of ₱7 for ₱3,000 which resulted to a gain on disposal amounting to ₱2,993 (Note 17).

In 2023, the Bank disposed certain transportation equipment and fully depreciated furniture, fixtures and equipment with a net book value of ₱852,759 for ₱936,954 which resulted to a gain on disposal amounting to ₱84,195 (Note 17).

Fully depreciated items of bank premises, furniture, fixtures and equipment still being used in operations amounted to ₱42,809,285 and ₱42,163,202 in 2024 and 2023, respectively.

As at December 31, 2024 and 2023, no items of the Bank's premises, furniture, fixtures and equipment were pledged as security for any liability nor were there any contractual commitments for its acquisition.

Based on management's assessment, there are no indications of impairment on bank premises, furniture, fixtures and equipment and that their net carrying amount can be recovered through use in operations.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the Bank's unimpaired capital. As at December 31, 2024 and 2023, the Bank had satisfactorily complied with this BSP requirement.

11. Other Assets – Net

Other assets consist of:

	2024	2023
Accounts under litigation	**₱14,447,254**	₱32,410,622
Advances to contractors/suppliers	**11,825,554**	15,015,036
Accounts receivable	**4,938,627**	2,942,848
Prepayments	**1,030,922**	984,760
Stationery and supplies	**420,683**	518,121
Prepaid income tax	**206,545**	—
Petty cash fund	**39,000**	39,000
Others	**9,029,598**	5,853,386
	41,938,183	57,763,773
Allowance for credit losses on accounts under litigation	**(14,447,254)**	(32,410,622)
	₱27,490,929	₱25,353,151

Accounts under litigation

Included in this account are the Bank's deposits with other financial institutions which have been closed and under liquidation. In 2013, the entire amount had been fully provided with allowance for credit losses.

In 2024, the Bank recovered ₱17,963,368 from the liquidation proceedings. This recovery resulted to a gain of the same amount (Note 17).

	Note	**2024**	2023
Balance, January 1		**₱32,410,622**	₱32,410,622
Provisions		**—**	—
Recovery	*17*	**(17,963,368)**	—
Written off		**—**	—
December 31		**₱14,447,254**	₱32,410,622

Advances to contractors/suppliers

Advances to Contractors/Suppliers include advances for renovation and repairs of the bank premises and payment of real property taxes.

Accounts receivable

Accounts receivable pertain mainly to advances to employees which are non-interest bearing and entirely due within one (1) year from the respective financial reporting dates.

Prepayments

Prepayments include prepaid premiums for fire, money security and vehicle insurances and fidelity bonds of the authorized and accountable officers of the Bank.

Others

Others include the Bank's various supplies, such as documentary stamps, used for the Bank's daily transactions.

12. Deposit Liabilities

These consists of the following:

	2024	2023
Time deposits	**₱527,454,823**	₱397,086,780
Demand deposit	**339,623,952**	321,383,428
Savings deposits	**299,960,754**	299,380,391
	₱1,167,039,529	₱1,017,850,599

Total interest expense on savings and time deposit liabilities and its corresponding annual interest rates for the years ended December 31, 2024 and 2023 follows:

		2024		2023	
	Note	**Amount**	**Interest rates**	Amount	Interest rates
Savings		**₱ 754,817**	**0.25%**	₱1,379,278	0.25%
Demand		**807,018**	**0.25%**	599,163	0.25%
Time		**15,183,766**	**0.75% to 4.5%**	4,986,872	0.75% to 4.5%
	24	**₱ 16,745,601**		₱6,965,313	

The savings accounts included dormant accounts aggregating to ₱14,208,177 in 2024 and ₱15,215,129 in 2023.

The demand accounts included dormant accounts aggregating to ₱4,176,534 in 2024 and ₱3,963,287 in 2023.

The entire amount of time deposits as at December 31, 2024 and 2023 of ₱527,454,823 and ₱397,086,780, respectively, have maturities of 1 year.

In 2020, BSP issued Circular No. 1092 reducing the required reserves against deposit and deposit substitute liabilities to 2% from the previous 3% in 2019 for savings, time deposits and demand deposits.

On June 23, 2023, the BSP Circular No. 1175-2023 further reduced the statutory reserves requirement from 2% to 1%.

On September 5, 2024, the BSP Circular No. 1201-2024 further reduced the statutory reserves requirement from 1% to 0%.

Total statutory/legal reserves as reported to the BSP follows:

	Note	**2024**	2023
Due from BSP	*5*	**₱100,000**	₱38,578,309

	Note	**2024**	2023
Savings deposits		**₱299,960,754**	₱299,380,391
Time deposits		**527,454,823**	397,086,780
Demand deposit		**339,623,952**	321,383,428
Total deposits		**₱1,167,039,529**	₱1,017,850,599
Reserve rate		**0%**	1%
Total required statutory/legal reserve	*5*	**₱—**	₱10,178,506

The Bank is in compliance with the regulations as at December 31, 2024 and 2023.

Deposit liabilities from related parties amounted to ₱961,658,381 and ₱913,896,112 as at December 31, 2024 and 2023, respectively (Note 22.1).

Interest expense from related parties amounted to ₱4,109,294 and ₱3,937,498 as at December 31, 2024 and 2023, respectively (Note 22.1).

13. Accrued Interest and Other Expenses

This account consists of:

	2024	2023
Accrued expenses	**₱14,981,428**	₱1,388,999
Accrued taxes	**2,795,425**	2,254,395
Accrued interest expense on deposit liabilities	**1,129,124**	654,592
Others	**2,422,905**	2,292,108
	₱21,328,882	₱6,590,094

Others include accruals on rent, utility and communication expenses, professional fees and others. This also includes treasurer/ cashier/ manager's checks drawn by the Bank upon itself payable to the payees named in the check for payment of utilities and others.

14. Retirement Benefit Obligation

The Bank has a noncontributory, defined benefit plan covering all its officers and regular employees. Retirement benefits expense recognized in the statements of comprehensive income is computed based on provision of PAS 19 (Amended). The principal actuarial assumptions used to determine the funding of the trust fund is accrued benefit actuarial cost method (projected unit credit) which take into account the factors of investment, mortality, disability, and salary projection rates.

The net defined benefit liability recognized in the statements of financial position follows:

	2024	2023
Present value of defined benefit obligation	**₱26,144,475**	₱18,806,203
Fair value of plan assets	**(8,454,479)**	(8,767,516)
	₱17,689,996	₱10,038,687

The defined benefit cost recognized in profit or loss follows (Note 18):

	2024	2023
Current service cost	**₱1,338,331**	₱963,415
Net interest on the defined benefit obligation	**609,349**	315,959
	₱1,947,680	₱1,279,374

The remeasurements recognized in OCI follows:

	2024	2023
Net actuarial loss on defined benefit obligation	**₱5,524,043**	₱3,326,985
Remeasurement loss on plan assets	**179,586**	2,363,899
	₱5,703,629	₱5,690,884

The movement in the net defined benefit liability follows:

	Note	2024	2023
Net defined benefit liability, as at January 1		**₱10,038,687**	₱4,469,010
Defined benefit cost recognized in profit and loss	18	**1,947,680**	1,279,374
Contributions paid		**—**	(1,400,581)
Actuarial loss recognized in OCI		**5,703,629**	5,690,884
Net defined benefit liability, as at December 31		**₱17,689,996**	₱10,038,687

The changes in the present value of the defined benefit obligation are as follows:

	2024	2023
Present value, as at January 1	**₱18,806,203**	₱14,312,955
Current service cost	**1,338,331**	963,415
Interest cost	**1,141,537**	1,011,926
Benefits paid	**(665,639)**	(809,078)
Loss (gain) arising from:		
changes in financial assumptions	**(2,676,455)**	3,408,734
deviations of experience from assumptions	**8,200,498**	(81,749)
Present value, as at December 31	**₱26,144,475**	₱18,806,203

The changes in the fair value of plan assets are as follows:

	2024	2023
Fair value of plan assets, as at January 1	**₱8,767,516**	₱9,843,945
Contributions	**—**	1,400,581
Interest income	**532,188**	695,967
Benefits paid	**(665,639)**	(809,078)
Remeasurement loss on plan assets	**(179,586)**	(2,363,899)
Fair value of plan assets, as at December 31	**₱8,454,479**	₱8,767,516

Actual return on plan assets amounted to ₱352,602 and ₱1,667,932 as at December 31, 2024 and 2023, respectively.

There are no usual or significant risks to which the plan exposes the Bank. The retirement plan has no specific matching strategy between the plan assets and the defined benefit obligation under the plan.

The allocation of plan assets follows:

	2024	2023
Debt instruments-government bonds	**₱7,232,178**	₱5,836,005
Equity instruments	**1,001,281**	1,007,953
Cash and cash equivalents	**125,232**	1,875,106
Other (market gains, accrued receivables, etc.)	**95,788**	48,452
	₱8,454,479	₱8,767,516

The reconciliation of OCI, net of tax effect follows:

	2024	2023
Cumulative remeasurements, January 1	**(₱3,534,160)**	₱734,003
Net actuarial gain (loss) on defined benefit obligation	**(5,524,043)**	(3,326,985)
Remeasurement loss on plan assets	**(179,586)**	(2,363,899)
Net actuarial gains (loss) recognized in OCI	**(5,703,629)**	(5,690,884)
Deferred tax effect	**1,425,907**	1,422,721
	(4,277,722)	(4,268,163)
Cumulative remeasurements, December 31	**(₱7,811,882)**	(₱3,534,160)

Actuarial assumptions

The principal assumptions used in determining pension liability of the Bank are shown below:

	2024	2023
Discount rate	**6.12%**	6.07%
Expected rate of salary increases	**4.00%**	5.00%

Sensitivity analysis

The sensitivity analysis below has been determined based on a reasonably possible change of each significant assumption on the defined benefit obligation as at the December 31, with all other variables held constant:

	Reasonably possible change	**2024**	2023
Discount rate	+100 bps	**(₱2,383,945)**	(₱1,805,858)
	-100 bps	**2,479,338**	2,105,128
Salary increase rate	+100 bps	**2,528,759**	2,107,494
	-100 bps	**(2,497,877)**	(1,862,642)

The defined benefit obligation is calculated using the discount rate set with reference to government bonds. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit liability recognized in the statements of the financial position.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

The average duration of the defined benefit obligation is 17 and 18 years as at December 31, 2024 and 2023, respectively.

Maturity analysis

Shown below is the maturity analysis of the undiscounted benefit payments:

	2024	2023
Between 1 to 5 years	**₱9,422,553**	₱5,400,139
Between 6 to 10 years	**₱21,552,634**	₱13,465,052

15. **Other Liabilities**

This account consists of:

	2024	2023
Accounts payable	**₱26,435,755**	₱26,058,890
Withholding tax payable	**1,357,676**	543,808
SSS, Philhealth, employer's compensation premiums and Pag-ibig contributions payable	**536,728**	462,972
Others	**65,622**	69,147
	₱28,395,781	₱27,134,817

Accounts payable include liabilities to insurance companies, taxing authorities for documentary stamps and collections from in litigation accounts. This also includes payments received from third-party for sold RPA that are yet to be applied on the borrowers' loan account and unearned rent income. These are currently due and demandable.

Others consist of overages and servicing liability.

16. **Equity**

This consists of:

	2024	2023
Capital stock - ₱100 par value per share		
Preferred – authorized – 19,559 shares	**₱1,955,900**	₱1,955,900
Common – authorized – 1,480,441 shares	**148,044,100**	148,044,100
	₱150,000,000	₱150,000,000

The details of the common and preferred shares outstanding are as follows:

	2024	2023
Common shares		
Common issued and fully paid – beginning	**₱136,332,200**	₱136,332,200
Issuance of new share	**—**	100
Common issued and fully paid – 1,363,323 shares	**136,332,300**	136,332,300
Preferred shares		
Preferred issued and fully paid – 4,200 shares	**420,000**	420,000
Treasury shares (Preferred) – 4,200 shares	**(420,000)**	(420,000)
	—	—
	₱136,332,300	₱136,332,300

The details of the equity reserves follow:

	Note	2024	2023
Cumulative remeasurements on defined benefit obligation	*14*	**(₱7,811,882)**	(₱3,534,160)
Retained earnings			
Reserve		**13,691,418**	13,691,418
Free		**199,373,995**	164,479,899
		₱213,065,413	₱178,171,317

The details of the appropriated retained earnings as at December 31, 2024 and 2023 follows:

	2024	2023
Reserves for preferred shares redemption	**₱155,570**	₱155,570
Reserves for contingencies	**95,923**	95,923
Other surplus reserves	**13,439,925**	13,439,925
	₱13,691,418	₱13,691,418

Other surplus reserves pertain to the amount transferred from retained earnings free intended to cover for the amount of income realized from deferred tax benefits so as to separately account for the same from unrestricted retained earnings available for dividend distribution as advised by BSP examiners during their examination in 2005.

Preferred shares

The Bank's 2% preferred shares are redeemable subject to the Bank's approval. In the event of redemption, if there are insufficient funds available, the redeemable preferred shareholders may require the Bank to issue ordinary shares at par of equal aggregate nominal value to that of the shares which are requested to be redeemed. The preferred shares are classified as equity as there is no defined period over which redemption can take place and the Bank has control over it that no preferred shareholders will redeem the shares in the foreseeable future.

As of 2018, preferred shares are fully redeemed and held as treasury shares. No release of appropriation has been made upon the full redemption of preferred shares.

Treasury shares

There are 4,200 preferred shares held in treasury as at December 31, 2024 and 2023.

17. **Other Operating Income**

This account consists of:

	Notes	**2024**	2023
Service income		**₱22,889,196**	₱11,983,470
Recovery on charged-off assets	*11*	**17,963,368**	—
Rental income	*19*	**7,842,856**	6,139,931
Gain on sale of acquired assets	*9*	**1,419,720**	1,932,360
Service charges, fees and commissions	*24*	**1,264,293**	1,435,946
Reversals of allowance on expected credit losses	*8,24*	**1,220,378**	1,523,087
Gain on sale of bank premises, furniture, fixtures and equipment	*10*	**2,993**	84,195
Miscellaneous income		**609,410**	878,377
		₱53,212,214	₱23,977,366

Service income

Service income includes rebates on insurance premiums and income earned on checkbooks purchased by depositors, which are normally recorded at the time these are collected.

Recovery on charged-off assets

This pertains to the collection by the Bank on its deposits with other financial institutions which have been closed and under liquidation.

Rental income

This refers to income earned by the Bank from the lease of office and commercial spaces to other parties.

Gain on sale of acquired assets

Gain on sale of acquired assets represents income from foreclosed properties subsequently sold. It is determined as the difference between the net disposal proceeds and the carrying amount of the asset, which is recognized in profit or loss in the period of the disposal.

Reversals of allowance on credit losses on loans

Reversals made during the year pertain to those loans which were previously provided with its corresponding allowance for credit losses but were subsequently collected on various dates during the year. Reversals were recognized as other operating income.

Service charges, fees and commissions

Service charges, fees and commissions refer to income from intermediation services such as those relating to deposits.

Gain on sale of bank premises, furniture, fixture and equipment

Gain on sale of bank premises, furniture, fixture and equipment represents income from Bank's property sold. It is determined as the difference between the net disposal proceeds and the carrying amount of the asset, which is recognized in profit or loss in the period of the disposal.

Miscellaneous income

Miscellaneous income includes passed-on gross receipt tax, inspection and fees collected relative to the loans released, penalties on past due loans and dormancy charges, which are normally recorded at the time these are collected.

18. **Operating Expenses**

The components of operating expenses follow:

	Note	2024	2023
Compensation and employee benefits		**₱46,583,234**	₱40,299,961
Taxes and licenses		**14,224,590**	9,004,442
Security/janitorial/messengerial services		**10,208,682**	7,694,709
Depreciation		**5,930,095**	4,808,662
Documentary stamp		**3,877,060**	1,353,292
Management and other professional fees		**3,545,525**	2,044,331
Power/light/water		**3,246,642**	3,290,420
Insurance		**3,050,463**	2,441,266
Communication		**2,281,389**	1,919,855
Transportation and travel		**1,951,065**	1,309,138
Retirement benefit expense	*14*	**1,947,680**	1,279,374
Fuel and lubricants		**1,701,891**	1,790,148
Repairs and maintenance		**1,199,000**	2,928,202
Stationeries and supplies		**675,250**	727,393
Fines, penalties, and other charges		**459,548**	—
Advertising and publicity		**317,730**	588,547
Representation and entertainment		**235,466**	215,249
Banking supervision fees		**197,506**	142,615
Rental expense	*19*	**106,808**	456,000
Interest expense on lease liabilities	*19*	**87,348**	186,847
Membership fees and dues		**61,451**	64,911
Litigation/assets acquired expense	*9*	**33,030**	330,586
Miscellaneous		**3,561,151**	3,223,168
		₱105,482,604	₱86,099,116

Compensation and employee benefits broken down as follows:

	2024	2023
Salaries and wages	**₱32,430,123**	₱28,578,543
Fringe benefits	**10,909,650**	7,286,523
SSS, PHIC and HDMF contributions	**3,012,350**	2,568,136
Director's fees	**231,111**	1,866,759
	₱46,583,234	₱40,299,961

Depreciation is composed of:

	Note	2024	2023
Bank premises, furniture, fixture and equipment	*10*	**₱4,787,086**	₱3,588,010
Right of use assets	*19*	**1,143,009**	1,214,467
Investment properties	*9*	**—**	6,185
		₱5,930,095	₱4,808,662

Miscellaneous expenses consist of supervision fees, periodicals and magazines, membership fees, dues and freight charges.

19. **Leases**

Bank as lessor

The Bank entered into various operating lease agreements as lessor with unrelated parties. The lease agreements are effective for 5 years from their respective commencement dates with an escalation rate on monthly lease payments of 10% to commence on the third year of tenancy.

The rental income recognized amounted to ₱7,842,856 and ₱6,139,931 in 2024 and 2023, respectively (Note 17).

The Bank's future minimum lease receipts pertaining to its operating lease agreements as lessor as of December 31 follows:

	2024	2023
Due not more than 1 year	**₱7,760,993**	₱5,615,022
Due later than 1 year but not later than 5 years	**6,890,914**	13,963,442
Due later than 5 years	**6,704,322**	2,503,578
	₱21,356,229	₱22,082,042

Bank as lessee

The Bank entered into various lease agreements as lessee with unrelated parties. The Bank leases its branch's premises for its Consolacion, Toledo and Banilad branches under non-cancelable operating lease agreements. The terms of the lease agreements range from 1 to 8 years with annual escalation rate of 10%. The lease obligation is subject to an interest rate of 7% per annum and is payable every year for a period of eight years.

Maturity analysis – contractual undiscounted cash flows:

	2024	2023
Due not more than 1 year	**₱457,336**	₱1,841,224
Due later than 1 year but not later than 5 years	**76,223**	533,559
	₱533,559	₱2,374,783

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Note	**2024**	2023
As at January 1		**₱1,845,965**	₱3,170,151
Interest accretion	*18*	**87,348**	186,847
Payments		**(1,423,225)**	(1,511,033)
As at December 31		**₱510,088**	₱1,845,965

	2024	2023
Due within 1 year	**₱434,553**	₱1,335,877
Due beyond 1 year	**75,535**	510,088
	₱510,088	₱1,845,965

Right-of-use assets

	Note	**2024**	2023
Balance at January 1		**₱1,559,459**	₱2,773,926
Depreciation	*18*	**(1,143,009)**	(1,214,467)
Balance at December 31		**₱416,450**	₱1,559,459

Short-term and leases of low-value assets

Rent expense pertains to payments classified as short-term leases and leases of low-value assets amounting to ₱106,808 and ₱456,000 in 2024 and 2023, respectively (Note 18).

20. **Income Taxes**

Corporate Recovery and Tax Incentives for Enterprises or "CREATE" Act
On March 26, 2021, the President signed into law Republic Act No. 11534 or the CREATE Act. The law, which became effective on April 11, 2021, introduces reforms to corporate income taxes and incentive systems in the country by implementing certain changes to the current tax regulations.

The CREATE Act led to a decrease in the Bank's tax rate from 30% to 25% (or from 2% to 1% of gross income for 3 years if the Bank is subject to MCIT), effective July 1, 2020. Additionally, effective July 1, 2023, the MCIT rate reverted to its previous rate of two (2) percent.

(a) The components of income tax expense are shown below:

	2024	2023
Current	**₱13,987,755**	₱6,008,518
Deferred	**(3,626,055)**	(40,592)
	₱10,361,700	₱5,967,926

The current provision for corporate income tax in 2024 and 2023 represents regular corporate income tax.

(b) The reconciliation between the statutory income tax rate on income before income tax and the Bank's effective income tax rate is as follows:

	2024	2023
Income before tax	**₱45,255,796**	₱28,099,044
Income tax at statutory income tax rate of 25%	**11,313,949**	7,024,761
Add (Deduct) tax effects of:		
Interest income already subjected to final tax	**(1,422,850)**	(1,555,971)
Non-deductible interest expense	**355,714**	388,993
Other non-deductible expenses	**114,887**	110,143
	₱10,361,700	₱5,967,926

The Bank's net deferred tax asset as at December 31 arise from the following:

	2023	**Credited (charged) to Profit and loss**	**Credited to OCI**	**2024**
Allowance for expected credit losses on loans receivables	₱22,165,559	**₱7,678,194**	**₱—**	**₱29,843,753**
Allowance for impairment loss on investment properties	1,322,484	**—**	**—**	**1,322,484**
Retirement benefit obligation	2,509,672	**486,920**	**1,425,907**	**4,422,499**
Effect of PFRS 16	71,626	**(48,217)**	**—**	**23,409**
Allowance for credit losses on other assets	8,102,655	**(4,490,842)**	**—**	**3,611,813**
	₱34,171,996	**₱3,626,055**	**₱1,425,907**	**₱39,223,958**

	2022	Credited (charged) to Profit and loss	Credited to OCI	2023
Allowance for credit losses on loans receivables	₱21,951,014	₱214,545	₱—	₱22,165,559
Allowance for impairment loss on investment properties	1,322,484	—	—	1,322,484
Retirement benefit obligation	1,117,255	(30,304)	1,422,721	2,509,672
Effect of PFRS 16	215,275	(143,649)	—	71,626
Allowance for credit losses on other assets	8,102,655	—	—	8,102,655
	₱32,708,683	₱40,592	₱1,422,721	₱34,171,996

The Bank believes that it is reasonably probable that the tax benefits of these temporary differences will be realized in the future.

21. Earnings Per Share

The following table presents information necessary to calculate the earnings per share:

	2024	2023
Earnings for the year	**₱34,894,096**	₱22,131,118
Weighted average number of common shares outstanding	**1,363,323**	1,363,323
Basic earnings per share	**₱25.59**	₱16.23

There were no dilutive potential ordinary shares for the years ended December 31, 2024 and 2023. Therefore, the Bank's basic and diluted earnings per share were equal for the years ended December 31, 2024 and 2023.

22. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

The Bank, in its regular conduct of business, has transactions to the following related parties:

Related parties	**Relationship**	**Nature of business**
Directors	Directors	—
Key management personnel	Officers	—
Stockholders	Stockholders	—
Affiliates	Related interests	Various industries

Significant related party transactions include the following:

22.1 Significant transactions with related parties

a. The significant transactions with related parties and their effect on the Bank's financial statements as at and for the years ended December 31, 2024 and 2023 were as follows:

	As at December 31, 2022	Net transactions 2023	As at December 31, 2023	**Net transactions 2024**	**As at December 31, 2024**
Directors					
Interest expense	₱—	₱1,047,569	₱—	**₱1,564,725**	**₱—**
Withholding taxes	—	197,646	—	**307,454**	**—**
Documentary stamps	—	191,891	—	**389,825**	**—**
Net deposits	—	23,500,467	—	**2,924,528**	**—**
Deposit liabilities	₱21,987,333	₱24,937,573	₱46,924,906	**₱5,186,532**	**₱52,111,438**
Stockholders					
Interest expense	₱—	₱4,004	₱—	**₱92,046**	**₱—**
Withholding taxes	—	(708)	—	**18,108**	**—**
Documentary stamps	—		—	**23,721**	**—**
Net deposits / (withdrawals)	—	(349,418)	—	**(4,483,423)**	**—**
Deposit liabilities	₱32,205,060	(₱346,122)	₱31,858,938	**(₱4,349,548)**	**₱27,509,390**
Availment	₱—	₱1,000,000	₱—	**₱—**	**₱—**
Payment	—	(45,357)	—	**(162,852)**	**—**
Loans receivable	₱—	₱954,643	₱954,643	**(₱162,852)**	**₱791,791**
Interest income on loans	—	₱15,152	₱15,152	**₱82,209**	**₱82,209**

Forward

	As at December 31, 2022	Net transactions 2023	As at December 31, 2023	**Net transactions 2024**	**As at December 31, 2024**
Affiliates					
Interest expense	₱—	₱2,885,925	₱—	**₱2,452,523**	**₱—**
Withholding taxes	—	(262,143)	—	**366,487**	**—**
Documentary stamps	—	(51,606)	—	**131,345**	**—**
Net deposits / (withdrawals)	—	520,687,705	—	**43,974,930**	**—**
Deposit liabilities	₱311,852,387	₱523,259,881	₱835,112,268	**₱46,925,285**	**₱882,037,553**
Availment	₱—	₱—	₱—	**₱8,218,050**	**₱—**
Payment	—	—	—	**(4,340,167)**	**—**
Loans receivable	₱—	—	₱—	**₱3,877,883**	**₱3,877,883**
Interest income on loans	—	₱—	₱—	**₱873,279**	**₱873,279**

Total deposit liabilities and interest expense from related parties follow:

	2024		2023	
	Balance	**Interest expense**	Balance	Interest expense
Affiliates	**₱882,037,553**	**₱2,452,523**	₱835,112,268	₱2,885,925
Stockholders	**27,509,390**	**92,046**	31,858,938	4,004
Directors	**52,111,438**	**1,564,725**	46,924,906	1,047,569
	₱961,658,381	**₱4,109,294**	₱913,896,112	₱3,937,498

Total loans receivable and interest income from related parties follow:

	2024		2023	
	Balance	**Interest income**	Balance	Interest income
Stockholders	**₱791,791**	**₱82,209**	₱954,643	₱15,152
Affiliates	**3,877,883**	**873,279**	—	—
	₱4,669,674	**₱955,488**	₱954,643	₱15,152

In 2023, the Bank granted a loan to a certain stockholder, which is considered a DOSRI loan. The loan is secured by a hold-out on the deposit placement of the DOSRI borrower.

b. The amount of outstanding balances, including their terms and conditions, security, and the nature of the consideration to be provided in settlement, and details of any guarantees given or received are as follows:

Related parties	**2024**	2023	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Guarantees given
Deposit liabilities						
Affiliates	**₱882,037,553**	₱835,112,268	On hold, on demand or on hold until maturity of placement	NA	Cash	Earnings from interest on deposits
Stockholders	**27,509,390**	31,858,938	On demand or on hold until maturity of placement	NA	Cash	Earnings from interest on deposits
Directors	**52,111,438**	46,924,906	On demand or on hold until maturity of placement	NA	Cash	Earnings from interest on deposits
	₱961,658,381	₱913,896,112				

Related party transactions are not offset for monitoring purposes.

c. The Bank provides 1% general loan loss provisioning to the amount of outstanding balances of loans receivable to related parties based on existing BSP regulations.

22.2 Assignment of certain stockholders of their shares to Visayan Surety and Insurance Corporation

In 2023, based on duly notarized Deeds of Assignment, 8 stockholders owning a total of 793,213 shares of the Bank, have assigned a total of 793,205 of their shares to Visayan Surety and Insurance Corporation resulting to each of the stockholder retaining 1 share. The recording of the transfers, however, is held in abeyance pending BSP approval as required under Section 122 of the MORB.

22.3 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

Compensation includes all benefits constituting all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. Short term employee benefits include wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

Compensation of the Bank's key management personnel consists of short-term employee benefits which amounted to ₱7,589,167 and ₱5,679,245 for the years ended December 31, 2024 and 2023, respectively.

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23. Risk Management Objectives and Policies

23.1 Financial risk management objectives and policies

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors or appropriate Management Committee shall approve all significant policies relating to the management of risk throughout this institution. These policies on risk taking activities should be consistent with the bank's mission, business strategies, capital strength, management expertise and over all willingness to take the risk.

Senior management shall be responsible for ensuring that there are adequate policies and procedures for conducting risk-taking activities on both long-range and day-to-day bases. This responsibility includes:

- Ensuring that there are clear delineations of lines of responsibility for managing risk, adequate systems for measuring, appropriately structured limits on risk taking, effective internal controls and a comprehensive risk reporting process.
- Ensuring that all appropriate approvals are obtained and that adequate operational procedures and risk control systems are in place.

The Board of Directors or an appropriate level of senior management as designated by the Board of Directors should approve any significant changes or new activities.

Senior management should regularly evaluate the procedures in place to manage risk to ensure that those procedures are appropriate and sound.

Risk management

The initial activity in identifying and facilitating the activities needed by the Bank to undertake its risk management program development and oversight function rests with Risk Management Committee.

- An independent body shall manage the measurement, monitoring and control of risk consistent with established policies and procedures. It shall directly report to the Board of Directors or to the appropriate management committee.
- The personnel performing independent risk management functions should have a complete understanding of the risks associated with the bank's risk-taking activities.

Risk management committee

The Risk Management Committee composed of some of the members of the BOD and key management personnel has the overall responsibility for the development and oversight of the Bank's Risk Management Program and Development of the risk management strategies geared towards loss prevention or minimization to preserve the Bank's earnings and capital in the short term, increase shareholder value in the medium term and capital allocation across all risk-taking activities in the long-term.

Bank treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also responsible for the funding and liquidity risks of the Bank.

Internal audit

Risk management processes throughout the Bank are audited regularly by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures, adequacy of the Bank's internal control and compliance with existing laws, rules and regulations. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Risk exposures

Credit risk

Credit risk refers to the risk that counterparty will default and/or honor its financial or contractual obligations resulting in financial losses to the Bank.

The Bank drives credit risk fundamentally via its credit policies, which are regularly reviewed and updated to reflect changing risk conditions. The credit policies include the Bank's credit structure, target markets, and credit evaluation, administration and monitoring and collection guidelines.

Moreover, the Bank monitors credit exposures, and continually assesses the creditworthiness of borrowers. It also obtains security where appropriate, enters into collateral arrangements with counterparties, and limits the duration of exposures.

The Bank's maximum exposure to credit risk before collateral held or other credit enhancements as at December 31 follows:

	Note	**2024**	2023
Due from BSP	*5*	**₱100,000**	₱38,578,309
Due from other banks	*6*	**338,658,200**	386,443,263
Investment at amortized costs	*7*	**23,888,326**	3,939,866
Loans receivables, net	*8*	**994,765,414**	767,240,470
Other assets – accounts receivable	*11*	**4,938,627**	2,942,848
		₱1,362,350,567	₱ 1,199,144,756

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Bank analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized as loans receivables. To mitigate risk concentration, the Bank constantly checks for breaches in regulatory and internal limits. Information on the concentration of credit as to industry/economic sector of loans receivables, net of unearned discount and capitalized interest and allowance for expected credit losses are disclosed in Note 8.

Concentration of risks of financial assets with credit risk exposure

An analysis of concentrations of credit risk by industry at the reporting date based on the carrying amount (gross of allowance for expected credit losses) is shown below:

		2024		
Concentration by industry	Loans receivables (Note 8)	Due from BSP and other banks (Notes 5 and 6)	Other assets - accounts receivable and accounts under litigation (Note 11)	Total
Financial intermediaries	**₱—**	**₱338,758,200**	**₱14,447,254**	**₱353,205,454**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**404,569,022**	**—**	**—**	**404,569,022**
Real estate activities	**143,439,035**	**—**	**—**	**143,439,035**
Education	**25,437**	**—**	**—**	**25,437**
Agriculture, forestry and fishing	**6,255,208**	**—**	**—**	**6,255,208**
Construction	**7,803,597**	**—**	**—**	**7,803,597**
Mining and quarrying	**1,482,400**	**—**	**—**	**1,482,400**
Manufacturing	**1,942,138**	**—**	**—**	**1,942,138**
Electricity, gas, steam and air-conditioning supply	**395,409**	**—**	**—**	**395,409**
Transportation and storage	**554,839**	**—**	**—**	**554,839**
Other service activities	**7,422,886**	**—**	**—**	**7,422,886**
Others	**535,043,264**	**—**	**4,938,627**	**539,981,891**
	₱1,108,933,235	**₱338,758,200**	**₱19,385,881**	**₱1,467,077,316**

		2023		
Concentration by industry	Loans receivables (Note 8)	Due from BSP and other banks (Notes 5 and 6)	Other assets - accounts receivable and accounts under litigation (Note 11)	Total
Financial intermediaries	₱—	₱425,021,572	₱32,410,622	₱457,432,194
Wholesale and retail trade, repair of motor vehicles, motorcycles	355,972,579	—	—	355,972,579
Real estate activities	123,663,673	—	—	123,663,673
Education	25,437	—	—	25,437
Agriculture, forestry and fishing	5,297,783	—	—	5,297,783
Construction	70,193,616	—	—	70,193,616
Mining and quarrying	1,482,400	—	—	1,482,400
Manufacturing	1,430,514	—	—	1,430,514
Electricity, gas, steam and air-conditioning supply	692,532	—	—	692,532
Transportation and storage	828,212	—	—	828,212
Other service activities	12,968,239	—	—	12,968,239
Others	277,630,925	—	2,942,848	280,573,773
	₱850,185,910	₱425,021,572	₱35,353,470	₱1,310,560,952

Aging analysis and credit quality per class of financial assets

The credit quality of financial assets is determined based on the Bank's historical experience with the corresponding parties as follows:

Due from BSP, due from other banks, and other assets (accounts receivables) – based on the nature of the counterparty and the Bank's internal rating system. Loans receivables – high grade pertains to fully secured loans with least likelihood of default; standard grade consists of fully secured loans with relatively low defaults; and substandard grade pertains to either secured or clean loans with history of default payments.

Financial assets measured at amortized cost – high grade pertains to debt securities with least likelihood of default; standard grade consists of loans with relatively low defaults; and substandard grade pertains to loans with history of default payments.

The table below shows the aging analysis and the credit quality by class of financial assets (gross of allowance for expected credit losses) as at December 31, 2024 and 2023.

		December 31, 2024									
			Neither past due nor impaired			Past due but not impaired					
	Note	Total	High Grade	Standard Grade	Substandard Grade	Less than 30 days	30—90 days	91—180 days	181—365 days	Over 365 days	Impaired
At amortized cost											
Cash on hand		**₱31,371,936**	**₱31,371,936**	**₱—**	**₱—**	**₱—**	**₱—**	**₱—**	**₱—**	**₱—**	**₱—**
Due from BSP	*5*	**100,000**	**100,000**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Due from other banks	*6*	**338,658,200**	**338,658,200**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Investments at amortized cost	*7*	**23,888,326**	**23,888,326**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Loans receivables	*8*	**1,108,933,235**	**467,079,506**	**7,084,872**	**495,954,488**	**—**	**—**	**19,439,352**	**—**	**—**	**119,375,017**
Sales contract receivable	*8*	**5,207,196**	**5,207,196**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other assets – accounts receivable and accounts under litigation	*11*	**19,385,881**	**2,546,471**	**465,230**	**1,926,926**	**—**	**—**	**—**	**—**	**—**	**14,447,254**
		₱1,527,544,774	**₱868,851,635**	**₱7,550,102**	**₱497,881,414**	**₱—**	**₱—**	**₱19,439,352**	**₱—**	**₱—**	**₱133,822,271**

		December 31, 2023									
			Neither past due nor impaired			Past due but not impaired					
	Note	Total	High Grade	Standard Grade	Substandard Grade	Less than 30 days	30—90 days	91—180 days	181—365 days	Over 365 days	Impaired
At amortized cost											
Cash on hand		₱29,220,581	₱29,220,581	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Due from BSP	*5*	38,578,309	38,578,309	—	—	—	—	—	—	—	—
Due from other banks	*6*	386,443,263	386,443,263	—	—	—	—	—	—	—	—
Investments at amortized cost	*7*	3,939,866	3,939,866	—	—	—	—	—	—	—	—
Loans receivables	*8*	850,185,910	453,278,473	6,249,406	267,148,535	—	34,847,255	—	—	—	88,662,241
Sales contract receivable	*8*	5,716,801	5,716,801	—	—	—	—	—	—	—	—
Other assets – accounts receivable and accounts under litigation	*11*	35,353,470	550,692	465,230	1,926,926	—	—	—	—	—	32,410,622
		₱1,349,438,200	₱917,727,985	₱6,714,636	₱269,075,461	₱—	₱34,847,255	₱—	₱—	₱—	₱121,072,863

Liquidity risk

Liquidity risk refers to the risk that the Bank will not be able to meet its financial obligations as they fall due.

The Bank seeks to manage its liquidity profile to be able to finance its operations, capital expenditures and deposit liability withdrawal requirements. To cover its financing requirements, the Bank intends to use internally generated funds.

Since the Bank's financial liabilities are principally short-term, the Bank manages and matches its funding requirement by investing its excess funds in short-term bank deposits, and granting its loan receivables on short-term periods maturing within 1 year.

The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial assets and financial liabilities is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

		December 31, 2024					
	Note	**Total**	**On demand**	**<3 months**	**3-12 months**	**1-5 years**	**>5 years**
Financial assets							
At amortized cost							
Cash on hand		**₱31,271,936**	**₱31,271,936**	**₱—**	**₱—**	**₱—**	**₱—**
Due from BSP	*5*	**100,000**	**100,000**	**—**	**—**	**—**	**—**
Due from other banks	*6*	**338,658,200**	**254,619,926**	**84,038,274**	**—**	**—**	**—**
Investment at amortized costs	*7*	**23,888,326**	**—**	**—**	**—**	**15,425,946**	**8,462,380**
Loans receivable	*8*	**989,558,218**	**233,658,426**	**213,631,381**	**187,912,177**	**293,734,654**	**60,621,580**
Sales contract receivable	*8*	**5,207,196**	**—**	**—**	**—**	**5,207,196**	**—**
Other assets-accounts receivable and accounts under litigation	*11*	**19,385,881**	**19,385,881**	**—**	**—**	**—**	**—**
		1,408,069,757	**539,036,169**	**297,669,655**	**187,912,177**	**314,367,796**	**69,083,960**
Financial liabilities							
Other financial liabilities							
Deposit liabilities	*12*	**1,167,039,529**	**714,639,321**	**174,921,524**	**277,478,684**	**—**	**—**
Accrued interest and other expenses *	*13*	**18,533,457**	**1,129,124**	**—**	**17,404,333**	**—**	**—**
Other liabilities*	*15*	**26,501,377**	**26,501,377**	**—**		**—**	**—**
Lease liabilities	*19*	**533,559**	**—**	**—**	**457,336**	**76,223**	**—**
		1,212,607,922	**742,269,822**	**174,921,524**	**295,340,353**	**76,223**	**—**
Net positive (negative) liquidity gap		**₱195,461,835**	**(₱203,233,653)**	**₱122,748,131**	**(₱107,428,176)**	**₱314,291,573**	**₱69,083,960**

** excluding government liabilities*

		December 31, 2023					
	Note	Total	On demand	<3 months	3-12 months	1-5 years	>5 years
Financial assets							
At amortized cost							
Cash on hand		₱29,220,581	₱29,220,581	₱—	₱—	₱—	₱—
Due from BSP	*5*	38,578,309	38,578,309	—	—	—	—
Due from other banks	*6*	386,443,263	233,359,810	153,083,453	—	—	—
Investment at amortized costs	*7*	3,939,866	—	—	—	3,755,161	184,705
Loans receivable	*8*	761,523,669	166,314,221	171,627,749	143,896,608	244,760,230	34,924,861
Sales contract receivable	*8*	5,716,801	—	—	—	5,716,801	—
Other assets-accounts receivable and accounts under litigation	*11*	35,353,470	35,353,470	—	—	—	—
		1,260,775,959	502,826,391	324,711,202	143,896,608	254,232,192	35,109,566
Financial liabilities							
Other financial liabilities							
Deposit liabilities	*12*	1,017,850,599	690,361,858	314,690,310	12,798,431	—	—
Accrued interest and other expenses*	*13*	4,335,699	654,592	—	3,681,107	—	—
Other liabilities*	*15*	26,128,037	26,128,037	—	—	—	—
Lease liabilities	*19*	2,374,783	—	—	1,841,224	533,559	—
		1,050,689,118	717,144,487	314,690,310	18,320,762	533,559	—
Net positive (negative) liquidity gap		₱210,086,841	(₱214,318,096)	₱10,020,892	₱125,575,846	₱253,698,633	₱35,109,566

** excluding government liabilities*

Market risk

Market risk refers to the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Bank is subject to certain market risks, including risks from changes in interest rates and currency exchange rates. There have been no changes on the Bank's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

Currency risk arises when transactions are denominated in foreign currencies.

The Bank is not exposed to significant foreign currency risk given that financial assets and liabilities are denominated in the Bank's functional currency.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Currently, loans and deposit products had been offered at the approved fixed interest rates, which are collected in advance for loans and paid when due for deposits.

The interest rates for the interest-bearing financial instruments follow:

As at December 31, 2024

	Note	**Within 1 year**	**2 – 5 years**
Due from other banks	*6*	**0.05% - 5.80%**	**—**
Investments at amortized costs	*7*	**0.01% - 0.46%**	**0.01% - 0.46%**
Loans receivable	*8*	**6% - 24%**	**6% - 24%**
Sales contract receivable	*8*	**14%**	**14%**
Deposit liabilities	*12*	**0.25% - 4.5%**	**0.25% - 4.5%**
Lease liabilities	*19*	**7%**	**7%**

As at December 31, 2023

	Note	Within 1 year	2 – 5 years
Due from other banks	*6*	0.0625% - 5.85%	—
Investments at amortized costs	*7*	0.01% - 0.46%	0.01% - 0.46%
Loans receivable	*8*	6% - 30%	6% - 42%
Sales contract receivable	*8*	14%	14%
Deposit liabilities	*12*	0.25% - 4.5%	0.25% - 4.5%
Lease liabilities	*19*	7%	7%

The interest rate risks of the Bank's financial instruments (principally composed of loans receivable and deposit liabilities), are highly controllable by the Bank. Any changes, thereof, have been subjected to review and approval by the BOD.

The following table demonstrates the sensitivity of net profit before tax for the years ended December 31, 2024 and 2023 to a reasonably possible change in interest rates, with all other variables held constant:

	2024		2023	
Increase/(decrease) in market basis points	+ 10	- 10	+ 10	- 10
Effect on income before tax	**₱2,250,125**	**(₱2,250,125)**	₱1,013,750	(₱1,013,750)
Effect on income after tax	**1,687,594**	**(1,687,594)**	760,312	(760,312)

23.2 Capital Risk Management Objectives and Policies

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

The Bank manages its capital structure and makes adjustments to it in the 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, or issue share capital. No changes were made in the objectives, policies and processes from the previous years.

The Bank's regulatory capital as monitored by management is divided into two tiers:

- Tier 1 (core) capital – share capital (net of any book value of the treasury shares), retained earnings less unsecured DOSRI accounts and deferred income tax;
- Tier 2 (supplementary) capital – redeemable preferred stocks, general loan loss provision and deposits for common stocks subscriptions.

The following table shows the required regulatory capital analysis in 2024 and 2023:

	2024	2023 *(Revised)*
Tier 1 capital	**₱311,013,755**	₱281,171,621
Tier 2 capital	**9,060,336**	6,927,241
Total qualifying capital	**₱320,074,091**	₱288,098,862
Risk-weighted assets	**₱1,689,351,388**	₱1,431,004,146
Common equity tier 1 (CET1) capital	**₱349,817,713**	₱314,923,617
Common equity tier 1 (CET1) capital ratio	**20.71%**	22.01%
Tier 1 capital ratio	**18.41%**	19.65%*
Total capital ratio	**18.95%**	20.13%

**Revised based on the comments of BSP on the 2023 Annual Report of the Bank*

Regulatory capital consists of Tier 1 capital and Total qualifying capital which comprises the following:

	2024	2023
Share capital	**₱136,752,300**	₱136,752,300
Retained earnings reserve	**13,691,418**	13,691,418
Retained earnings	**199,373,995**	164,479,899
CET1 capital	**349,817,713**	314,923,617
Net deductions	**(38,803,958)**	(33,751,996)
Tier 1 capital	**311,013,755**	281,171,621
Tier 2 capital:		
General loan loss provision	**9,060,336**	6,927,241
Total qualifying capital	**₱320,074,091**	₱288,098,862

The composition of the risk-weighted assets follows:

	2024	2023
Credit risk-weighted assets	**₱1,528,936,270**	₱1,296,096,048
Operational risk-weighted assets	**160,415,118**	134,908,098
	₱1,689,351,388	₱1,431,004,146

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policy which differs from PFRS in some aspects.

Under existing banking regulations, the combined capital accounts of each bank should not be less than an amount equal to 10% of its risk assets. Risk weighted assets are defined as total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

Minimum Liquidity Ratio

The details of MLR as reported to the BSP are as follows:

	2024	2023
Stock of Liquid Assets	**₱370,030,136**	₱454,242,153
Qualifying Liabilities	**1,232,541,371**	1,063,166,267
Minimum Liquidity Ratio	**30.02%**	42.73%
Cash on hand	**₱31,271,936**	₱29,220,581
Bank reserves in the BSP	**100,000**	38,578,309
Deposit in other banks	**338,658,200**	386,443,263
Stock of Liquid Assets	**370,030,136**	454,242,153
100% of Other on-balance sheet liabilities	**1,232,541,371**	1,063,166,267
Qualifying Liabilities	**₱1,232,541,371**	₱1,063,166,267

Basel III Leverage Ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure.

Exposure measure is the sum of on-balance sheet exposures, derivative exposures, and off-balance sheet items. Items that are deducted completely from capital (regulatory deductions) do not contribute to leverage, hence, deducted from the exposure measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure.

As of December 31, 2024 and 2023, the Basel III Leverage Ratio of the Bank, is shown in the table below:

	2024	2023
Tier 1 Capital	**₱311,013,755**	₱281,171,621
Total exposure measure	**1,585,610,443**	1,383,355,073
Basel III Leverage Ratio	**19.61%**	20.33%

24. **Financial Instruments**

Categories of financial assets and financial liabilities

The following table summarizes the carrying values and fair values of the Bank's financial assets and financial liabilities by class:

		2024		2023	
	Note	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets					
At amortized cost					
Cash on hand		**₱31,271,936**	**₱31,271,936**	₱29,220,581	₱29,220,581
Due from BSP	*5*	**100,000**	**100,000**	38,578,309	38,578,309
Due from other banks	*6*	**338,658,200**	**338,658,200**	386,443,263	386,443,263
Investments at amortized cost	*7*	**23,888,326**	**23,888,326**	3,939,866	3,939,866
Loans receivables – net	*8*	**994,765,414**	**994,765,414**	767,240,470	767,240,470
Accounts receivable and petty cash fund*	*11*	**4,977,627**	**4,977,627**	2,981,848	2,981,848
		₱1,393,661,503	**₱1,393,661,503**	₱1,228,404,337	₱1,228,404,337
Financial liabilities					
Other financial liabilities					
Deposit liabilities	*12*	**₱1,167,039,529**	**₱1,167,039,529**	₱1,017,850,599	₱1,017,850,599
Accrued interest and other expenses**	*13*	**18,533,457**	**18,533,457**	4,335,699	4,335,699
Other liabilities**	*15*	**26,501,377**	**26,501,377**	26,128,037	26,128,037
		₱1,212,074,363	**₱1,212,074,363**	₱1,048,314,335	₱1,048,314,335

**presented under other assets - net*
***excluding government liabilities*

Fair value measurement of financial assets and financial liabilities

The methods and assumptions used by the Bank in estimating the fair value of financial instruments follows:

Cash on hand, due from BSP and other banks, other assets (petty cash fund, accrued interest receivable and accounts receivable), deposit liabilities, accrued interest and other expenses and other liabilities – Carrying amounts approximate its fair values in view of the relatively short-term maturities of these financial instruments.

Fair values of the Bank's loans receivables and long-term time deposits are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans [deposits]. Where the instrument re-prices on a quarterly basis or has a relatively short maturity, the carrying amounts approximated fair values.

Fair value hierarchy of financial assets and financial liabilities

The Bank classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy of financial instruments measured at fair value has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at December 31, 2024 and 2023, the Bank did not have any financial instruments measured at fair value under the 3-level fair value hierarchy.

Items of income, expense, gains or losses on financial assets and financial liabilities

Items of income, expense, gains or losses recognized with respect to financial assets and financial liabilities in the statements of comprehensive income follows:

	Notes	**2024**	2023
Total interest income on financial assets measured at amortized cost			
Loans receivables	*8*	**₱152,974,838**	₱103,452,272
Due from other banks	*6*	**5,691,399**	6,223,885
Investments at amortized cost	*7*	**776,998**	185,389
		₱159,443,235	₱109,861,546
Total interest expense on financial liabilities measured at amortized cost			
Deposit liabilities	*12*	**₱16,745,601**	₱6,965,313
Lease liabilities	*19*	**87,348**	186,847
		₱16,832,949	₱7,152,160
Fee income and expense arising from financial assets measured at amortized cost			
Service charges, fees and commissions	*17*	**₱1,264,293**	₱1,435,946
Reversal of allowance on expected credit losses	*8,17*	**₱1,220,378**	₱1,523,087
Recovery on charged-off assets	*11,17*	**₱17,963,368**	₱—
Provision for credit losses on loans receivables	*8*	**₱45,171,448**	₱12,675,439

Fair value of assets and liabilities

The following tables summarize the carrying values and fair values of the Bank's assets and liabilities which fair values are disclosed (not measured at fair value):

		December 31, 2024				
	Note	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED						
Non-financial assets						
Investment properties	*9*	**₱27,843,441**	**₱—**	**₱220,142,000**	**₱54,665,083**	**₱274,807,083**

		December 31, 2023				
	Note	Carrying value	Level 1	Level 2	Level 3	Total Fair Value
ASSETS FOR WHICH FAIR VALUES ARE DISCLOSED						
Non-financial assets						
Investment properties	*9*	₱29,423,721	₱—	₱220,142,000	₱59,501,083	₱279,643,083

Fair value measurement of non-financial assets

Investment properties – Fair value of investment properties with carrying amounts of less than ₱5 million was determined by in-house appraisers on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The in-house appraisers provide the fair value of the Bank's investment properties at least every other year as required under: provided, that immediate re-appraisal shall be conducted on items which materially decline in value in accordance with Section 382 (g) of the MORB. Fair value of assets with a carrying amount of more than ₱5 million amounted to ₱220,142,000 as at December 31, 2024 and 2023 (Note 9). On March 27, 2019, the appraisal of the foreclosed asset was conducted by an independent appraiser acceptable to BSP.

The Bank's investment properties with fair values disclosed fall under levels 2 and 3 categories as at December 31, 2024 and 2023. There were no transfers between levels 1 and 2 to other category levels in both years.

The Bank uses the following assumptions to determine the fair value measurements under level 2:

- Historical data are inferior to current data;
- The principle of economies of scale, which is based on the idea that the greater the area of the item, the less is the incremental cost;
- In considering the road of which the property is accessed, a main road is superior to a secondary road;
- Rectangular shape is superior to any other shape, and;
- A flat terrain is superior to any other type of terrain.

The Bank uses the following bases to determine the fair value measurements under level 3:

- Recent sales of similar properties in the same area as the property;
- Size of access roads leading to the property;
- Degree of elevation from access road;
- Stage of development and neighborhood classification, and;
- Highest and best use.

25. Supplementary Information Required Under BSP Circular No. 1074

Basic Quantitative Indicators of Financial Performance
The following basic ratios measure the financial performance and liquidity of the Bank:

	2024	2023
Return on average equity	**9.38%**	5.91%
Return on average assets	**2.07%**	1.50%
Net interest margin	**10.63%**	9.67%

Description of Capital Instruments Issued

As at December 31, 2024 and 2023, the Bank's capital consists of common and preferred shares.

Common shares give the owner the right to vote, to share in the income, and in the event of liquidation, to share in all assets after satisfying creditors' and preference shareholders' claims.

Preferred shares are securities that represent ownership and that have a priority claim over common shares on all assets and income.

Capital Risk Management Objectives and Policies

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

The Bank manages its capital structure and makes adjustments to it in the 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, or issue share capital. No changes were made in the objectives, policies and processes from the previous years.

The Bank's regulatory capital as monitored by management is divided into two tiers:

- Tier 1 (core) capital – share capital (net of any book value of the treasury shares), retained earnings less unsecured DOSRI accounts and deferred income tax;
- Tier 2 (supplementary) capital – redeemable preferred stocks, general loan loss provision and deposits for common stocks subscriptions.

The following table shows the required regulatory capital analysis in 2024 and 2023:

	2024	2023 *(Revised)*
Tier 1 capital	**₱311,013,755**	₱281,171,621
Tier 2 capital	**9,060,336**	6,927,241
Total qualifying capital	**₱320,074,091**	₱288,098,862
Risk-weighted assets	**₱1,689,351,388**	₱1,431,004,146
Common equity tier 1 (CET1) capital	**₱349,817,713**	₱314,923,617
Common equity tier 1 (CET1) capital ratio	**20.71%**	22.01%
Tier 1 capital ratio	**18.41%**	19.65%*
Total capital ratio	**18.95%**	20.13%

**Revised based on the comments of BSP on the 2023 Annual Report of the Bank*

Regulatory capital consists of Tier 1 capital and Total qualifying capital which comprises the following:

	2024	2023
Share capital	**₱136,752,300**	₱ 136,752,300
Retained earnings reserve	**13,691,418**	13,691,418
Retained earnings	**199,373,995**	164,479,899
CET1 capital	**349,817,713**	314,923,617
Net deductions	**(38,803,958)**	(33,751,996)
Tier 1 capital	**311,013,755**	281,171,621
Tier 2 capital:		
General loan loss provision	**9,060,336**	6,927,241
Total qualifying capital	**₱320,074,091**	₱288,098,862

The composition of the risk-weighted assets follows:

	2024	2023
Credit risk-weighted assets	**₱1,528,936,270**	₱1,296,096,048
Operational risk-weighted assets	**160,415,118**	134,908,098
	₱1,689,351,388	₱1,431,004,146

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policy which differs from PFRS in some aspects.

Under existing banking regulations, the combined capital accounts of each bank should not be less than an amount equal to 10% of its risk assets. Risk weighted assets are defined as total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

Minimum Liquidity Ratio

The details of MLR as reported to the BSP are as follows:

	2024	2023
Stock of Liquid Assets	**₱370,030,136**	₱454,242,153
Qualifying Liabilities	**1,232,541,371**	1,063,166,267
Minimum Liquidity Ratio	**30.02%**	42.73%
Cash on hand	**₱31,271,936**	₱29,220,581
Bank reserves in the BSP	**100,000**	38,578,309
Deposit in other banks	**338,658,200**	386,443,263
Stock of Liquid Assets	**370,030,136**	454,242,153
100% of Other on-balance sheet liabilities	**1,232,541,371**	1,063,166,267
Qualifying Liabilities	**₱1,232,541,371**	₱1,063,166,267

Basel III Leverage Ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure.

Exposure measure is the sum of on-balance sheet exposures, derivative exposures, and off-balance sheet items. Items that are deducted completely from capital (regulatory deductions) do not contribute to leverage, hence, deducted from the exposure measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure.

As of December 31, 2024 and 2023, the Basel III Leverage Ratio of the Bank, is shown in the table below:

	2024	2023
Tier 1 Capital	**₱311,013,755**	₱281,171,621
Total exposure measure	**1,585,610,443**	1,383,355,073
Basel III Leverage Ratio	**19.61%**	20.33%

Significant Credit Exposures as to Industry/Economic Sector

As at December 31, 2024 and 2023, information on the concentration of credit as to industry before taking into account the allowance for credit losses follow:

	2024	**Percentage to total**	2023	Percentage to total
Business / industry				
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱404,569,022**	**36.48**	₱355,972,579	41.87
Real estate activities	**143,439,035**	**12.93**	123,663,673	14.55
Agriculture, forestry and Fishing	**6,255,208**	**0.56**	5,297,783	0.62
Manufacturing	**1,942,138**	**0.18**	1,430,514	0.17
Mining and quarrying	**1,482,400**	**0.13**	1,482,400	0.17
Construction	**7,803,597**	**0.70**	70,193,616	8.26
Electricity, gas, steam and air-conditioning supply	**395,409**	**0.04**	692,532	0.08
Education	**25,437**	**0.00**	25,437	0.00
Transportation and storage	**554,839**	**0.05**	828,212	0.10
Other service activities	**7,422,886**	**0.67**	12,968,239	1.53
	573,889,971	**51.75**	572,554,985	67.35

Forward

	2023	Percentage to total	2022	Percentage to total
Loans to individuals primarily for personal use purposes				
Salary-based general-purpose consumption loans	**₱202,223,430**	**18.24**	₱113,703,606	13.37
Auto loans	**647,731**	**0.06**	675,047	0.08
Others	**332,172,103**	**29.95**	163,252,272	19.20
	535,043,264	**48.25**	277,630,925	32.65
	₱1,108,933,235	**100.00**	₱850,185,910	100.00

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

	2024	2023
Tier 1 Capital (see Note 23.2)	**₱311,626,347**	₱281,171,621

Business / industry	**2024**	**Percent to Tier 1**	2023	Percent to Tier 1
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱404,569,022**	**129.83**	₱355,972,579	126.60
Real estate activities	**143,439,035**	**46.03**	123,663,673	43.98
Agriculture, forestry and Fishing	**6,255,208**	**2.01**	5,297,783	1.88
Manufacturing	**1,942,138**	**0.62**	1,430,514	0.51
Mining and quarrying	**1,482,400**	**0.48**	1,482,400	0.53
Construction	**7,803,597**	**2.50**	70,193,616	24.96
Electricity, gas, steam and air-conditioning supply	**395,409**	**0.13**	692,532	0.25
Education	**25,437**	**0.01**	25,437	0.01
Transportation and storage	**554,839**	**0.18**	828,212	0.29
Other service activities	**7,422,886**	**2.38**	12,968,239	4.61
Salary-based general-purpose consumption loans	**202,223,430**	**64.89**	113,703,606	40.44
Auto loans	**647,731**	**0.21**	675,047	0.24
Others	**332,172,103**	**106.59**	163,252,272	58.06

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 10% of the Tier 1 capital.

The Bank analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. To mitigate risk concentration, the Bank constantly checks for breaches in regulatory and internal limits.

One of the most traditional and common practice in mitigating credit risk is requiring security particularly for loans. The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans are:

(a) Mortgages over real estate properties and chattels; and
(b) Hold-out on financial instruments such as debt security deposits and equities.

Breakdown of Total Loans as to Security

Information about the breakdown of the Bank's total unsecured and secured loans, including the type of security follows:

	2024	Percentage to total	2023	Percentage to total
Unsecured	**₱837,891,245**	**75.56**	₱630,391,267	74.15
Secured:				
Real estate mortgage	**245,089,386**	**22.10**	207,614,955	24.42
Deposit hold-out	**791,791**	**0.07**	954,643	0.11
Others	**25,160,813**	**2.27**	11,225,045	1.32
	271,041,990	**24.44**	219,794,643	25.85
	₱1,108,933,235	**100.00**	₱850,185,910	100.00

Secured loans, which are secured by real estate, chattel and other mortgages, have terms of less than 1 year to 5 years and with annual interest rates ranging from 8% to 20% in both 2024 and 2023.

Unsecured loans are guaranteed by co-makers, who in the event of default will assume the loan balance. These loans have terms of less than 1 year to 5 years with annual interest rates of 6% to 24% in both 2024 and 2023.

The Bank does not hold any collateral which it is permitted to sell or re-pledge in the absence of default by the borrower.

Breakdown of Total Loans as to Status

Under banking regulations, loan accounts shall be considered non-performing when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

As at December 31, 2024 and 2023, performing and NPLs of the Bank, classified per product type, are as follows:

	December 31, 2024		
Loan Product	**Performing**	**Non-Performing**	**Total**
Agrarian reform/other agricultural loans	**₱4,441,648**	**₱500,504**	**₱4,942,152**
Small and medium enterprise loans	**207,195,809**	**5,629,754**	**212,825,563**
Loans to private corporations	**—**	**2,000,000**	**2,000,000**
Loans to individuals primarily for personal use purposes			
Motor vehicle loans	**58,195**	**589,536**	**647,731**
Salary-based general consumption loans	**177,734,436**	**24,488,994**	**202,223,430**
Others	**276,585,311**	**55,586,793**	**332,172,104**
Loans to individuals for other purposes	**317,268,859**	**36,853,396**	**354,122,255**
Total	**₱983,284,258**	**₱125,648,977**	**₱1,108,933,235**

Loan Product	December 31, 2023 Performing	Non-Performing	Total
Agrarian reform/other agricultural loans	₱5,556,233	₱524,188	₱6,080,421
Small and medium enterprise loans	251,214,544	5,488,094	256,702,638
Loans to private corporations		2,000,000	2,000,000
Loans to individuals primarily for personal use purposes			
Motor vehicle loans	85,511	589,536	675,047
Salary-based general consumption loans	99,069,940	14,633,666	113,703,606
Others	121,972,642	41,279,630	163,252,272
Loans to individuals for other purposes	267,959,415	39,812,511	307,771,926
Total	₱745,858,285	₱104,327,625	₱850,185,910

Information on Related Party Loans

In accordance with Section 344 of the MORB, the individual ceiling for the total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI should be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank, 70% of which must be secured.

In accordance with Section 345 of the MORB, the aggregate ceiling for total outstanding loans, other credit accommodations and guarantees to DOSRI, of which 70% must be secured, should not exceed 15% of the total loan portfolio of the Bank or 100% of its net worth, whichever is lower. Section 345 of the MORB further states that credit accommodations or portions thereof to the extent secured by assets considered as non-risk by the Monetary Board shall be excluded in determining compliance with the aggregate ceiling.

The outstanding loans and other credit transactions with certain DOSRI of the Bank is presented below (Notes 8 and 22.1).

December 31, 2024	**DOSRI Loans**	**Related Party Loans (Inclusive of DOSRI Loans)**
Outstanding loans	**₱791,791**	**₱4,669,674**
Percent of DOSRI/Related Party loans to total loan portfolio	0.07%	0.41%
Percent of unsecured DOSRI/ Related Party loans to total DOSRI/ Related Party loans	—	—
Percent of past due DOSRI/ Related Party loans to total DOSRI/ Related Party loans	—	—
Percent of non-performing DOSRI/ Related Party loans to total DOSRI/ Related Party loans	—	—

December 31, 2023	**DOSRI Loans**	**Related Party Loans (Inclusive of DOSRI Loans)**
Outstanding loans	**₱954,643**	**₱954,643**
Percent of DOSRI/Related Party loans to total loan portfolio	0.11%	0.11%
Percent of unsecured DOSRI/ Related Party loans to total DOSRI/ Related Party loans	—	—
Percent of past due DOSRI/ Related Party loans to total DOSRI/ Related Party loans	—	—
Percent of non-performing DOSRI/ Related Party loans to total DOSRI/ Related Party loans	—	—

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As at December 31, 2024 and 2023, there were no assets pledged as security for liabilities.

Contingencies and Commitments Arising from Off-Balance Sheet Items

As at December 31, 2024 and 2023, there were no contractual amounts arising from off-books accounts.

26. **Supplementary Information Required by the Bureau of Internal Revenue (BIR)**

REVENUE REGULATIONS (RR) NO. 15-2010

In compliance with the requirements set forth under Revenue Regulations (RR) No. 15-2010 hereunder as the information of taxes and license fees paid or accrued as at and for the year ended December 31, 2022:

1. The amount of VAT output tax declared during the year and the account title and amount/s upon which the same was based

The Bank is a non-VAT registered Bank engaged in the business of rural banking and paid and accrued the amount of ₱11,803,480 as percentage (gross receipts) tax pursuant to Section 121 of the Tax Code, as amended by RA 9238 effective January 1, 2004, and RA 9337 effective November 1, 2005 and based on the amount of the taxable gross receipts of ₱220,149,254. Part of the amount paid and accrued is the amount shouldered by the Bank's loan borrowers.

2. Taxes on importation

The Bank did not have any landed costs of imports and amount of custom duties and tariff fees in 2024.

3. Excise taxes

The Bank did not have any transactions which are subject to excise tax in 2024.

4. Documentary stamp tax (DST) on transactions subjected thereto

The Bank paid DST amounting to ₱3,877,060 in 2024.

5. Withholding taxes

The amount of withholding taxes paid/accrued for the year amounted to:

		Paid	Accrued	Total
a.	Tax on compensation and benefits	**₱1,160,909**	**₱930,528**	**₱2,091,437**
b.	Creditable withholding taxes	**709,906**	**270,920**	**980,826**
c.	Final withholding taxes	**2,896,306**	**434,558**	**3,330,864**
		₱4,767,121	**₱1,636,006**	**₱6,403,127**

6. Other taxes and licenses

a.	Local	
	Real property taxes	**₱883,016**
	Mayor's permits	**621,006**
	Other licenses	**911,088**
b.	National	
	BIR annual registration	**6,000**
		₱2,421,110

7. Periods covered and amounts of deficiency tax assessments, whether protested or not

As at December 31, 2024, the Bank has no pending tax court cases nor has it received any tax assessment notices from the BIR.