



**ANNUAL  
REPORT**

**2023**

THRIVE@FIFTYFIVE

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# CORPORATE PROFILE

Porac Bank is a closed family bank founded by Primo and Servillana David, Marciano Dizon, Mamerto De Mesa, Irmelo David, Vicente David, and Juan Cuyugan in 1968 to help the communities around Porac reach their financial goals. Five decades later, Porac Bank witnessed a continued growth under the leadership of the four founders and their families. The sincere commitment of the four founders to serve the financial needs of their people has become the single most important legacy the founders have handed over to the succeeding generations.

The importance of heritage has cultivated seasoned experts and leaders from the four families to wit: David, Dizon, De Mesa, and Cuyugan. This, coupled with a customer-centric culture and a roster of dynamic professionals/ individuals certainly set Porac Bank apart from the competition pushing it further to become one of the leading rural banks in Central Luzon.

Today, Porac Bank has expanded its branch network throughout the busiest and most progressive towns and cities of Pampanga and Tarlac including Angeles City, Mabalacat City, City of San Fernando, and the towns of Magalang, Porac, Arayat, Mexico, Floridablanca, Concepcion, Tarlac and Tarlac City, Tarlac. The bank offers traditional banking products viz. regular passbook savings, checking account, time deposit, and loans for commercial, consumption, housing, and Agri/Agra purposes. With a total of thirteen branches, Porac Bank hopes to widen its reach and move its doors closer to the unbanked and underserved people in Central Luzon.

## VISION

To be the preferred community bank in Central Luzon driven by generational relationships and shared growth.

## MISSION

We are Porac Bank. We are in the business of fulfilling the aspirations of our stakeholders and building communities in Central Luzon. We provide prompt financial services to individuals of varied interests, thriving MSMEs through our customer-oriented professionals who are responsive, caring, and open to the needs of our clients. We are driven to be competitive to sustain growth and stability, prudent in the management of our resources, steadfast in developing diversified businesses. We uphold to protect the interest of our clients, employees, and shareholders with integrity, fairness, and honesty in all our dealings. We partner with our employees in building a progressive and profitable banking institution by fostering a working environment that recognizes individual worth and rewards outstanding performance.

## CORE VALUES

We believe in *Malasakit* – a long-held Filipino virtue that is deeply embedded in our culture and what sets us apart from the competition. It is what drives us to do business on a personal level in that we consider our employees and clients as if they are part of our own family. It is the proclivity to always go the extra mile and do more than what is expected of us, of true altruism extended to secure the best interest of the bank and its stakeholder. We are Porac Bank and we are driven with *Malasakit*.

***Malasakit cultivates positive relationships.*** *Malasakit* resonates with our people. It is what has allowed us to build and maintain generational relationships; one that goes beyond mere business and employee-employer connection.

***Malasakit drives Excellence.*** *Malasakit* best describes the common and inherent desire among our people to provide banking solutions that will foster shared growth for the bank, the employees, the clients and the community it operates in. It is the consciousness that prods us to continuously seek better ways to help our stakeholders make the best possible financial decisions.

***Malasakit drives Integrity.*** *Malasakit* is naturally exuded by our people towards the bank and its stakeholders. It fuels our commitment to upholding strong business ethics.

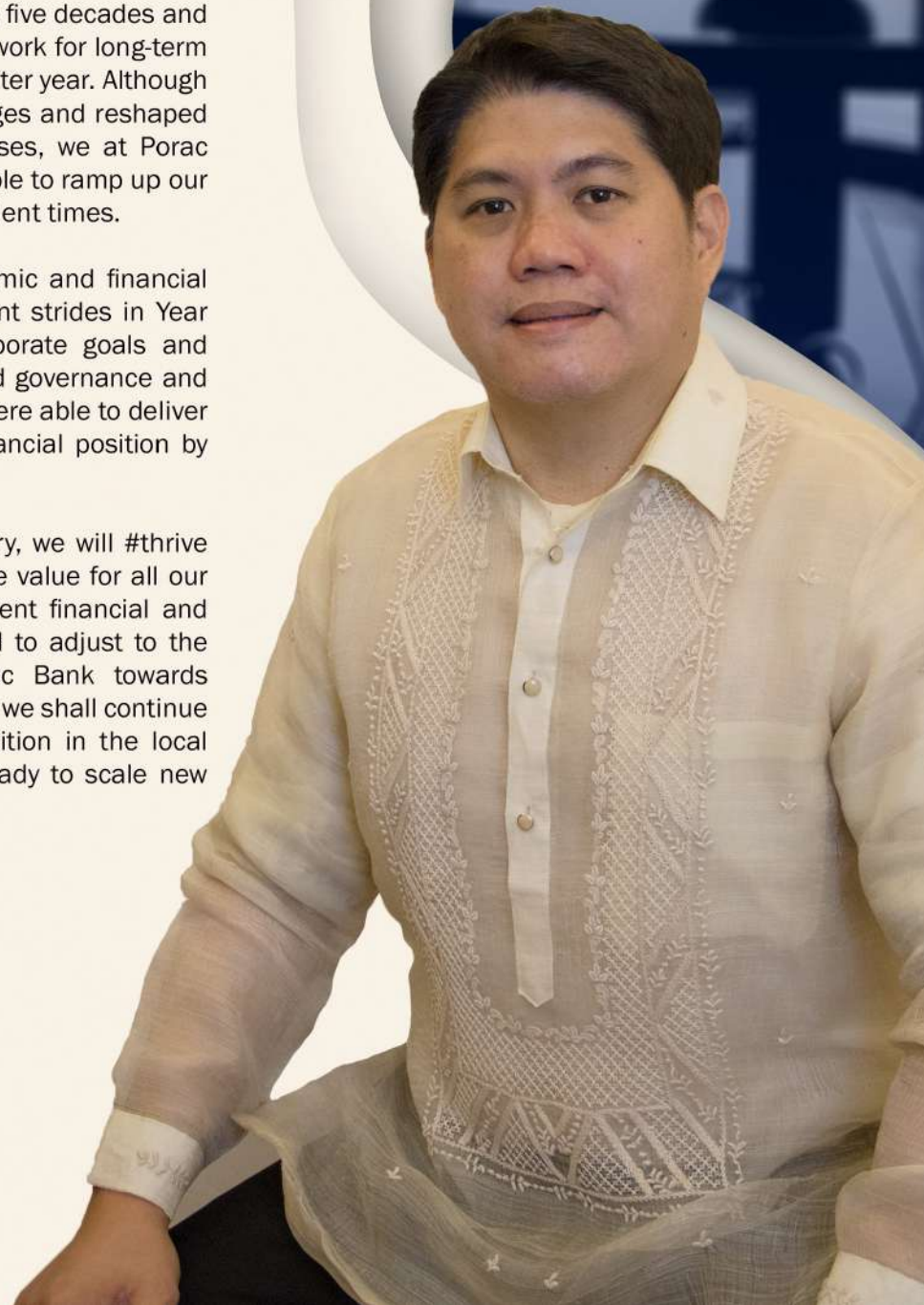
## MESSAGE FROM THE **CHAIRPERSON**

On its 55th year, Porac Bank #thrives and continues to take the strategic path towards its growth journey. For five decades and a half, Porac Bank is able to lay the ground work for long-term success and exhibited healthy growth year after year. Although the recent pandemic brought many challenges and reshaped the landscape of local and global businesses, we at Porac Bank remained in good shape and we are able to ramp up our progress and profitability amidst these turbulent times.

Despite the increasingly challenging economic and financial landscape, we #thrived and made significant strides in Year 2023 towards the attainment of our corporate goals and targets. Through the astute leadership, good governance and effective policy directions of the board, we were able to deliver impactful results that strengthened our financial position by year-end.

As we move forward on our growth trajectory, we will #thrive and remain committed to create sustainable value for all our stakeholders. Against the backdrop of current financial and economic headwinds, we are well prepared to adjust to the challenges and propel our beloved Porac Bank towards sustainable growth. With an insightful vision, we shall continue with our tireless work to enhance our position in the local banking industry and we are more than ready to scale new heights in Year 2024 and beyond.

**BENJAMIN C. DIZON, M.D**  
CHAIRPERSON



## MESSAGE FROM THE **PRESIDENT**

Since becoming a part of the organization in 2010, I've witnessed the bank's transformative journey as it continues to thrive in a fast changing and evolving financial landscape, all while maintaining its core virtue of "malasakit" - a principle passed down from generation to generation by our visionary founders. To this day, this instilled commitment has been a consistent driving force throughout the bank's growth and development.

As we mark the 55th anniversary of Porac bank, I cannot help but to reflect on the journey that brought us to this significant milestone. Indeed, our enduring success is rooted in the spirit of "malasakit". And as we celebrate this milestone, we reaffirm our commitment to upholding the values of malasakit.

Together, we have weathered storms and cemented our position in the market. We shall continue to work towards attaining advancement and progress in our scope, adopt and apply best practices of corporate governance and proudly steer Porac Bank in our upward journey. This journey holds exciting opportunities, and with your continued support, we look forward to many more years of shared success.

To everyone, thank you for being an integral part of our remarkable 55-year journey.

**LOURDES CONNIE C. TAYAG**  
PRESIDENT



# FINANCIAL HIGHLIGHTS

TOTAL NET OPERATING INCOME  
**PhP36.78M**  
 OR **460.53%**  
 INCREASE FROM 2022

NPL RATIO  
**4.80%**  
 NPL COVERAGE RATIO  
**111.24%**

Profitability	2023	2022
Total Net Interest Income	161,238,067.00	131,833,340.00
Total Non-Interest Income	20,609,936.00	56,550,542.00
Total Non-Interest Expenses	135,718,769.00	137,045,161.00
Pre-provisioning Profit	46,129,234.00	51,338,721.00
Provision for Credit and Impairment Losses	218,784.00	205,769.00
Net Income	42,519,455.00	43,584,736.00

Selected Balance Sheet Data	2023	2022
Liquid Assets	1,097,366,561.00	1,019,097,032.00
Gross Loans	1,157,852,288.00	1,240,762,743.00
Allowance for Credit Losses	61,764,411.00	64,081,035.00
Total Assets	2,365,013,824.00	2,383,335,930.00
Deposits	1,866,770,659.00	1,905,284,450.00
Total Equity	417,746,139.00	391,004,396.00

Selected Ratios	2023	2022
Return on Equity	10.51%	11.55%
Return on Assets	1.79%	1.92%
Total Capital Adequacy Ratio	25.96%	22.50%

Per Common Share	2023	2022
Basic Net Income per share	14.06	17.30
Diluted Net Income per share	14.06	17.30
Book Value per share	138.18	155.20

Others	2023	2022
Cash Dividends Declared	8,817,568.00	8,817,568.00
Headcount	168	163
Officers	39	42
Staff	129	121

In 2023, the banking sector faced considerable challenges marked by a sluggish-paced economic growth and a stubborn high inflation. In response, the Bangko Sentral opted a tightening bias in its key policy rates to anchor inflation expectations. This adjustment, while intended to stabilize the broader economic landscape, had notable repercussions for the rural banking industry. The heightened competition in lending and deposit rates, stemming from these policy changes, added further complexity to an already challenging operating environment for rural banks.

Despite the turbulent economic landscape, Porac bank remained undaunted and adeptly navigated these challenges by adhering to a financially resilient and sustainable business strategy. As a result, we attained solid gains and generated a Net Income after tax of P42.52M. Albeit slightly lower compared to P43.58M in 2022, we were able to successfully notch up our Net Operating Income at a milestone level of P36.78M signifying an impressive surge of 460.53% from its previous year's closing figure of P6.56M. The reported increase is driven by a strong rise in Net Interest Income at P161.24M, outpacing previous year's level of P131.83M. The resulting figures are bold testaments of the bank's commitment to institute its strategic direction of fortifying its core business revenue stream.

With bank lending demonstrated signs of cooling from rate hike bites, customer lending balance slightly went down by 6.68% from 2022 with a total loan portfolio of P1.16B in 2023. Despite a marginal contraction in credit portfolio, Porac Bank remained laser-focused in its blueprint of building a foundation of long-term growth by improving its asset quality through a more rigorous credit evaluation and underwriting standards to mitigate risks and optimize returns.

Fortified by a well-calculated management strategies in deploying excess funds have yielded an expansion in Investment Securities to P792.31M significantly higher from last year's figure of P657.05M. This translated to a return of 31.94M which is an increase of 4.95% vis-à-vis the 2022 financial performance of the bank.

The reduction in Investment Property by 17.43% to P29.96 billion in 2023 is attributed to the trend in the disposal of Real and Other Properties Acquired and the provision for depreciation. Gains in the disposal of ROPA on the other hand showed a decline of 79.52% at P9.13M tempering net earnings by the end of the year. Whilst, Service Charges and Miscellaneous Income remarkably improved at 13.32% over 2022, closing at a combined level of P12.42M in 2023.

Other Assets exhibited an increment of 47.11% from P6.18M in the previous year to P9.09M in 2023 driven by a striking 566.72% rise in Accrued Interest Receivable from Financial Assets and movements in miscellaneous assets.

The resulting decrease of 7.34% in Retirement Benefit Assets at the end of 2023 is primarily due to remeasurements comprising actuarial gains and losses on plan assets, effect on asset ceiling and the principal actuarial assumptions used in determining retirement benefit obligation.

The heightened deposit rate competition resulted to a marginally lower deposit base of P1.87B in 2023 from 2022's figure of P1.91B. Nevertheless, the bank's thrust to maintain low-cost reserves showed that the Current and Savings deposit levels peaked at P1.48B by year end, higher than last year's figure by 3.87%.

Asset quality figures on the other hand remained solid in 2023 despite registering a year end Past Due rate of 14.15%, Non-Performing Loans stands at only 4.80% with an ACL Coverage ratio of 111.24%.

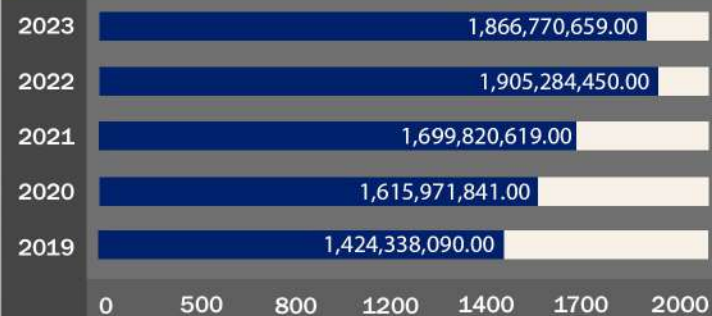
By retaining our strong focus on cost discipline, Operating Expenses were controlled at P135.72M lower by 0.97% compared with 2022.

Anchored by a strong financial standing, we are confidently positioned to navigate potential shifts in capital flows registering a robust Capital Adequacy Ratio of 25.96%, significantly exceeding previous financial year's gain at 22.50%.The convergence of these developments has generated a Return on Asset ratio of 1.79% and a noteworthy Return on Equity of 10.51% down from last year's measures of 1.92% and 11.55% respectively.

## 5- YEAR COMPARATIVE STATISTICS LOAN PORTFOLIO (IN MN PHP)



## 5- YEAR COMPARATIVE STATISTICS DEPOSIT LIABILITIES (IN MN PHP)



## CAPITAL STRUCTURE AND CAPITAL ADEQUACY

2023 2022

### Computation of Qualifying Capital

#### A. Tier 1 Capital

##### Core Tier 1 Capital

Paid-Up Capital - Ordinary  
Retained Earnings

302,316,100.00  
126,807,930.00

251,930,500.00  
145,979,067.00

##### Deductions from Core Tier 1 Capital

Deferred Tax Asset, Net of Deferred Tax Liability

(3,442,580.00)

(3,387,885.00)

#### Total Tier 1 Capital

425,681,450.00

394,521,682.00

#### A.2 Tier 2 Capital

General Loan Loss Provisions

15,131,287.00

16,618,851.00

#### Total Tier 2 Capital

15,131,287.00

16,618,851.00

### TOTAL QUALIFYING CAPITAL

440,812,737.00

411,140,533.00

#### Risk Weighted Assets

1,689,217,222.00

1,827,075,790.00

Capital Requirements for Credit Risks

1,491,911,652.25

1,634,975,111.26

Capital Requirements for Market Risk

-

-

Capital Requirements for Operational Risks

206,305,569.47

192,100,679.00

Risk-Based Capital Adequacy :Ratio

25.96%

22.50%

Tier 1 Capital Ratio

25.07%

21.59%

# STATEMENT OF FINANCIAL POSITION

## RURAL BANK OF PORAC (PAMPANGA), INC. STATEMENT OF FINANCIAL POSITION

As at December 31

2023 2022

### ASSETS

Cash and Other Cash Items (Note 6.1)	₱ 26,686,474	₱ 20,826,548
Due from BSP (Note 6.2)	22,302,937	44,270,607
Due from Other Banks (Note 6.2)	256,066,670	296,949,602
Debt Securities Measured at Amortized Cost (Note 7)	792,310,480	657,050,275
Loans & Receivable, Net (Note 8)	1,112,811,212	1,205,433,306
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)	47,704,573	39,900,974
Investment Property, Net (Note 10)	29,955,658	36,280,825
Right of Use Assets (Note 11)	47,919,618	55,007,979
Deferred Tax Asset (Note 23)	3,442,580	3,387,885
Other Assets, Net (Note 12)	9,090,106	6,179,059
Retirement Benefit Asset (Note 19)	16,723,516	18,048,870
<b>TOTAL ASSETS</b>	<b>₱ 2,365,013,824</b>	<b>₱ 2,383,335,930</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### LIABILITIES

Deposit Liabilities (Note 13)	₱ 1,866,770,659	₱ 1,905,284,450
Accrued Interest, Interest, Taxes and Other Expenses (Note 14)	15,896,381	16,011,783
Other Liabilities (Note 15)	64,600,644	68,966,737
Income Tax Payable (Note 23)	-	2,068,564
<b>TOTAL LIABILITIES</b>	<b>₱ 1,947,267,685</b>	<b>₱ 1,992,331,534</b>

#### SHAREHOLDERS' EQUITY

Ordinary Share Capital	302,316,100	251,930,500
Retained Earnings - Free	119,785,736	138,956,872
Retained Earnings - Reserve for healthcare fund (Note 16)	7,022,194	7,022,194
Cumulative Remeasurement Gains (Losses) on defined benefit plan	(11,377,891)	(6,905,170)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>417,746,139</b>	<b>391,004,396</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>₱ 2,365,013,824</b>	<b>₱ 2,383,335,930</b>
<b>BOOK VALUE PER SHARE</b>	<b>₱ 138.18</b>	<b>₱ 155.20</b>

See accompanying Notes to Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

RURAL BANK OF PORAC (PAMPANGA), INC.  
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31,

	2023	2022
<b>INTEREST INCOME</b>		
Loans & Receivables	P 131,774,442	P 109,736,172
Due from Other Banks	5,734,701	621,686
Debt Securities Measured at Amortized Cost	31,938,425	30,433,473
<b>TOTAL INTEREST INCOME</b>	<b>169,447,568</b>	<b>140,791,331</b>
<b>INTEREST EXPENSE</b>		
Deposit Liabilities	8,209,501	8,836,116
Bills Payable	-	121,875
<b>TOTAL INTEREST EXPENSE</b>	<b>8,209,501</b>	<b>8,957,991</b>
<b>NET INTEREST INCOME</b>	<b>161,238,067</b>	<b>131,833,340</b>
<b>PROVISION FOR CREDIT LOSSES</b>	<b>218,784</b>	<b>205,769</b>
<b>NET INTEREST INCOME AFTER PROVISION</b>	<b>161,019,283</b>	<b>131,627,571</b>
<b>OTHER INCOME (Note 17)</b>	<b>20,609,936</b>	<b>56,550,542</b>
<b>TOTAL INCOME BEFORE OPERATING EXPENSES</b>	<b>181,629,219</b>	<b>188,178,113</b>
<b>OTHER OPERATING EXPENSE</b>		
Compensation & Fringe Benefits (Note 18)	62,901,530	57,758,513
Other Operating Expenses (Note 20)	49,557,905	52,570,117
Depreciation & Amortization (Note 21)	16,483,537	20,680,065
Taxes & Licenses (Note 27)	6,775,797	6,036,466
<b>TOTAL OTHER OPERATING EXPENSE</b>	<b>135,718,769</b>	<b>137,045,161</b>
<b>NET INCOME BEFORE INCOME TAX</b>	<b>45,910,450</b>	<b>51,132,952</b>
<b>INCOME TAX EXPENSE (BENEFIT) (Note 23)</b>	<b>3,390,995</b>	<b>7,548,216</b>
<b>NET INCOME AFTER INCOME TAX</b>	<b>P 42,519,455</b>	<b>P 43,584,736</b>
<b>EARNINGS PER SHARE</b>	<b>P 14.06</b>	<b>P 17.30</b>

See accompanying Notes to Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

RURAL BANK OF PORAC (PAMPANGA), INC.  
STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2023 and 2022

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS - FREE	RETAINED EARNINGS - RESERVE FOR HEALTHCARE FUND	CUMULATIVE LOSSES (GAINS) DEFINED BENEFIT COST (OCI)	TOTAL
Balance at January 1, 2023	P 251,930,500	P 138,956,872	P 7,022,194	P (6,905,170)	P 391,004,396
Issuance of shares	50,385,600	(50,386,100)	-	-	(500)
Total comprehensive income for the year	-	42,519,455	-	(4,472,721)	38,046,734
Provisions and Adjustments	-	(2,486,923)	-	-	(2,486,923)
Cash dividend declared	-	(8,817,568)	-	-	(8,817,568)
<b>Balanced at December 31, 2023</b>	<b>P 302,316,100</b>	<b>P 119,785,736</b>	<b>P 7,022,194</b>	<b>P (11,377,891)</b>	<b>P 417,746,139</b>
Balance at January 1, 2022	P 251,930,500	P 104,218,328	P 7,022,194	P 582,359	P 363,753,381
Total comprehensive income of the year	-	43,584,736	-	(7,487,529)	36,097,207
Provisions and Adjustments	-	(28,624)	-	-	(28,624)
Cash dividend declared	-	(8,817,568)	-	-	(8,817,568)
<b>Balanced at December 31, 2022</b>	<b>P 251,930,500</b>	<b>P 138,956,872</b>	<b>P 7,022,194</b>	<b>P (6,905,170)</b>	<b>P 391,004,396</b>

See accompanying Notes to Financial Statements.

# STATEMENT OF CASH FLOWS

RURAL BANK OF PORAC (PAMPANGA), INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>P 45,910,450</b>	<b>P 51,132,951</b>
Income before Income Tax		
Adjustments for:	<b>16,483,537</b>	20,680,065
Depreciation & amortization	<b>218,784</b>	205,769
Provision for credit losses	<b>(13,335)</b>	89,949
Non-cash adjustments on FFE	<b>(9,126,363)</b>	(44,570,571)
Gain on sale of investment properties	<b>(169,447,568)</b>	(140,791,331)
Interest income	<b>8,209,501</b>	8,957,991
Interest expense		
Changes in working capital:		
Loans and other receivables	<b>92,403,309</b>	21,688,431
Other assets	<b>(2,911,047)</b>	911,432
Deposits liabilities	<b>(38,513,790)</b>	205,463,830
Other liabilities	<b>668,390</b>	(9,077,928)
Accrued interest and other liabilities	<b>(115,402)</b>	5,251,466
Interest received	<b>169,447,568</b>	140,791,331
Interest paid	<b>(8,209,501)</b>	(8,957,991)
Income tax paid	<b>(5,514,256)</b>	(6,732,526)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>99,490,277</b>	<b>245,042,868</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase/(Decrease) in:		
Investment properties	<b>4,414,046</b>	5,784,757
Additions to bank premises, FFE	<b>(15,274,318)</b>	(3,115,877)
Acquisition of debt securities measured at amortized cost	<b>(135,260,205)</b>	(286,733,806)
Proceeds from sale of Investment properties	<b>9,126,363</b>	44,570,571
Retirement benefit asset	<b>(3,147,367)</b>	(2,783,538)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(140,141,480)</b>	<b>(242,277,893)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of cash dividends to stockholders	<b>(8,817,568)</b>	(8,817,568)
Net charges to surplus/Prior period adjustments	<b>(2,486,923)</b>	(28,623)
Payments of lease liabilities	<b>(5,034,483)</b>	(5,206,511)
Proceeds from issuance of shares	<b>(500)</b>	-
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(16,339,474)</b>	<b>(14,052,702)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(56,990,676)</b>	<b>(11,287,727)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>362,046,757</b>	<b>373,334,484</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>P 305,056,081</b>	<b>P 362,046,757</b>

(See accompanying Notes to Financial Statements)

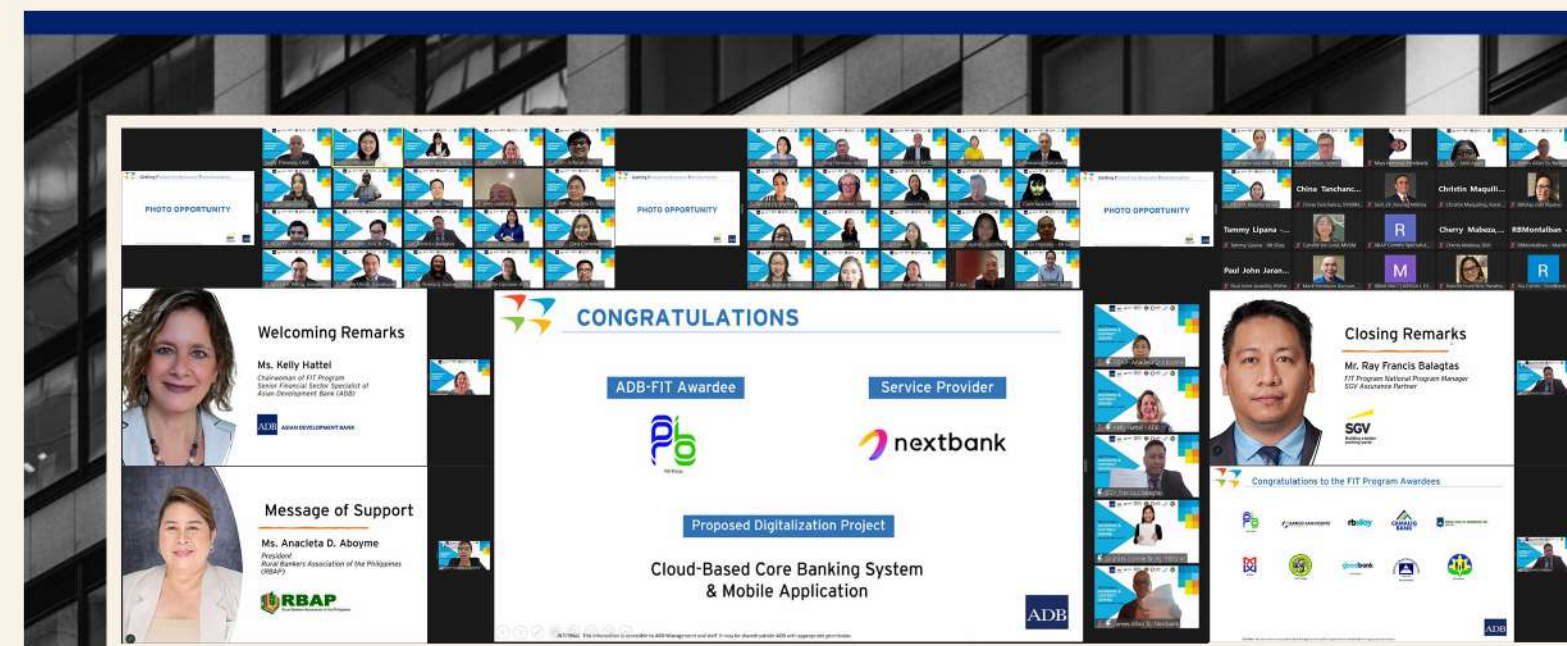
# OPERATIONAL HIGHLIGHTS

In the face of a rapidly evolving financial landscape, our commitment to proactive change stands as the cornerstone of our strategy for sustained success. Throughout the past year, we have focused on transforming the customer banking experience, ensuring that we remain at the forefront of innovation.

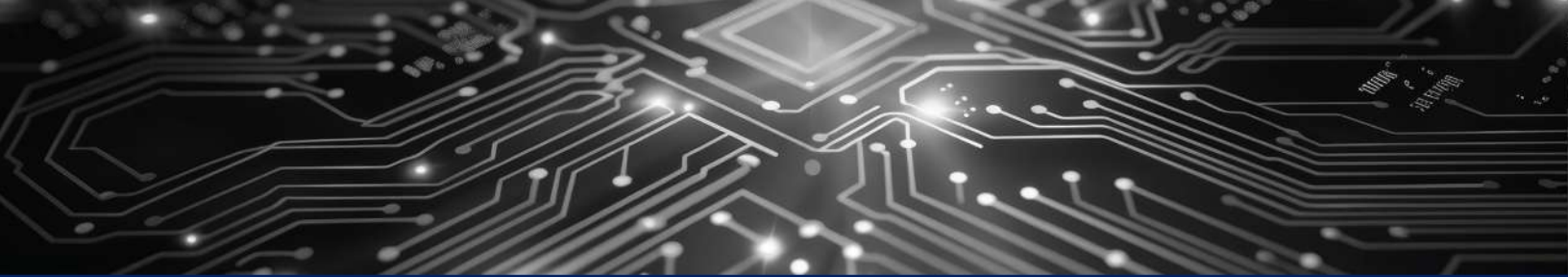
In view of the emerging transformation in consumer behavior and in keeping pace with rapid electronic and digital advancements, we are already poised to adopt and roll out digital banking to offer value-added products and services. To keep pace with this vision, Porac Bank proudly qualified and garnered the distinct privilege of entering into partnership with Asian Development Bank (ADB) through the Fintech for Inclusion Transformation (FIT) Program. With the monetary grant amounting to P5.2 Million awarded by ADB, we shall pursue our initiatives to shift to a cloud based core banking system and provide mobile banking facilities for an enhanced and improved client experience and to tap more customers into our banking network.



**H** High-Level  
**L** Technology  
**T** Fund  
providing high tech solutions







## 2023 CREDIT INITIATIVES

- Was able to zero out penalties for the 3Q2023 & 4Q2023 on undercompliance of Agri-agra loan thru adoption of the BSP Circular on expanded qualified AFRD loans.
- Successfully reviewed, revised and approved the bank's Loan Concentration policy and adopted internal limits per industry type/classification.
- Adoption and Implementation of the Bank's Environmental and social risk management system (ESRMS) policy
- Recalibrated Easy Cash & SSS Loan Programs
  - Successfully increase the limit of Easy Cash loan from 5.5M to 20M
  - Successfully expanded the scope of eligibility of clients entitled to avail the Easy Cash Loan and SSS Loan Programs (age and loan amount)
- Other Policies reviewed and enhancements:
  - Amendments to the policy on connected counterparties and large exposures
  - Enhancement on the policy for start-up firms/business
  - Enhancement on the policy on conducting client call report/post-monitoring
  - Enhancement on the annual updating of the credit manuals
  - Approval of the Amendments to the Credit Approval Process on Approving Authorities for Policy Deviations to align with Section 143 of the MORB wherein all pricing deviations should be escalated to units/officers with higher authorities for approval
  - Salient provisions of the policies/manual regarding BRR risk factors for different risk factors for different types of loans specifically for agricultural and SME loan
- Successfully created a database of portfolios for loan clients with the same line of business industry for easy reference and efficient assessment.
- Was able to shorten the waiting period from requesting to submission of appraisal report by prioritizing the request for property visit of NEW loan applications.
- Successfully applied for renewal of guarantee line with Phil Guarantee - AGFP

## MILESTONE IN INFORMATION TECHNOLOGY

- Replicator Server was repurposed as secondary domain controller server (back-up of active directory server)
- Performed Windows Server Update Service (WSUS)
- Successfully installed Vulnerability Scanner
- Implemented SQL Backup Utility designed to automate, streamline and simplify the process of creating and managing backups for Microsoft SQL Server on a Windows machine.
- Full Implementation of AWS Cloud Technology as Disaster Recovery Site/Backup
- Replaced 30 computer system units
- Upgraded 26 units from Windows 8.1 to Windows 10

## HR PROGRAM/MILESTONE

As Porac Bank continued to #thriveat55, the HR Department provided strategic partnership and imparted unflinching support to management in the accomplishment of impactful projects and completion of challenging undertakings towards the attainment of the Bank's core goals and objectives.

In 2023, the HR Department has aligned its objectives and initiatives with added myriad of value that made an impact on the employees' growth journey with the Bank. Under the judicious guidance and direction of the Executive Committee, the HR Department remained at the forefront of showcasing the Bank's commitment in fostering a positive workplace culture and in creating a fulfilling work experience for the employees.

The HR Team achieved significant milestones in managing holistic employee experience consonant with the Department's set goals and objectives for Year 2023. During the year, the Team has successfully executed programs and activities which fostered a culture of excellence, enhanced employee engagement for higher morale and retention, strengthened HR processes & systems, cultivated sustainable finance projects and developed long-term goals of promoting continuous learning and growth as well as competency levels of Porac Bank employees.

Foremost in Year 2023, the HR Department created growth opportunities for identified successors thru upskilling and engaging in Job Shadowing/On-job Training Program, empowered employees by providing relevant trainings and seminar attendance for professional development, enhanced the Bank's Off-boarding Policy for exiting employees to accomplish Turnover of Duties and Accountabilities, standardized performance standards and implemented MA Competency Assessment, updated and amended certain HR policies and procedures to articulate improved practices and standards, strict adherence and compliance with DOLE and other legal regulations, crafted compelling narratives for employer branding by highlighting employee milestones and corporate events that created "wow" moments for heightened engagement, improved employee morale and boost retention rate, spearheaded successful interview processes including attendance to organized job fairs, conducted orientation undertakings and managed onboarding activities for 28 new hires.

### Keeping Gender Equality Front and Center in our work

Recognizing that diversity is our strength, we delve into the initiatives and practices that help ensure every team member feels valued, respected, and empowered, regardless of gender identity. Together, we are creating a workplace that not only reflects the values we stand for but also paves the way for a brighter and more inclusive future.

**Male Statistic:** The bank concluded the year 2023 with 77 male employees out of 168 total employees, which represents 45.83% of the total population.

**Female Statistic:** The bank concluded the year 2023 with 91 female employees out of 168 total employees, which represents 54.17% of the total population.



# RISK MANAGEMENT

## RISK MANAGEMENT FRAMEWORK

The bank's risk management framework encompasses the following theoretical underpinnings:

- Risk should be managed on an ongoing basis which connotes a continuous process of identifying, measuring, controlling, and monitoring risks throughout the life of a transaction. This then provides the bank with adequate information and historical basis to establish effective risk mitigants.
- People remain the bank's greatest and most critical resource to attain success. As such, adherence to the highest ethical standards and best human resource practices along with the provision of continuous training to hone the skills of the employees are imperative for the success of the bank.

## RISK APPETITE AND STRATEGY

In line with our belief that success and great rewards are only possible with calculative risk-taking, Porac Bank adopts a conservative approach in accepting and managing risk exposures. The bank has well-defined policies, procedures, and limits in place to dictate its risk-taking activities. These limits are presented, monitored to and periodically evaluated by the board and/or the appropriate Management Committee.

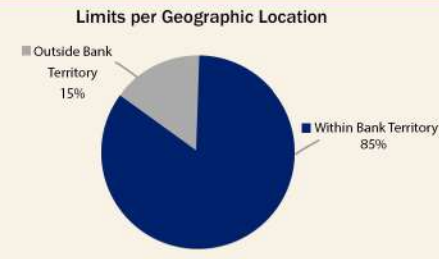
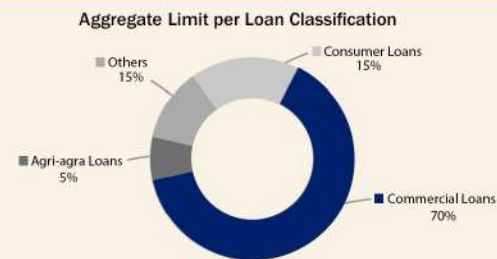
The bank, pursuant to its risk appetite, established an internal single borrower's limit that is lower than the 25% of bank's capital requirement of the BSP. A limit on large exposure for individual borrowers, connected counterparties and its aggregate limit are also in place to effectively manage and monitor risk relative to such.

In addition, the bank set up an aggregate limit per loan classification and geographic location to minimize the risk of concentration for loans. Moreover, the materiality threshold and the aggregate limit for credit grants to and sale/ disposal to or purchase of real estate assets from related parties were set at the same level as DOSRI limits. While the aggregate ceiling for secured loans to DOSRI is 15% of the total loan portfolio, the aggregate limit for loans to related parties is pegged at a more conservative level which only accounts for about 10% thereof.

Also, a maximum aggregate exposure limit for DOSRI and RP is in place subject to periodic monitoring and review. Considering the nature of the transactions classified as "Other RPTs" which are mostly expenditures, the bank has set a conservative materiality threshold reckoned at an aggregate basis per related party per year. Regulatory prudential limits such as the minimum liquidity ratio of 20% and 10% CAR are likewise being observed and monitored periodically.

Types of RPT	Materiality Threshold	SUBLIMIT PER GROUP			Maximum Aggregate Exposure for DOS and RPT
		DOSRI	Related Parties	Per family group of each DOS	
Loan and other credit accommodations	P10 Million	Maximum of 15% of loan portfolio of the Bank	Maximum of P100 Million	Maximum of 12.5 Million per family group of each DOS	P250Million
Sale, disposal or purchase or real estate	P10 Million				
Any other RP transaction	P500,000.00 per RP per year				

LIMITS ON LARGE EXPOSURE	
Individual Borrower	P70Million
Connected Counterparties	P75Million
Aggregate Limit	P650Million



## RISK AREAS

Porac Bank faces risks inherent in the banking firm primarily in the form of credit, market liquidity, operational, and legal risk. The Bank's risk management framework is oriented towards the efficient management of these risks.

## MARKET RISK

Market risk refers to the risk of loss that the Bank may suffer as a consequence of significant events in the financial market such as changes in monetary policies. The bank's current business activities expose it largely to interest rate risk which covers the volatility of the bank's investments particularly in government bonds. The bank monitors such risk through a price gap analysis which is further augmented by periodic stress testing.

## CREDIT RISK

Credit risk is the risk of failure that may result from the borrower's non-observance or neglect to comply with the terms and conditions of the loan agreed upon. Porac Bank manages this risk through:

- Use of internal credit risk rating system for corporate and consumer lending;
- Establishment of limits and strict adherence thereto for the effective management of large exposures, concentration risk as well as exposure to a start-up business, out of the territory, RPT and DOSRI;
- Use of credit manual approved by the Board anchored from BSP Circulars and pronouncement for guidance in the credit workflow process for corporate and individual borrowers;
- Continuous development of credit policies and underwriting process to ensure compliance with the highest standards of due diligence in lending;
- Regular and practical evaluation of the ability of current borrowers to fulfill their financial obligation with the bank throughout the life

## FUNDING LIQUIDITY RISK

Funding liquidity risk pertains to the possibility that the Bank may fail to generate the necessary funds to meet its obligations when they become due as well as failure to fulfill large and sudden demands for cash from its depositors without excessive costs. Maturity mismatch between the bank's assets and liabilities exposes the bank to such risk.

To monitor the bank's exposure to liquidity risk, a volume gap analysis is undertaken every month following the Maximum Cumulative Outflow model. To further assess the bank's liquidity position, stress testing is conducted regularly. The bank adheres to a board-approved Contingency Funding Plan to ensure that the bank is ready should a liquidity problem arise.

## OPERATIONAL RISK

Poor Board and Management oversight, weak internal control, failed and/or inadequate systems, processes, and people give rise to operational risk. Operational risk encompasses fraud, operational glitches, and strategic risk.

The bank adopts an ongoing approach in managing operational risk as follows:

- Regular monitoring and evaluation of processes, people and systems;
- Implementation of stringent internal control policies;
- Continuous streamlining of business processes;
- Implementation of an effective incident reporting mechanism;
- Periodic risk assessment of the activities and engagements of the bank particularly those considered critical in the day to day operations of the bank;
- Adhering to a board-approved business continuity plan to ensure non-disruption of operations in the face of adversity; and
- Continuous training and development of employees to be further augmented by periodic performance evaluation.

## OPERATIONAL RISK REPORTING

It is the thrust of Porac Bank to promote the adoption of an effective risk management system that will enable the sustenance of safe and sound banking operations for the bank.

The Operational Risk Manual embodies a comprehensive guideline in identifying, evaluating, measuring, monitoring, and reporting operational risks associated with the activities conducted by each unit of the bank. These guidelines aim to align the bank's risk management practices with international standards and best practices in the industry. The bank implemented a process of regularly monitoring operational risk profiles and material risk exposures to losses continuingly. The process takes into account both qualitative and quantitative assessments of exposure to all types of operational risk.

The process likewise assesses the quality and appropriateness of corrective or mitigating actions and ensures that adequate controls and systems are in place to identify and address problems before they become a major concern.

In effect, branches are required to identify, measure and report risk exposures arising from process/ policy infringement, operational lapses, and the like every month. These risks are then, through the Executive Committee, regularly reported to the Board of Directors for evaluation or proper disposition.

## LEGAL RISK

Legal risk is often caused by poorly documented transactions resulting in an economic or reputational loss due to regulatory or legal problems. It may also lead to inadvertent or intentional non-compliance with laws, rules, regulations, and ethical norms.

Porac Bank manages legal risk through periodic compliance controls, process standardization, contracts, and documentation requirements. Also, outstanding court cases, contracts, and comparable records are kept centralized to allow for easier supervision and reporting of the same to the Board of Directors.

## OVERALL GOVERNANCE

The Board of Directors sets the risk appetite of the Bank. Since the dissolution of the Risk Oversight Committee, the Board has assumed direct and bigger participation in evaluating, enhancing, and even formulating risk strategies together with the appropriate Management Committee, as applicable.

## REPORTING AND MANAGING RISK

Since the dissolution of the Risk Oversight Committee, the functions of the same were assumed by the Board of Directors which encompasses monitoring and managing of credit, operational, liquidity, interest, legal and reputational risks, among others.

Hence, the Board integrated the following responsibilities in their respective functions:

- Conduct the necessary analyses to allow the same bodies to monitor and manage the Bank's risk profile;
- Formulate strategies for managing and controlling risks;
- Develop policies consistent with the risk management practices of the Bank;
- Review the adequacy of the bank's risk management policies and ensure effective implementation thereof;
- Identify, monitor, and evaluate risk exposure and minimize the possible impact thereof on the Bank.

## RISK MANAGEMENT STRUCTURE

The bank adopts a three-line defense model in managing risks as follows:

- 1** Process owners or their business units constitute the bank's first line of defense. The process of identifying, evaluation and monitoring risk is integrated into day to day operations of these units. In addition, business units are responsible for ensuring the effective implementation of policies and procedures. Business units report to the Senior Management any matters deemed significant in managing risk.
- 2** The second line of defense refers to the compliance unit. This function plays a vital role in ensuring the effective implementation of policies and procedures through independent testing systems. The foregoing allows the Bank to capture/measure risks in an accurate manner and recommend as needed, enhancements to such policies and
- 3** The third line of defense refers to the internal audit unit which is established to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes of the bank, which helps management and board of directors in protecting the bank and its reputation.

**Role of the Board of Directors and/or Management Committees.** The Board of Directors and/or Management Committees are responsible for establishing and regularly reviewing the risk management framework, structures, limit setting and overall oversight of current and potential risks. The Board of Directors approves the bank's risk strategy and aligns the bank's direction to it. The same body plans and dictates the action to be taken to effectively manage risk.

**Role of External Auditors.** The External Auditors provides for consistency and accuracy in the application of accounting standards, help identify weakness in internal controls, provide an early warning on issues of supervisory concerns and enhances market confidence and improves the quality of information relied on by the banking supervisor.

**Role of Regulators.** The Regulators provide guidance on supervisory expectations for sound corporate governance, perform comprehensive evaluation of the bank's overall corporate governance policies and practices and evaluate implementation.



# ANTI-MONEY LAUNDERING

It is the policy of the bank to protect the integrity and confidentiality of bank accounts and ensure that it shall not be used as a money-laundering site or a conduit for the proceeds of unlawful activity. Porac Bank prohibits and actively prevents money laundering and any activity that facilitates money laundering and/or funding of terrorist or criminal activities by promoting high ethical standards and complying with relevant laws, rules, and

## BOARD AND SENIOR MANAGEMENT OVERSIGHT

The board of directors shall be responsible for ensuring that the provisions of the MTPP manual and the AMLA and its implementing rules and regulations, as amended, are fully observed.

1

Likewise, the Senior Management shall be responsible for maintaining company activities appropriately aligned with the Board's strategic objective, risk, and corporate values.

2

The Senior Management shall establish a control and balance management structure to cultivate a culture of accountability and transparency.

3

## BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

The bank's AMF/CFT framework is founded on the following principle:

- Comply with the highest ethical standards to sustain a sound banking system;
- Protect the bank and its stakeholders against potentially malicious individuals and organizations by obtaining adequate information from each client;
- Adopt a sound AML / CFT system to identify, evaluate, monitor and control relevant risks ;
- Promote faithful compliance by institutionalizing shared responsibilities across every member of the organization with existing laws to combat money laundering and terrorist financing;
- Ensure full cooperation with AMLC for the effective implementation and enforcement of the AMLA and its IRR.

## AML INITIATIVES FOR 2023

- The Annual AML/TF/PF webinar was attended by all Bank employees and Board members keeping them abreast of the latest AML and TF updates so to ensure that the Bank shall not be used as money laundering site or a conduit for the proceeds of unlawful activity.
- Amendments were made to the Bank's MTPP Manual to enhance policies on Reporting and Filing of Suspicious Transactions, Standard of Due Diligence and Policy on AML Sanction Guidelines and TFS Compliance.
- Successfully secured the approval of the board Re: Porac Bank's Institutional Risk Assessment in compliance with BSP Circular 1022.

# PORAC BANK BOARD OF DIRECTORS



**BENJAMIN C. DIZON, M.D., 46**  
Filipino | Chairperson

Board Chairperson Benjamin Dizon graduated with a degree in Bachelor of Science in Medical Technology at University of Santo Tomas in 1997 and later earned his degree in Doctor of Medicine in 2001 at University of Santo Tomas. He is currently a Resident Doctor in Ophthalmology at St. Luke's Medical Center. The owner of Dizon Eye and Skin Clinic, he is also a physician at St. Luke's MAB; Clinica Henson and appointed as Company Physician of Porac Bank. He has been a member of the board since March 1, 2019.



**LOURDES CONNIE C. TAYAG, 51**  
Filipino | Executive Director

Director/ President Lourdes Connie Tayag is a graduate of St. Scholastica's College in 1993 with a degree in AB Mass Communication. In 2010, she graduated from Holy Angel University with a degree in BS Nursing and later earned her master's degree in Business Administration from Ateneo Graduate School of Business in 2015. Before she was appointed President, she was the Corporate Secretary of the bank from 2001-2009 and has been elected as a member of the board since 2010. She is presently a Director /Treasurer of Sta. Rita College.



**WILFRED JOSEPH T. DAVID, 50**  
Filipino | Executive Director

Director Wilfred Joseph T. David graduated from the University of the Philippines in 1993 with a bachelor's degree in Business Management and later earned a degree in Bachelor of Law at Harvardian Colleges in 2004. He is currently one of the SVP for Operations and has been a Director of the bank since 2014.



**MARY VALERIE JOY V. DAVID, 50**  
Filipino | Non-Executive Director

Director Mary Valerie Joy V. David graduated from St. Scholastica's College in 1994 with a degree in Bachelor of Science in Hotel and Restaurant Management. She is elected as a member of the board since February 9, 2019. Presently, she is the sole proprietor of IZ Fuel & Save Gas Station and Value Worth General.



**NAPOLEON TEDD D. LIMJOCO, 45**  
Filipino | Corporate Secretary

Mr. Napoleon Tedd D. Limjoco graduated from the University of Asia and the Pacific in 1999 with a degree of Bachelor of Arts in Humanities major in Business Administration. He earned his Master's Degree in Management. He currently holds the position of Senior Vice President for Operations and concurrently acts as Corporate Secretary. He is likewise the Director/ Vice President of Gold Fleuret Corporation, Director/ President of Gold Fleuret Realty and Development Corporation and the Director/Vice President of Florida Agribusiness Corporation. He is also a Partner/Assistant Manager of Viewmont Homes Subdivision and a sole proprietor of B&H Fuel Bar.



**ALMA D. LIMJOCO, 73**  
Filipino | Non-Executive Director

Director Alma D. Limjoco was first seated as a member of the board of directors of Porac Bank in 1988. She graduated from St. Scholastica's College in 1971 with a bachelor's degree in Commerce. Board Chairperson Limjoco previously served as Branch Manager and President/Chairman of Porac Bank. Currently, she is the Director/Treasurer of Gold Fleuret Corporation, Gold Fleuret Realty and Development, Florida Agri-Business Corporation, and the President/Director of Priser Trading Corporation. She is also the owner of Davlim Property Leasing and a Partner/General Manager of Viewmont Homes Subdivision Co.



**MARITES C. LIMJOCO, 55**  
Filipino | Non-Executive Director

Ms. Marites C. Limjoco graduated from St. Scholastica's College with a degree in Business Management. In 2010, she graduated from Dr. Gloria D. Lacson Foundation Colleges with a degree in BS Nursing. Before her appointment as Director on February 8, 2020, she is also a Stockholder of the bank since 1995. She is currently a Director of Sta. Rita College and owner of the LimCor Trading and Constructions.



**MARK PRIMO T. DAVID, 45**  
Filipino | Non-Executive Director

Director Mark Primo T. David graduated from Angeles University in 2000 with a degree in BS Computer Science. He has been a member of the board since 2010. He was the Admin Supervisor at the Office of City Administrator —Angeles City. He currently holds the position of Admin Supervisor at the Office of City Administrator, San Juan City and the owner of Mark Primo David Lessor.

	No. of Meetings Attended	Total No. of Meetings	%Rating	% to Voting Total Shares*	Shares Held	
Dr. Benjamin D. Dizon	13	13	100%	1.48%	44,800	Direct
Lourdes Connie C. Tayag	13	13	100%	2.39%	72,384	Direct
Wilfred Joseph T. David	13	13	100%	1.55%	46,900	Direct
Alma D. Limjoco	13	13	100%	8.88%	268,492	Direct
Raul B. De Mesa	12	13	92.31%	0.00%	1	Direct
Anna Claudine T. David	13	13	100%	2.55%	77,005	Direct
Marites C. Limjoco	13	13	100%	4.79%	144,768	Direct
Mary Valerie Joy V. David	13	13	100%	3.35%	101,348	Direct
Mark Primo T. David	13	13	100%	1.55%	46,879	Direct
Charles Vincent D. Sarmiento	13	13	100%	1.50%	45,465	Direct
Tristan Leroy A. David	13	13	100%	2.55%	77,144	Direct

\*No Indirect Shares. No Major Stockholder who owns more than 20%



**ANNA CLAUDINE T. DAVID, 50**  
Filipino | Non-Executive Director |  
Corporate Treasurer

Ms. Anna Claudine T. David has been a member of the board since 2003. She graduated from Assumption College in 1993 with a degree in Bachelor of Science in Commerce major in International Business and earned her master's degree in Business Administration from the University of Western Australia. She currently acts as the Director/Senior Vice President of Factset Philippines, Inc.



**RAUL B. DE MESA, 80**  
Filipino | Independent Director

Director Raul B. De Mesa graduated with a degree in Bachelor of Arts in Business at De La Salle University in 1963. He earned his degree in Strategic Business Economics at the University of Asia and Pacific in 1986. Mr. De Mesa is a distinguished banker with substantial years of experience in the financial industry. Before his appointment as Director of Porac Bank on February 8, 2020, he had occupied several positions in Banking institutions such as Banco National De Guinea, Security Bank, Manila Bank, Boston Bank of the Philippines, and Far East Bank and Trust Company. He was the President of Bank of Commerce from 1997 - 2010 and Director of Home Development Mutual Fund Trustee from 2010 - 2017. Concurrently, he is a Director of:

- Philippine Regional Investment Development;
- Phil Star Development Bank, Inc.;
- ABACORE Capital Holdings;
- Monte Maria Asia Pilgrims Inc.;
- Abacus Global Technovision Inc.;
- Cenertec FMG;
- Cenertec Philippines;
- Cenertec Energy;
- Cenertec PRO;
- Philippine First Condominium Corp.;
- Systems Technology Institute;
- Caplife Insurance Corporation;
- Commerce and Trade Insurance Brokerage Inc.;
- RBM Holdings;

- BIC Management Services Inc.; and
- Pampanga Auto Sales.

He is likewise the Director/President of:

- ACE Solid Corporation; and
- Three Eight Holdings Incorporated.



**TRISTAN LEROY A. DAVID, 44**  
Filipino | Non-Executive Director

Mr. Tristan Leroy David is a long-stockholder of the Bank who was elected as member of the board since August 1, 2022. Mr. David completed his degree BS Management from Angeles University Foundation in Year 2001. He is the incumbent Chairman of Porac Peaceful Garden Memorial Park Corporation and Roy David Arcade Corporation.



**CHARLES VINCENT D. SARMIENTO, 44**  
Filipino | Non-Executive Director

Mr. Charles Vincent D. Sarmiento, who formerly held the position of VP for HR and Marketing at Porac Bank, joined the board since April 1, 2022. Mr. Sarmiento graduated in 1997 with a Bachelors of Arts degree in Humanities from De La Salle University. He is currently the President of DANSA Supermarket Incorporated, Treasurer of Priser Trading Corporation and Operating Manager of

# PORAC BANK SENIOR MANAGEMENT



**LOURDES CONNIE C. TAYAG, 51**  
Filipino | President/CEO

She is the President/CEO of Porac Bank since March 2010. She forms part as Chair of the Executive Committee, Credit Committee and Property Management Committee. She is also the Director and Treasurer of Sta. Rita College. Before she was elected President, she was the bank's Corporate Secretary from 2001 to 2010. She obtained a degree in A.B. Mass Communication at St. Scholastica's College in 1993, a Bachelor's degree in Science of Nursing at the Holy Angel University in 2010 and 2015, a Master's Degree in Business Administration at Ateneo Graduate School of Business.



**WILFRED JOSEPH T. DAVID, 50**  
Filipino | SVP for Operations

He currently holds office at Porac Bank as Director/ SVP for Operations. He is a member of various management committees including the Executive Committee, Credit Committee and Property Management Committee. His banking career started in 1992 at Metrobank where he worked as New Accounts until 1993. From 1994-1997 he worked at Far East Bank and Trust Co. as SDD. Before he was appointed SVP for Operations, he held various positions in the bank from 2008 to 2014 including but not limited to Management Trainee, Area Manager and AVP for Operations. He graduated with a degree in Business Management in 1993 at the University of the Philippines. He also obtained a degree in Bachelor of Laws in 2004.



**NAPOLEON TEDD D. LIMJOCO, 45**  
Filipino | SVP for Operations

He currently holds office at Porac Bank as SVP for Operations and Corporate Secretary since 2011 and 2014, respectively. He is a member of various management committees including the Executive Committee, Credit Committee and Property Management Committee. Before he was appointed SVP for Operations, he held various positions in the bank from 2007 to 2014 including but not limited to Area Manager and AVP for Operations. He was elected the President of the Pampanga Federation of Rural Banks from 2010-2011. He also worked at Petron Corporation as Market Analyst from 2000 to 2007. He obtained a Bachelor's degree of Arts in Humanities Major in Business Administration in 1999 at the University of Asia and Pacific and a Master's Degree of Science in Management in 2000.



**JEREMY M. SUN, 47**  
Filipino | SVP for I.T

He was appointed the SVP for IT in July 2014. He graduated with a bachelor's degree in Electronics and Communications Engineering at Holy Angel University in year 2000 and has obtained a certificate for CISCO CERTIFIED NETWORK ASSOCIATE from the University of the Philippines in year 2013. He was a former Network Engineer at the University of the Philippines from 2001 to 2008. After which, he became the Consultant Engineer of the same institution from 2008 to 2012. From year 2006 to 2012, he worked at the Philippine General Hospital as Consultant Engineer.



**FRANCEL PIA D. PENA, 43**  
Filipino | VP for Property Management

She was appointed the VP for Property Management in 2014. She graduated in 2002 with a bachelor's degree in Science of Family and Life Development and took post graduate studies and earned her degree Master of Arts in Reading Education at Philippine Normal University.



**EMILY L. GUANZON, 53**  
Filipino | Chief Compliance Officer

She graduated in 1991 with a degree in BSBA major in Accounting at the Holy Angel University and passed the CPA licensure examination in the same year. She currently holds senior management position as Chief Compliance Officer since June 05, 2014. Prior to said appointment, she held various positions in the bank including Cashier/ OIC, Bookkeeper, Internal Auditor.

# PORAC BANK EXECUTIVE OFFICERS



**CYNTHIA C. GUTIERREZ, 56**  
Filipino | AVP for H.R & Admin

She was first hired as the HRD head in 1997 until 2014 from which she was appointed the AVP for HR/Admin. She graduated Magna Cum Laude from Angeles University Foundation in 1988 with a degree in Bachelor of Science in Commerce major in Economics. She took postgraduate studies of Business Administration in the same school.



**ANA TERESA M. BANAWA, 59**  
Filipino | Internal Auditor

She graduated with a degree in BSBA Major in Accounting at the Holy Angel University in 1985. She became a Certified Public Accountant in Year 1987. She was initially hired by the bank as Assistant Auditor in 2011 until she was appointed the Internal Audit Head on October 05, 2015.



**DAISY MALLARI, 30**  
Filipino | Chief Accountant

She was initially hired as Audit Staff in June 2016 then designated as Senior Auditor in July 2018. Her appointment as Chief Accountant was confirmed on April 16, 2023. She graduated from University of Assumption with the degree BS Accountancy in 2015 and granted with CPA licensure in June 2016.



**RICA MAE S. ORBE, 28**  
Filipino | Executive Assistant

She was initially hired as Teller for Nepo Branch then after 3 months, she was designated as Treasury Assistant in June 2018. She was promoted as Executive Assistant in July 2022. She graduated from Holy Angel University with the degree BS Accounting Technology



**PAUL JOHN P. JARANILLA, 31**  
Filipino | AVP for Organizational Development

He was appointed as the bank's AVP for Organizational Development in 2021. He was initially hired as Admin Staff/ Reliever in September 2013 and not long after, was promoted to Organizational Development Manager in 2018. He graduated from Holy Angel University in 2013 with a degree in BS Accounting Technology and obtained a Master's Degree in Business Management in 2016.



**LINSEL A. QUIAZON, 30**  
Filipino | Loan Officer

She was initially hired as Credit Support Staff in June 2015 and was designated as Credit Analyst in June 2016. Her appointment as Loan Officer was confirmed on July 1, 2022. She graduated from Holy Angel University with the degree BS Accounting Technology in April 2014 and finished her BS Accountancy degree in April 2015.



**VERONICA M. ESPAÑOL, 25**  
Filipino | Credit Operations & Collections Manager

She graduated with a degree in Bachelor of Science in Accounting Technology at Systems Plus College Foundation in 2019. She was initially hired by the bank as Credit Operations Specialist 2019 until she was appointed as the Credit Operations and Collection Manager on March 15, 2021.



**ZOREN G. CAPITULO, 30**  
Filipino | Independent Credit Reviewer

He graduated at University of Assumption in 2015 with a degree in Bachelor of Science in Accountancy and passed the CPA licensure examination in the same year. He was initially hired by the bank in 2017 as a Senior Auditor until he was appointed as the Independent Credit Reviewer on July 01, 2019.

# AUDIT AND COMPLIANCE COMMITTEE

## FUNCTIONS

**Chairperson:** Raul B. De Mesa  
**Members:** Mark Primo T. David  
Benjamin C. Dizon  
**Alternate:** Anna Claudine T. David

The Audit and Compliance Committee is responsible in reviewing internal control and risk management systems as well as compliance with existing laws, rules and regulations.

## ACCOMPLISHMENTS

- The Audit and Compliance Committee has continuously reinforced its function by furnishing Management and the Board with informed perspective and impartial insight on governance framework, risk management practices and internal controls.
- Employed measures in streamlining the credit process to ensure an efficient credit data aggregation.
- Pursued the strategic roadmap of driving growth by focusing on refining the Bank's loan portfolio allocation in view of managing credit risk.
- Reviewed the effectiveness of compliance with laws and directives of regulatory bodies through active liaison with the Audit and Compliance Group.
- Provided guidelines in diversifying existing fund resources to optimize return on investments.
- Instituted effective control mechanisms to ensure quality of disposition of possible suspicious transactions and timely periodic scrubbing of customer information for immediate targeted financial sanctions implementation.
- Actively pursued the resolution of compliance and internal audit issues besides determining that recommendations for improvement are implemented and sustained.
- Furnished assistance to top management on special audits.
- Provided guidance in the application of appropriate disclosures in the bank's annual report.
- Accorded strategic advice to the annual planning and budgeting team by rendering insightful information towards achieving the bank's desired direction.
- Particular attention was granted in crafting the bank's Sustainability Finance Framework and the development of the organization's Institutional Risk Assessment.
- Provided support services in completing specific eligibility requirements for the bank's application with the FIT program grant.
- Remained engaged in assisting the human resource department in assessing the sequence of procedures of certain job functions in order to reinforce the training of new personnel and employees who undergo different levels of management training to counter the occurrence of recurring issues.
- Fostered the development of the bank's core banking infrastructure to remain competitive in the digital banking space.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Raul B. De Mesa	6	6	100%
Mark Primo T. David	6	6	100%
Benjamin C. Dizon	6	6	100%

# PROPERTY MANAGEMENT COMMITTEE

## FUNCTIONS

**Chairperson:** Lourdes Connie C. Tayag  
**Members:** Napoleon Tedd D. Limjoco  
Wilfred Joseph T. David  
Francel Pia D. Peña

The Property Management Committee defines the pricing objective for ROPA and other assets of the bank and sets out plan to dispose the same to support the bank's profitability target.

## ACCOMPLISHMENTS

Approved strategies to facilitate the successful disposal of long-standing ROPA items or those that have been with the bank for more than 5-years.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Lourdes Connie C. Tayag	2	2	100%
Wilfred Joseph T. David	2	2	100%
Napoleon Tedd D. Limjoco	2	2	100%
Francel Pia D. Peña	2	2	100%

# NOMINATIONS COMMITTEE

## FUNCTIONS

**Chairperson:** Benjamin C. Dizon  
**Members:** Lourdes Connie C. Tayag  
 Anna Claudine T. David  
 Tristan Leroy A. David  
 Charles Vincent D. Sarmiento

The nominations committee is responsible for the approval and review of criteria, qualification, selection and continuing education of the Directors, senior management, their successors and other appointments that require board approval.

## ACCOMPLISHMENTS

- Evaluated and recommended the suitably qualified candidates to become Directors, successors and executive officers;
- Conducted an annual evaluation on the overall effectiveness of the Board of Directors, Management Committees and Senior Management.
- Recommend directors to serve on the committees of the Board.
- Effectively proposed improvements in director and successor continuing education and readiness program.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Benjamin C. Dizon	2	2	100%
Lourdes Connie C. Tayag	2	2	100%
Anna Claudine T. David	2	2	100%
Tristan Leroy A. David	2	2	100%
Charles Vincent D. Sarmiento	2	2	100%

# COMPENSATION COMMITTEE

## FUNCTIONS

**Chairperson:** Lourdes Connie C. Tayag  
**Members:** Wilfred Joseph T. David  
 Ana Claudine T. David

The Compensation committee reviews the remuneration of directors and officers to ensure that compensation is aligned with the Bank's culture, strategy and its business landscape.

## ACCOMPLISHMENTS

- Reviewed and approved the proposed amendment(s)/ enhancement(s) in the Compensation and Benefits Program of the Bank;
- Reviewed and approved the proposed amendment(s)/ enhancement(s) in the Incentive, Rewards and Recognition Program of the Bank;
- Reviewed and deliberated the granting of salary adjustment of officers and employees.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Lourdes Connie C. Tayag	1	1	100%
Wilfred Joseph T. David	1	1	100%
Anna Claudine T. David	1	1	100%

# EXECUTIVE COMMITTEE

## FUNCTIONS

**Chairperson:** Lourdes Connie C. Tayag  
**Members:** Napoleon Tedd D. Limjoco  
 Wilfred Joseph T. David

The Executive Committee acts as the highest decision-making body second to the board for matters concerning operations, security, human resources, budgeting and business planning, among others.

## ACCOMPLISHMENTS

- Facilitated the implementation of the strategic plans for the year 2023.
- Approved and endorsed to the board new and amended policies relative to Financial Consumer Protection, Outsourcing Policy, Personnel Manual etc.
- Successfully implemented an AWS Cloud based secondary back-up server.
- Reviewed and approved Business Continuity Program for 2023.
- Reviewed and approved several programs for employee engagement and well-being.
- Significantly shaped the creation of the ESRMS Manual.
- Successfully pinpointed the new cloud-based Core Banking System.
- Effectively managed the ADB-FIT grant application process.
- Directed the amendments to the Investment and Fund Management Policy.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Lourdes Connie C. Tayag	12	12	100%
Napoleon Tedd D. Limjoco	12	12	100%
Wilfred Joseph T. David	12	12	100%

# CREDIT COMMITTEE

## FUNCTIONS

**Chairperson:** Lourdes Connie C. Tayag  
**Members:** Napoleon Tedd D. Limjoco  
 Wilfred Joseph T. David  
 Francel Pia D. Peña

The Credit Committee reviews, approves and endorses applications, policies and reports relating to the Bank's credit granting function. The Committee ensures that credit transactions with DOSRI as well as Related Party Transactions are conducted at arm's length.

## ACCOMPLISHMENTS

- Reviewed and approved loans within the authority of the Credit Committee.
- Reviewed and monitored compliance within Credit Limits.
- Reviewed and approved the expansion of coverage for unsecured agricultural loan.
- Reviewed and endorsed to the Board enhancements in credit policies specifically for cash flow analysis, restructuring and BRR.
- Reviewed and approved process enhancements such as the development of loan monitoring tool and automation of processes/forms.
- Reviewed and endorsed to the Board the designed of the Borrower Risk Rating Tool for unsecured agricultural loans and easy cash loans.
- Reviewed and approved the implementation of the Repricing Policy.

	No. of Meetings Attended	Total No. of Meetings	% Ratings
Lourdes Connie C. Tayag	47	52	90.38%
Wilfred Joseph T. David	50	52	96.15%
Napoleon Tedd D. Limjoco	52	52	100%
Francel Pia D. Peña	49	52	94.23%

# CORPORATE GOVERNANCE

The Board of Directors of Porac Bank recognizes the importance of good corporate governance and corporate social responsibility in promoting and strengthening the trust of its stakeholders and believes that good corporate governance and corporate social responsibility will enhance shareholder value.

To be the Bank of Choice for our Customers, Shareholders, Employees, and Community, the Board will conduct itself in accordance with the highest standard of ethical conduct as well as in accordance with the laws of the land, for the best interests of its stakeholders.

It is the thrust of Porac Bank to align its policies and procedure on Corporate Governance vis-a-vis the issued BSP Circular 1129.

## COMPOSITION

The business affairs of Porac Bank are conducted under the supervision and control of eleven (11) directors or board members, including one (1) independent director pursuant to Section 15 and 17 of R.A. No. 8791

## SELECTION

For its board selection process, the Board will take into consideration candidates with at least one area of significance (e.g. banking, business, marketing, technology, public service, human resources, finance, accounting, law, the management or management consulting ability to contribute to deliberations of the Board; ability to exercise sound business judgment; ability to think strategically; with demonstrated leadership experience, with a high level of professional skill and integrity, as well as other appropriate personal qualities.

The Nominations Committee will propose candidates to be elected as a director in order to replace a vacant position. Proposed candidates are assessed based on the qualification and disqualification criteria of the bank which is anchored from the BSP's fit and proper standards. Newly appointed directors will be provided with appropriate briefings and information relating to the Bank, and be advised of the legal, regulatory, good corporate governance, and other duties of Directors as required by the BSP.

## ROLE AND CONTRIBUTION OF THE EXECUTIVE, NON-EXECUTIVE, AND INDEPENDENT DIRECTOR

Non-executive directors, who shall include independent directors, shall comprise at least a majority of the board of directors whose role is to promote the independent oversight of management by the board of directors. Whilst, the executive director manages the daily activities and ensures that the board's vision is met.

The duties and responsibilities of the Board as stipulated by pertinent laws as well as from certain provisions of the Bank's Articles of Incorporation By-Laws and resolution of shareholders, include the following:

- a. directing the policies, strategies, and financial objectives of the Bank and approving policies and operational directions proposed by management as well as overseeing and monitoring management's implementation of those policies, strategies, and financial objectives, with the aim of maximizing economic value and shareholders' wealth.
- b. devising structures and procedures designed to ensure compliance with the regulatory requirements and pertinent provisions of the Bank's Articles of Incorporation and By-Laws, adherence to resolutions adopted during board and shareholders' meetings as well as espouse ethical standards in good faith with care.
- c. developing structures and procedures to ensure the appropriate system for risk management, internal compliance, audit, and control.
- d. developing structures and procedures to ensure a strong and appropriate capital fund for business and risk operations.
- e. monitoring and assessment of management performance in the implementation of Board-approved policies and budgets.
- f. establishing the criteria for, and evaluating, the performance of the Chairman of the Executive Committee, the President, senior members of the management which include, Senior Vice Presidents (SVPs), Vice Presidents (VPs) or other equivalent positions to SVPs, VPs in the different name;
- g. ensuring that there is timely and accurate preparation and bookkeeping on accounting records and related documents as well as disclosure of appropriate information to shareholders, depositors, and the general public.
- h. reviewing on a regular and continuing basis the succession plan for the position of Chairman of the Executive Committee and the President.
- i. observing and ensuring compliance with the Director's Code of Conduct.
- j. setting policies pertaining to good corporate governance and corporate social responsibility.

## CHAIRMAN'S ROLE

In accordance with Circular 969 issued by the Bangko Sentral ng Pilipinas, the Chairman of the board of Porac Bank shall provide leadership among the members of the directors. He shall ensure effective functioning of the board, including:

1. ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
2. ensure a sound decision making process;
3. encourage and promote critical discussion;
4. ensure that dissenting views can be expressed and discussed within the decision-making process;
5. ensure that members of the board of directors receives accurate, timely, and relevant information;
6. ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
7. ensure conduct of performance evaluation of the board of directors at least once a year.

## CODE OF BUSINESS CONDUCT

Porac Bank Board recognizes their commitment to observe highest ethical standards in all their business dealings and to uphold full compliance with all applicable laws, rules and regulations. In line with this, the Code of Business Conduct aims to lay down the standards that Porac Bank expects of its board in fulfilling their roles and responsibilities as incumbent board members. This Code intends to articulate the acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest and personal gain at the expense of Porac Bank. Through this Code, Porac Bank seeks to develop a Culture of Accountability among its board of directors and to enhance their practice of good corporate governance.

## PERFORMANCE ASSESSMENT

In evaluating the performance and effectiveness of the Board as a body, the various committees and the Senior Management link performance to the mission of the Board, the company and the department or office. It promotes improvement in the banking function, recognizes exceptional professional performance, and ultimately achieves a workplace of high performing individuals and groups and brings about continued improvement in the work processes of the company.

The Board of Directors is assigned to facilitate the annual evaluation of the performance and effectiveness of the Board itself as a body, as well as its various committees, its Senior Management and the Bank. A set of questionnaires/forms is answered by each member of the Board to evaluate the performance of various committees taking into account different areas of concern and/or factors such as the degree of management, effectiveness and overall performance.

The performance assessment conducted by the Board enabled the same to ponder on the different areas of improvement and admirable performance of the Board itself, the Management Committees and the Senior Management. The end result exhibited an overall creditable performance in their mandated functions.

On another note, performance assessment for individual directors is gauged through self-appraisal questionnaires while each committee members are rated by the Nominations committee using the banks performance appraisal tool.

## ON-GOING ORIENTATION & EDUCATION

Porac Bank ensures that the on-going orientation and education program for the board, senior management, officers and employees are in place and are laid-out in the annual training program approved by the Board. Prior to appointment of a director, the same shall be able to attend a seminar on corporate governance and must undergo on-boarding orientation. Continuing refresher and education is also given to the board and employees such as the annual AML seminar and other training programs deemed fitting and necessary.

## RETIREMENT

The Bank has adopted a policy where the retirement age for directors and the senior management and officers are at 80 years old and 65 years old or the compulsory retirement age mandated by law, respectively. However, a deviation from the said policy, limited to postponement of a director's retirement, may be allowed so long as the Board deems it necessary to continually utilize the wisdom and experience of the director for the benefit of the Bank and all of its stakeholders.

Regular directors shall serve a one-year term and until their successors are elected. An independent director of Porac Bank, on the other hand, may only serve as such for a maximum cumulative term of nine (9) years, which shall be reckoned from 2012. After which, the independent director shall be perpetually barred from serving as independent director, but may continue to serve as regular director.

## SUCCESSION

The board-approved succession plan for directors and officers contains the following sections:

1. Goals of the Succession Plan
2. Criteria for Selection of Successor
3. Planning and Review
4. Procedure
5. Assessment of Candidates
6. Emergency Succession
7. Communication Policy

This succession plan shall allow the prospective successor to undergo thorough assessment of his qualification as board member in accordance with BSP Circular No. 969 to ensure fitness and propriety of the candidate prior to appointment or election.



## REMUNERATION

The Board of Directors determines the remuneration of the Senior Management based on the annual performance evaluation which they conduct covering various factors for consideration such as management, functional, personal and targets at the same time assessing the decision skills, strategic skills and leadership skills of the said officers.

The four most highly compensated management officers are the President, Senior Vice President, Vice President and Assistant Vice President. The executive directors of Porac Bank are entitled to monthly basic pay, benefits, bonuses and retirement programs just like its employees. On the other hand, Non-Executive Directors of Porac Bank receive per diem on every board meeting.

## EXPENDITURE MANAGEMENT POLICY

The expenditure management policy has been approved by the board to serve as a guiding framework for the allocation of expenditures of Porac Bank by determining regular finances and restricted expenses in order to ensure financial discipline and operational efficiency amongst the management.

In effect, this policy shall restrict or prohibit excessive/ luxurious and/ or other expenses of similar nature that are no longer deemed reasonable for capital outlays; staff, office and facility development; performance incentives, and other considerations pertinent to business operations.

## WHISTLE-BLOWING POLICY

Porac Bank is geared towards the attainment and adherence of ethical, moral, and legal conduct in the operation of its business. To assure that these standards are met and maintained, the bank complies with BSP Circular No. 499 or the establishment of effective whistle-blowing procedures by which employees can convey any concerns or suspicions that may arise in the course of performing their jobs to strengthen the Bank's system on detection and prevention of corporate fraud.

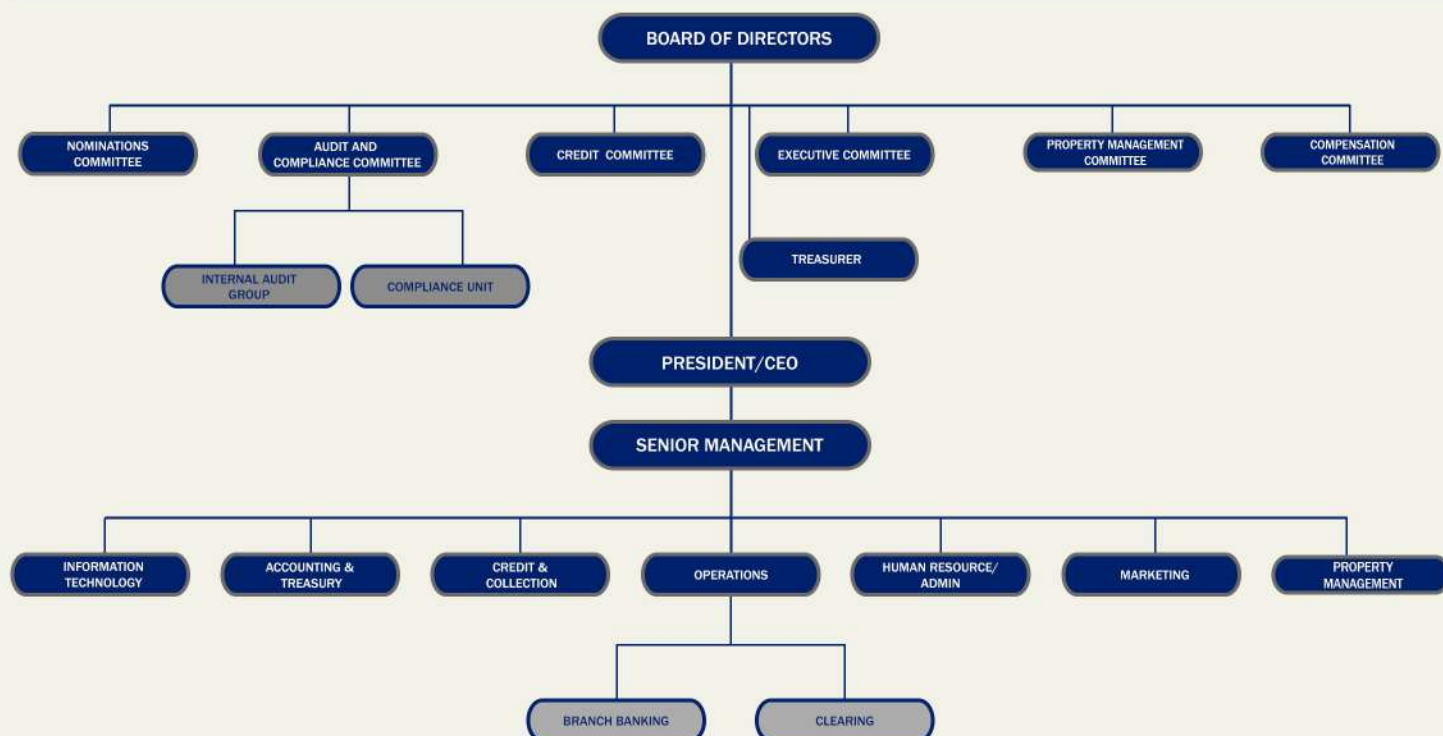
The Whistleblowing Policy applies to all ranks, from Porac Bank directors, senior management, Officers/Managers, permanent and probationary staff of the Head Office and its branches.

## DIVIDEND POLICY

The procedures in distributing/ paying dividends entail prior board approval for cash dividends and a majority or at least 2/3 affirmative votes of the stockholders for (1) dividends on record and (2) payment dates based on BSP policies on the declaration of dividends and with the due recommendation from the Senior Management.

The net amount available for dividend declaration is based on the unrestricted retained earnings and undivided profits which shall be based on a sound accounting system and loss provisioning process that considers relevant adjustments to capital including losses, bad debts, and unearned profits or income.

In 2023, the bank declared a cash dividend equivalent to 3.50% of its subscribed capital amounting to 8,817,658.00. The date of record was on December 31, 2022, and the date of distribution was on February 17, 2023.



## AUDIT & COMPLIANCE

Porac Bank's corporate compliance and internal audit functions are designed as an integrated process, independent from the business operations they assess to effectively manage its business risks and promote compliance with pertinent banking laws, rules and regulations, policies and standards of good practice and provide reasonable assurance regarding the achievement of objective in the effectiveness and efficiency of operation and reliability of financial reporting.

The Compliance Unit and Internal Audit Group conducts audits from an objective and comprehensive standpoint, independent of operational reporting lines, by assessing the suitability and effectiveness of business activities associated with compliance and risk management and offering advice and remedial recommendations in connection with any problems that may be identified.

The Compliance Unit and Internal Audit Group are directly reporting to the Board of Directors thru the Audit and Compliance Committee. With the Board of Directors' oversight, management has established structures, appropriate authorities and responsibilities and channels to support the regular monitoring and reporting of internal control processes.

On behalf of the Board, the Audit and Compliance Committee oversees the monitoring and review of the internal control system. Since the Committee receives reports from the Compliance Unit and Internal Audit Group on the bank's risk management and internal control systems, it provides the link between the auditors and the Board. The Committee is then well placed to advise the Board on the effectiveness of directives to mitigate risks in the achievement of Porac Bank's objectives.

## RELATED PARTY TRANSACTIONS

Porac Bank recognizes the potential for conflicts of interest resulting from transactions with DOSRI and its related parties. To this end, the Management has put in place, an integrated strategy that ensures fair management of transactions with DOSRI and their related parties which are anchored on the latest legislations, laws and regulations related thereto.

This is to safeguard the bank and its stakeholders against the possible conduct of abusive and malicious related party transactions. Through this strategy, the Board of Directors guarantees that related parties are always independent of each other.

The HRD commonly reviews related parties and their personal and business affiliates to ensure accurate and continuous identification of related parties. Deliberation and approval of related party transactions are consistent with present and relevant bank policies.

Related party transactions are monitored on an ongoing basis and are reported to the Board of Directors to ensure that such transactions remain within prescribed limits and are entered into for and in the best interest of the bank. Significant related party transactions recorded in 2023 or those that crossed the materiality threshold set for each type of transaction are summarized in the table below.

As required by the bank's RPT policy, these transactions were confirmed by a majority of the stockholders during the annual stockholder's meeting and were also reported to appropriate governing bodies.

Counterparty	Relationship between parties	Total Credit Transactions	Total Non Credit Transactions	Type of Transactions
PRISER Trading Inc.	Related Interest		P8,892,630.57	Others -monthly rental payments for the lease of (a) 4-storey building in Sto. Rosario Street, Angeles City that houses Porac Bank Head/ Corporate Center (b) 2-storey building in Cangatba, Porac that houses Porac Bank Porac Branch and (c) 2-storey building in Plaridel Street, Angeles City for Porac Bank Plaridel Branch amounting to P146,410.00 (April 2023), P466,493.64 (February 2023), P107,179.45 (January 2023) and P57,062.35 (March 2023), respectively. The lease contracts shall be for a period of 15 years, 3 years and 20 years which matures on 31-January 2030, 31-December 2024 and 28-February 2031,
<b>Total Exposure</b>			<b>P8,892,630.57</b>	

# Our Commitment to SUSTAINABILITY

Porac Bank's advocates the following strategies towards sustainable banking:

- Inclusion of commitment to environmental and social protection in the way we do banking
- Greening the Internal Operation thru Solar Panel Powered Branches and Head Office
- Advocating Clean energy by financing Solar Panel Installation for clients and employees via Sustainability and Energy Savings Loan
- Greening the Credit Delivery/Lending, Operational and Investment activities thru the conduct of Environmental/Social Due Diligence
- Transitioning to Digital Transformation
- Promote Human Capital Sustainability
- Partnering and establishing linkages with relevant organizations on Environmental Management to empower the communities we serve
- Publishing an Annual Sustainability Report thru the Bank's Annual Report.

# #WEAREREADY FOR SUSTAINABILITY

Porac Bank acknowledges that the impact of climate change and other environmental and social risks can have long-lasting effects on its operations and financial interests, potentially posing risks to financial stability. The bank is aware that climate change-related physical and transition risks can lead to significant societal, economic, and financial risks that affect both the bank and its stakeholders. \* Porac Bank also understands the crucial role of the financial industry in promoting sustainable and resilient growth, which involves facilitating environmentally and socially responsible business decisions aligned with the goals outlined in the Philippine Development Plan.

In line with these objectives, Porac Bank has integrated sustainability principles, including those addressing environmental and social risks, into its corporate governance framework, risk management systems, and strategic goals.

## RISK APPETITE

In identifying the Risk Appetite and Strategy of the bank on its E&S Risk, a working Committee, duly approved by the Board, has been established to conduct an environmental and social risk assessment as well as project site assessment to determine the Bank's current exposure with E&S risk associated to its credit, operational and investment activities.

It was identified that the bank's overall and aggregate exposure to E&S Risk is deemed low in terms of sensitivity to environmental & social issues as well as vulnerability to natural hazards/ climate change. Further, it depicted a zero to none exposure to environmentally critical projects and projects which are likewise deemed to significantly affect the quality of the environment by virtue of being located in Environmentally Critical Areas (ECA).

Given this, the Board gears on maintaining its current direction towards a more sustainable approach in greening the financial system. To fortify our adherence to sustainable finance, the bank adopted the International Finance Corporation exclusion list in defining the type of projects that it will not finance.

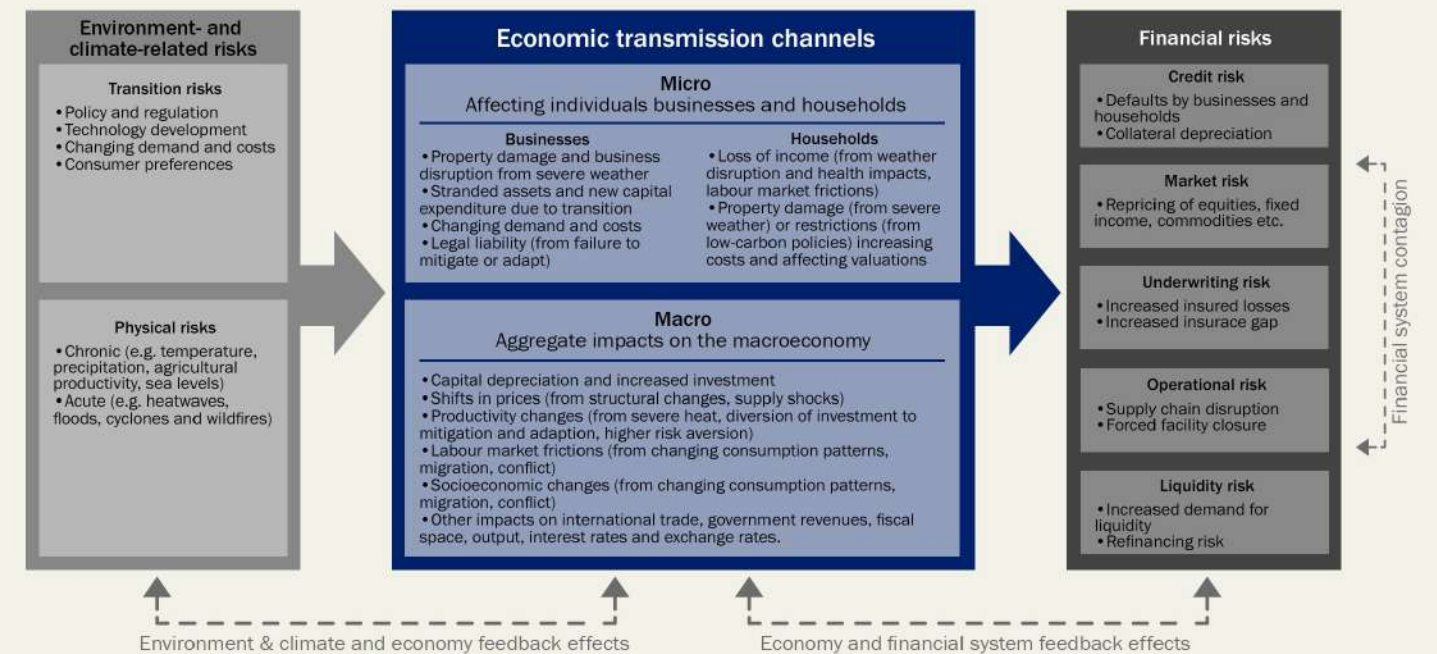
We believe that with this commitment, the bank will contribute to sustainable development and growth, bringing its corporate governance to a higher level as it drives for greater Malasakit to the community and the environment.

## \*IMPACT OF E&S RISK TO THE BANK

## “Incorporating the Sustainable Finance Objective in the Bank's Strategic Plan”



### Transmission channels Environmental- and climate-related risks to financial risks

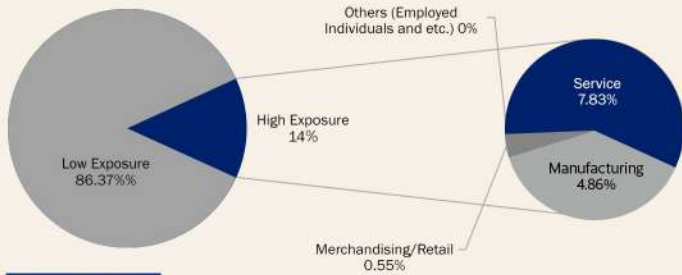


Source: Adapted from NGFS (2020c)

## INDUSTRY EXPOSURE TO E&S RISK

The bank identified its E&S exposure per industry using the Project Categorization and Project Site Assessment metrics. Based on the result, the bank has low exposure in terms of project categorization since all project financed are deemed unlikely to cause significant adverse impact on the quality of the environment. In terms of Project site assessment, the bank identified business and collateral exposure of its existing portfolio against vulnerability to natural hazards. The graph shows the bank's exposure to certain hazard as follows

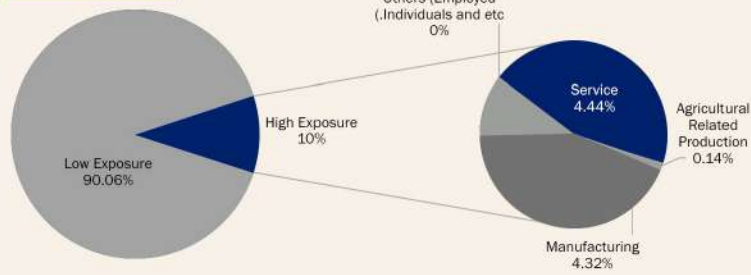
### Sum of Liquefaction



### Sum of Lahar



### Sum of Flood



Industry Classification	%	Project Categorization E&S Risk Exposure
Agricultural Related Production	1.78%	*Low
Manufacturing	13.21%	*Low
Merchandising/Retail	17.11%	*Low
Others (Employed Individuals and etc.)	17.08%	*Low
Service	50.82%	*Low
Total	100.00%	

\*Based on the Risk Assessment conducted by the bank all projects financed by the bank were either Category C and/Category D (Category C - Projects or undertakings not falling under Category A or B which are intended to directly enhance the quality of the environment or directly address existing environmental problems)  
Category C - Projects or undertakings not falling under Category A or B which are intended to directly enhance the quality of the environment or directly address existing environmental problems)

## OVERVIEW OF THE E&S RISK MANAGEMENT SYSTEM

In 2023, the Board approved the Environmental and Social Risk Management System which articulates the bank's policies, procedures and tools to identify, assess, monitor and mitigate exposures to E&S risks. The approval of the same aims to support the development and implementation of appropriate measures and approaches in line with the expectations set out under BSP Circular Nos. 1085, 1128 and 1149. In line with this, the ESRMS of Porac Bank, at a minimum, covers the following areas:

- The Role of the Board of Directors and Senior Management in institutionalizing and overseeing the adoption and implementation of sustainability principles, including those covering E&S risk areas, corporate governance and risk management frameworks as well as in the strategic objectives and operations of the bank.
- The level of E&S risk appetite of the bank on E&S risk commensurate with the level of E&S risk associated with the bank's portfolio.
- Clear guidance in assessing E&S risks in the bank's operations, products and services, transaction, activities, and operating environment.
- Tools for monitoring E&S risks as well as the compliance of the bank and its counterparties with sustainability-related standards, laws and regulations and tools for assessing identified E&S risks and for considering the same in the aggregate exposures of the bank.
- Measures that should be taken in case of breaches in limits or thresholds or non-compliance with sustainability-related standards, laws and regulations.
- Integrating the E&S risks in stress testing exercises covering both short-term and long-term horizons following the principles and requirements provided under Sec. 151o f the MORB. The results of the stress testing shall feed into banks' capital and liquidity planning and management exercises as well as in the business continuity and disaster recovery plans.
- The unit or personnel responsible for overseeing the management of E&S risks including the duties and responsibilities of all personnel in managing E&S risks.

# SUSTAINABILITY REPORT



Porac Bank's foundational business premise lies in our commitment to create a positive impact on society and contribute meaningfully to the banking industry. Since 2022, we actively mapped out our business operations to align with United Nation's Sustainable Development Goals (SDG). And in 2023, the board-approved Environmental and Social Sustainability Risk Management System (ESRMS) Manual embedded our sustainability principles across the bank's corporate governance framework, risk management systems, and strategic objectives as it strive for greater Malasakit to the community and the environment.

Our commitment to sustainable finance resonated a meaningful impact to our colleagues in the rural banking industry as we were invited by the Rural Bankers Association of the Philippines (RBAP) to share and present our best practices on Environmental and Social Management System to the 120 delegates in the RBAP's Lakbay-Aral Program. This created a ripple as we were once again accorded with the distinct honor to be invited as one of the presenters during RBAP's Angel Network Session for Region 1 and CAR Rural Bankers Association in Baguio City.

## RBAP's Angel Network Session



#WeArePoracBank #WeAreBankingOnSustainability #LetsMakeItHappen



RBAP's Lakbay-Aral Program

# KWENTONG MALASAKIT



## Sustainable Development Goals (SDG): CHRISTMAS IN NOVEMBER



We at Porac Bank uphold our unwavering commitment to prudent Sustainable Development Goals (SDG) practices and we aim to further sharpen our focus on this as we continue to undertake CSR (Corporate Social Responsibility) activities during the year like the recently concluded Christmas in November in which we provided grocery packs to indigent residents within the community where our branches are located.



## ARAW-ACI: TREE PLANTING



At Porac Bank, we don't just Think Green, we Live Green! A year after our partnership with ARAW-ACI for the Adopt-a- Watershed Program, we made a site visit at Sitio Target, Sapangbato and we beam with pride seeing the grown trees resulting from our reforestation efforts and tree planting activity in September 2022 as part of our corporate commitment to combat global warming, mitigate climate change and save the ecosystem.

**#WeArePoracBank #AdoptAWatershed #HeWhoPlantsATreePlantsHope**



# Empowering Our People



## BUILDING PARTNERSHIP

Learning with Ateneo



In our steadfast commitment to empower our employees with top-tier education, Porac Bank collaborated with Ateneo Graduate School of Business for the third quarter of 2023. Through this, we have integrated five impactful training programs to nurture excellence and drive growth. This partnership represents our ongoing dedication to fostering a culture of continuous learning and equipping our team to thrive in the evolving banking landscape.

MACCII Job Fair



It was a fun-filled day as Porac Bank HR recruitment team connected with talented individuals who are passionate about making a difference in their careers during the MACCII Career Expo held last 03 March 2023 at the City College of Angeles. Our team had a blast speaking with job seekers and sharing our company culture, values, and career opportunities.

HAU 8th Program Advisory



Last May 18, 2023, we also joined HR practitioners and HR executives from prestigious Accounting Firms, BPO companies and SMEs based in Clark and Pampanga in a round table discussion facilitated by Holy Angel University for its 8th Program Advisory Council.

Partnership with City College of Angeles



Collaboration is key to building a better future. In 2023, we joined Angeles City's Public Employment Service Office (PESO) officers at a round table discussion facilitated by CCA with their Industry Partners to give insights and provide viewpoints and perspectives on the competitive labor market last 07-February. In a strategic alliance, we partnered with City College of Angeles for their Annual Career Fair, held last July 2023. Our goal was two-fold: to identify potential employees and to fortify Porac Bank's brand presence. Together, we made strides in shaping the future of our team and solidifying our bank's reputation.

# MALASAKIT IN THE WORKPLACE



Hereunder is a roadmap of the various events and activities organized and executed by the HR Department in Year 2023.

## 2023 ACTIVITIES

3rd Annual General Assembly **1**



Another successful general assembly in the books! The Porac Bank community came together to discuss new ideas, strategies, and goals last 10 March 2023. We had a full house with a 93% attendance rate for this year's assembly. Everyone had valuable takeaways as well as gained clear insight into the Bank's current financial position and a direct perspective of our operational roadmap for Year 2023.

Brand Awareness and Sustainability Webinar **2**



Empowering the Porac Bank Community with a Successful Webinar on Brand Awareness and Sustainability in Banking held last March 22, 2023, via Zoom. Among other things, the webinar focused on the presentation and detailed discussion of relevant topics including the Consumer Protection Program, Policies on Waste Management, Amended Whistleblowing Policy, and Social Media Policy.

Badminton Tournament **3**



It was another eventful second quarter as we conducted Porac Bank's Badminton Tournament for the year 2023 at the Jungle Base Gym in San Fernando, Pampanga. No less than our bank directors Mr. Mark David and Mr. Charles Vincent Sarmiento as well as VP for Property Management graced the event and participated in the scheduled singles and doubles games. Congratulations to all the winners and contenders who evidently had fun and were all in high spirits.

Commitment to Excellence: Career Development Plan **4**



At Porac Bank, we are acutely aware of the significance of fostering a robust career trajectory as a non-monetary benefit that not only elevates employee morale but also drives excellence. In the third quarter of 2023, we achieved a significant milestone as we successfully executed a comprehensive job-shadowing program, nurturing the development of our future leaders. In a deliberate effort to provide a clear and structured path to success, we initiated job-shadowing for 4 out of 19 potential successors for branch manager position, 3 out of 13 for branch operations officer, and 4 out of 15 for prospective Branch Service Associate. Moreover, 3 out of 18 positions in the administrative section were privileged to undergo this enlightening experience. This initiative is not merely a fleeting effort but a commitment to cultivating the talent within our organization. Our vision is unwavering - to ensure that every Porac Bank employee has a well-defined career pathway, underpinned by mentorship, learning, and continuous growth. As we move forward, we are resolute in our dedication to building a workforce that thrives and excels within our dynamic banking environment.

## 2023 ACTIVITIES

Self Defense Training **5**



An enriching and rewarding experience unfolded for our Marketing Assistants and Collection Specialists as they underwent Basic Self Defense training under the guidance of our Security Officer, Ret. Col. Nilo Villalon. In addition to mastering crucial self-defense techniques, these Frontliners gained invaluable insights into maintaining unwavering mental acuity when facing challenging circumstances. This training has empowered them to be better prepared and resilient, contributing to our shared commitment to excellence.

Teambuilding **6**



Beneath a beaming sun, we orchestrated a triumphant spectacle: PB's 2023 Annual Teambuilding & Get-Together Party. Infused with Survivor-inspired challenges, it was more than mere competition; it was a pivotal day for experiential learning, kindling personal and team growth. From pulse-pounding activities to a euphoric After-Party, it was a glorious day of forging synergy, cementing solidarity, and weaving a tapestry of camaraderie among our remarkable team. Another indelible, resplendent chapter in PB's history has been written. Together we will always win!

Prioritizing Health: Annual Flu Vaccine **7**



At Porac Bank, the well-being of our employees is paramount! Our commitment to healthcare was prominently on display as our dedicated staff eagerly lined up to receive their flu shots. Administered by none other than our esteemed company physician and Board Chairman, Dr. Benjamin Dizon, this initiative underscores our unwavering focus on safeguarding the health of our Corporate/Head Office and Porac Branch teams. As we unite to "Fight The Flu," we recognize that a healthy workforce is the bedrock of our success.

Christmas Party 2023 **8**



It was a sparkling celebration and an indulgent experience for everyone during our Glow-up Christmas Party and Get-Together last December 8, 2023 at Plaza Victoria Hall, Angeles City. Another unforgettable magical moments and cherished memories shared together and etched in the history of Porac Bank.

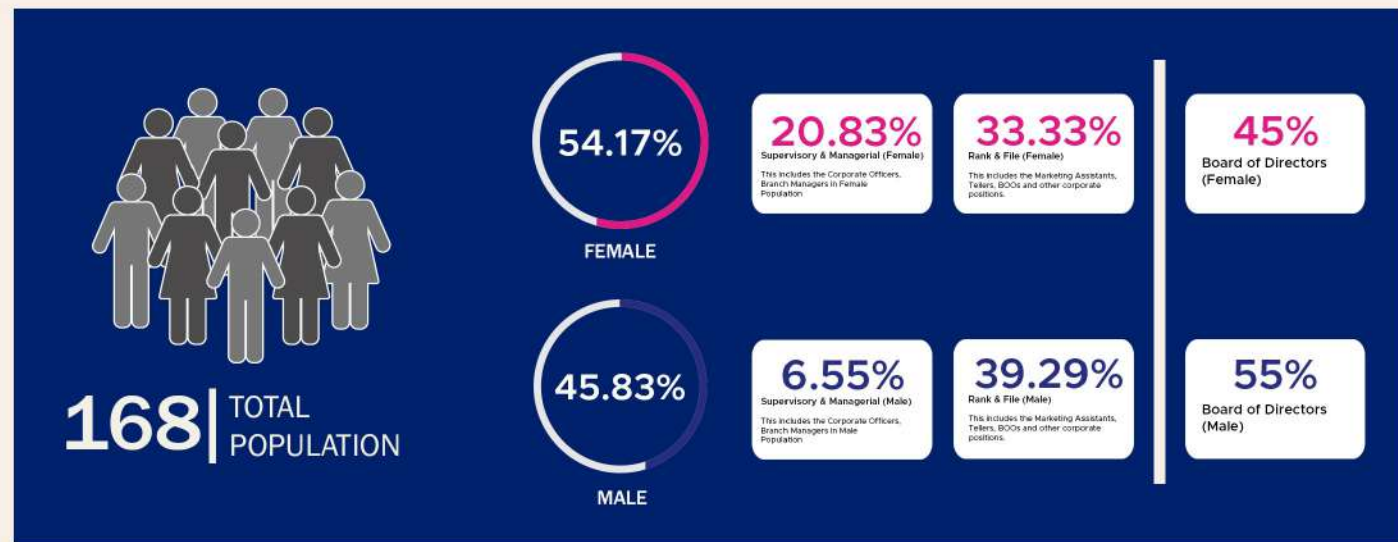
# Embracing Workforce Diversity



In today's ever-evolving world, the banking industry stands at the forefront of progress and change. As we navigate the challenges and opportunities of the modern era, it becomes increasingly evident that a diverse and inclusive workforce is not just a moral imperative but a strategic advantage. With this in mind, we delve into the significance of workforce diversity and gender equality within a bank, highlighting how these values drive innovation, foster better decision-making, and ultimately lead to long-term success.

Promoting gender equality and diversity at Porac Bank goes beyond hiring practices; it also involves creating an inclusive workplace culture that values and supports all employees. An inclusive environment fosters a sense of belonging, where employees feel comfortable and empowered to contribute their best. It nurtures the growth and development of talent from all backgrounds and ensures that each individual has equal opportunities for career advancement. By creating a level playing field, the bank can attract and retain top talent, enabling it to remain competitive and thrive in the long run.

We believe that by valuing and nurturing a diverse workforce, the bank can harness a range of perspectives, enhance decision-making, better serve their diverse customer base, and create an inclusive environment that empowers and retains top talent. As we look towards the future, it is imperative for banks to recognize the importance of diversity and equality, not only as a moral obligation but as a catalyst for growth, innovation, and long-term success in the ever-changing financial landscape.



# Sustainable Initiatives



The combined initiatives of our loans to MSMEs, the installation of mobile ATMs in our branches to serve the 4Ps beneficiary, and the offering of our KAYA MO! basic deposit products hold significant potential in the fight against poverty.

By empowering MSMEs through accessible financing, enhancing financial access with mobile ATMs, and promoting saving habits through basic deposit products, these initiatives address critical barriers to economic growth and financial inclusion. As more individuals and businesses gain access to financial resources and services, the stage is set for sustainable economic development, job creation, and increased household incomes.



Through our Agricultural Loan and partnership with AGFP, we offer accessible financing options tailored to the specific needs of farmers, fisher folks and agribusinesses. These loans provide a pathway to increased agricultural productivity, improved livelihoods, and enhanced food security.

It also empowers individuals and communities to contribute effectively to agricultural development, alleviate hunger, and build resilient and sustainable food systems.



We pioneered the launching of the "Sustainability and Energy Savings (SES) Loan" - an additional loan product intended to finance the cost of Solar PV system installation in the house or commercial establishment owned or occupied by our borrowers.

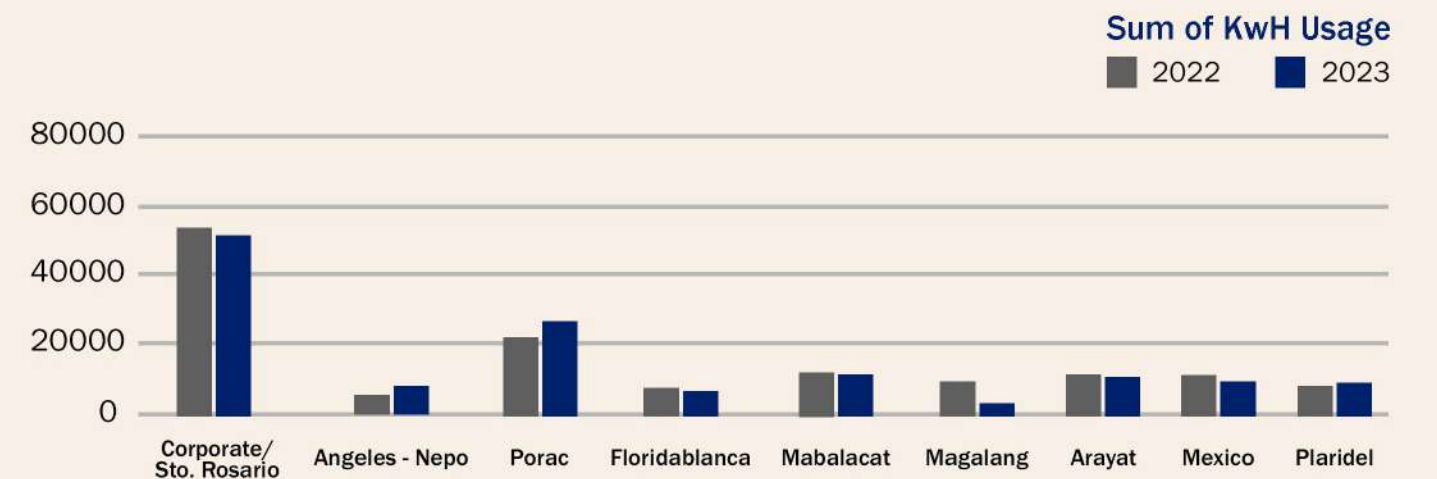
With this, we aim to support economic growth and provide lasting benefit for both our clients and society while reducing pressure to the environment.



With our unwavering commitment to comply with AML and CTF regulations, Porac bank contributes to SDG 16 by combating illicit financial flows, strengthening legal frameworks, enhancing financial transparency and integrity, and promoting international cooperation and capacity-building. We believe that these efforts support the development of peaceful, just, and strong institutions at national and global levels.



Here at Porac Bank, we believe that the development, implementation and continuous improvement of our Sustainable Finance Framework (SFF) and the integration of the Board-approved ESRMS into our operations and risk management system is a testament of our commitment to climate action. One of our objective is to uphold our commitment to sustainability and simultaneously secure the long-term success of our business. As such, we consistently strive to diminish the impact our business operations have on the environment by effectively monitoring our energy consumption as follows:



# FINANCIAL LITERACY



In 2023, we were privileged to join ARAW-ACI for the launching of their Integrated Environmental Campaign and the kick-off for the School Caravan held at Angeles City National Trade School to raise awareness about environmental and financial sustainability last 03-February 2023.

## SCHOOL CARAVAN

992 | Grade 9 students of Angeles City National Trade School



Porac Bank had the opportunity to reach out to the youth in its aim to spur financial inclusion and broaden its efforts to foster wider reach and easy access to its KAYA MO savings account. With the theme "Ipon para sa pangarap, Kaya Mo! sa Porac Bank"

“We were able to equip the 992 Grade 9 students of Angeles City National Trade School with valuable knowledge and principles in order to make smart financial decisions”



Porac bank is proud of the students from Angeles City National Trade School for pulling off the #IPONCHALLENGE and opening their first passbook savings account with Porac Bank. We are glad to be a part of their continued journey towards achieving their financial goals.

# CONSUMER PROTECTION

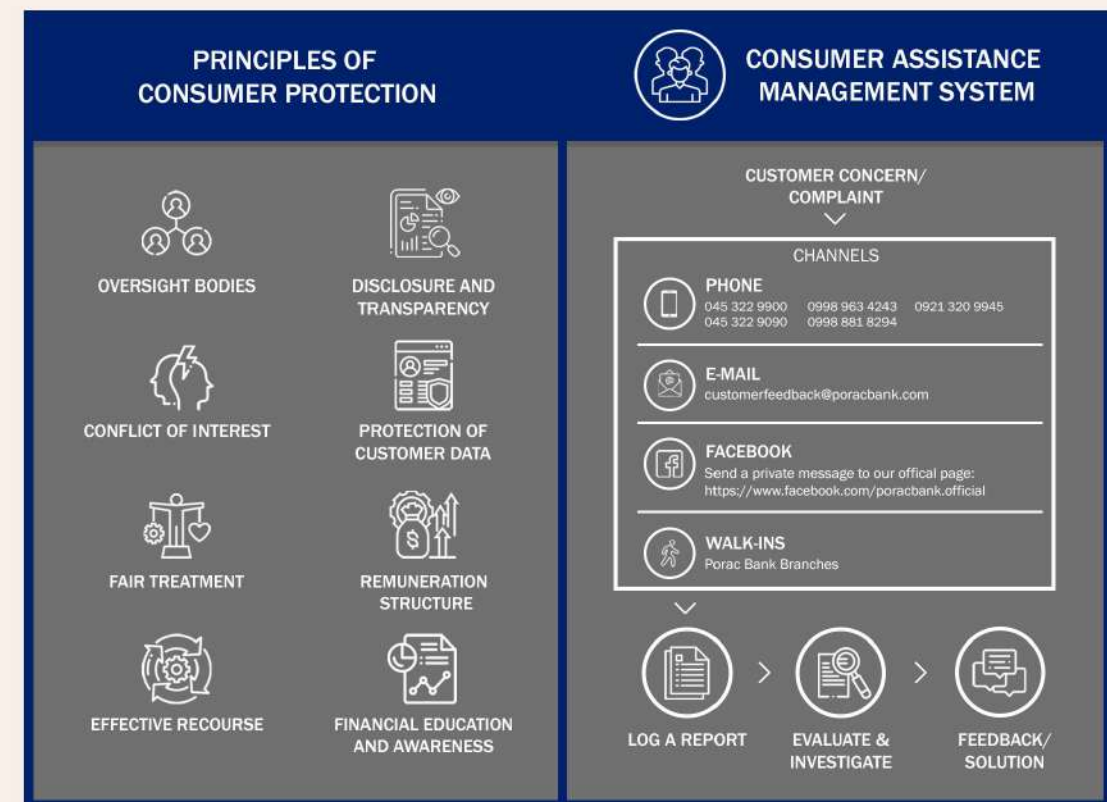
Porac Bank fully supports the policy of the State to protect the interest of the consumers, promote their welfare, and establish standards of conduct for the banking industry. It is one with the Bangko Sentral ng Pilipinas (BSP) in providing disclosure and transparency, protection of client information, fair treatment, effective recourse as well as financial education and awareness to its consumers.

The Board of Directors (BOD) has the ultimate responsibility for the level of customer risk assumed by Porac Bank. Accordingly, the Board approves the Bank's overall business strategies and significant policies, including those related to managing and taking customer risks. The Senior management on the other hand is responsible for implementing a program to manage the customer compliance risks associated with the Bank's business model, including ensuring compliance with laws and regulations on both a long-term and a day-to-day basis.

Porac Bank identifies its customer protection risks in each principle by analyzing its effects on the Bank and the customer. The following risk were specifically recognized or identified by the Bank under the different principles or protection standards of consumer protection:

The Bank designed an operational channel in handling customer complaints. It has designated its Branch Managers to serve as the Customer Assistance Officers (CAOs), and also appointed a Head, Consumer Assistance Officer assigned in the Corporate Office. The Head, Consumer Assistance Officer shall then report to the SVP for Operations and/or the President which will provide action based on the recommendations of the Head of CAOs and/or the SVP Operations.

In 2023, all complaints have been handled and resolved within the standard resolution time in addressing complaints that the bank has set. This is stemmed from our commitment to ensure that the bank's consumer assistance mechanism is effectively in place as we strive to deliver a responsive customer experience.



## SAVINGS DEPOSIT

Whether you're putting away money for a special purchase, building personal wealth, or saving for an unexpected expense, our low maintenance savings account will help you reach your short and long-term financial goals.



## DEMAND DEPOSIT

Whatever your personal or business transaction is, the convenience of a worry-free, cash-less system gives you great flexibility in managing your money.



## TIME DEPOSIT

Enjoy higher interest rates and zero risk on your capital when you place a Time Deposit with us! Whether you prefer a short or long term investment, we have varied term options for you ranging from 30 days to 5 years.



## KAYA MO BASIC DEPOSIT

An interest-bearing Peso account with no maintaining balance and no dormancy charge intended to promote financial inclusion. Its basic functionalities is characterized by ease, accessibility, convenience, and reasonable cost.



## UNSECURED AGRI LOAN

With our No-collateral Agricultural loan, we can help you expand and increase your production and take your Agribusiness to the next level. Ideal for Ampalaya, Eggplant, Palay, Corn, Cassava and Sugarcane production.



## SECURED AGRI LOAN

We offer farmers easier access to credit that will open opportunities for the set-up, expansion and rehabilitation of their agribusiness as well as open doors to modern agricultural methods and technical



## COMMERCIAL LOAN

This product appeals to MSME's and private corporations for business purposes. Whether you're increasing your inventory, purchasing new equipment, or expanding your business, we will make the process easy for you.



## HOUSING LOAN

You're a few steps away from moving in to your dream home. We're here to help you make the best, and find the easiest financing option for you!



## SSS PENSIONER LOAN

Unsecured loan offering that allows Porac Bank enrolled SSS pensioners to draw cash advances against their pension up to P50,000.00.



## EASY CASH LOAN

Unsecured borrowings of as much as P100,000.00 for eligible regular Marketing Assistant depositor of Porac Bank.



## SUSTAINABILITY AND ENERGY SAVINGS LOAN (SESL)

An additional loan product intended to finance the cost of Solar System installation in the house/business owned or occupied by the borrower.



## ATM/POS MACHINE

Withdraw money from your Bancnet ATM cards at our branches in Porac, Magalang, Arayat, Mexico, Dolores, Florida, Mabalacat, Sto. Rosario, Tarlac, and Concepcion.



## LOANS AGAINST TIME DEPOSIT

An all-purpose loan to meet your short term funding needs, secured by a hold out on client's Special Savings deposit with Porac Bank.



## FUND TRANSFER

Enjoy fast and secure fund transfer to other commercial and local Banks via InstaPay and PesoNet.



## BILLS PAYMENT

Pay your utilities, credit card bills, government dues or even top-up your e-wallet.



## INTER-BRANCH FACILITY

Easily deposit and withdraw funds from your Porac Bank account through any of our branches.



## DEPOSIT PICK-UP FACILITY

With our personal deposit - collection program, we will bring banking services to your doorstep.



## PASABAYAD

An additional banking service that allows our clients to enjoy the benefit and convenience of bills payment, fund transfer and pera-padala services through our Marketing Assistants.



# RURAL BANK OF PORAC (PAMPANGA), INC. FINANCIAL STATEMENT DECEMBER 31, 2023 and 2022

## RURAL BANK OF PORAC (PAMPANGA), INC.

Priser Building Sto. Rosario St., Cor. Flora Ave.,  
Barangay Sto. Rosario, Angeles City, Pampanga

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

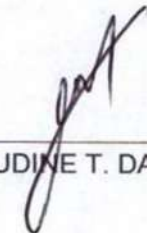
The Management of **RURAL BANK OF PORAC (PAMPANGA), INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the calendar year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

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

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) **RURAL BANK OF PORAC (PAMPANGA), INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature:   
Chairman: BENJAMIN C. DIZON

Signature:   
President: LOURDES CONNIE C. TAYAG

Signature:   
Treasurer: ANNA CLAUDINE T. DAVID

Signed this 21<sup>st</sup> day of March, 2024



**RURAL BANK OF PORAC (PAMPANGA), INC.**

Priser Building Sto. Rosario St., Cor. Flora Ave.,  
Barangay Sto. Rosario, Angeles City, Pampanga

**EDGARDO M. MOLINA, CPA**  
Blk 10, Lot 26, Kroner Street, Villa Carolina I  
Tunasan, Muntinlupa City  
Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)

**INDEPENDENT AUDITOR'S REPORT**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS (SRC RULE 68)**

The management of **RURAL BANK OF PORAC (PAMPANGA), INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the calendar year ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

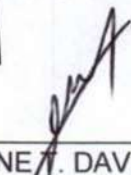
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

**EDGARDO M. MOLINA**, the independent auditors and appointed by the stockholders for the year ended December 31, 2023 and 2022, respectively, have examined the financial statements of the Bank in accordance with Philippine Standards on Auditing, and its report to the stockholders or members, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature:   
Chairman: **BENJAMIN C. DIZON**

Signature:   
President: **LOURDES CONNIE C. TAYAG**

Signature:   
Treasurer: **ANNA CLAUDINE J. DAVID**

Signed this 21<sup>st</sup> day of March, 2024



The Stockholders and Board of Director  
**RURAL BANK OF PORAC (PAMPANGA) INC.**  
Priser Bldg. Sto. Rosario St., COR. Flora Ave. Brgy. Sto. Rosario, Angeles City Province of Pampanga

Opinion

I have audited the accompanying financial statements of **RURAL BANK OF PORAC (PAMPANGA) INC.** which comprise the statement of financial position as at December 31, 2023 and 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the financial statement presents fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank accordance with the Philippine Ethics Standards Board of Accountants (PESBA Code) together with the ethical requirements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 PFRSs, 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 as no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation 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.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits.

**Report on other Legal and Regulatory Requirements**

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and 19-2011 of the Bureau of Internal Revenue and Circular 1074 as required by Bangko Sentral ng Pilipinas

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Note 29 to the financial statements is presented for purposes of Circular 1074 as required by Bangko Sentral ng Pilipinas and is not

required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in my audits of the basic financial statements. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419

BOA/PRC Certificate No. 2577, valid until September 1, 2024

BIR Accreditation No. 08-005012-001-2020, valid until September 27, 2025

valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements

CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024

PTR No. 4347773, Issued January 4, 2024 at Muntinlupa City

March 21, 2024



**EDGARDO M. MOLINA, CPA**  
Blk 10, Lot 26, Kroner Street, Villa Carolina I  
Tunasan, Muntinlupa City  
Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)


**SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT  
TO ACCOMPANY INCOME TAX RETURN**

To the Stockholders and Board of Directors  
**RURAL BANK OF PORAC (PAMPANGA) INC.**  
Priser Bldg. Sto. Rosario St., COR. Flora Ave. Brgy. Sto. Rosario, Angeles City Province of  
Pampanga

I have audited the accompanying financial statements **RURAL BANK OF PORAC (PAMPANGA) INC.** as of and for the year ended December 31, 2023 and 2022, on which I have rendered the attached report dated March 21, 2024.

In compliance with Revised Securities Regulation Code (SRC) Rule 68, I am stating that said Bank has a total number of Twenty One (21) stockholders owning one hundred (100) or more shares.

In compliance with Revenue Regulations V-20, I am stating that no member of the Bank is related by consanguinity or affinity to the president, manager or principal stockholders of the Bank.

  
**EDGARDO M. MOLINA**  
TIN No. 123-467-133-000  
CPA Certificate No. 39419  
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**STATEMENT OF REPRESENTATION**

**TO THE SECURITIES AND EXCHANGE COMMISSION**

In connection with my examination on the financial statements **RURAL BANK OF PORAC** for the year ended December 31, 2023 and 2022 which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the Accounting Profession and duly registered with the Board of Accountancy (BOA).
2. That the financial statements are presented in conformity with the Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC), as described in the financial statements, in all cases where I shall express an unqualified opinion, except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof and the reasons why compliance with the principles would result in misleading statements, if such is the fact.
3. That I fully met the requirements of independence as provided in the Code of Professional Ethics for CPAs.
4. That in the conduct of such audit, I complied with the Philippine Standard of Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitations in the scope of my examination, I shall indicate the nature of the departure and the extent of limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That relative to the expression of my opinion, on the financial statements, I shall not commit any act discreditable to the profession as provided under the code of Professional Ethics for CPAs.

As a CPA engage in public practice, I make these representations in my individual capacity.

  
**EDGARDO M. MOLINA**  
TIN No. 123-467-133-000  
CPA Certificate No. 39419  
BOA/PRC Certificate No. 2577, valid until September 1, 2024  
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Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)

**INDEPENDENT AUDITOR'S REPORT  
FOR SUPPLEMENTARY INFORMATION**

To the Stockholders and Board of Directors  
**RURAL BANK OF PORAC (PAMPANGA) INC.**  
Priser Bldg. Sto. Rosario St., COR. Flora Ave. Brgy. Sto. Rosario, Angeles City Province of  
Pampanga

I have audited in accordance with Philippine Standards of Auditing, the financial statements of **RURAL BANK OF PORAC (PAMPANGA) INC.** as at and for the taxable year ended December 31, 2023 on which I issued my report thereon dated March 21, 2024. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness indicators including their definitions, formulas, and calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management.

These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other banks. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2023 and 2022 and no material exceptions were noted.

  
**EDGARDO M. MOLINA**  
TIN No. 123-467-133-000  
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**CERTIFICATION**

To Officer in Charge  
Bangko Sentral ng Pilipinas  
Malate, Manila:

In connection with my audit of the 2022 financial statements **RURAL BANK OF PORAC (PAMPANGA) INC.** and pursuant to Section 174 and Appendix 55 of the Manual of Regulation for Banks (MORB), as amended by Circular No. 1074 dated February 7, 2020 relative to the Bangko Sentral requirements in the submission of audited financial statements, I hereby certify the following:

- 1.) That I have commenced my engagement to audit the financial statements on January 26, 2024, and had finished the audit on March 21, 2024.
- 2.) That the Financial Audit Report and the Certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit of the Bank were submitted to the Board of Directors on March 21, 2024.
- 3.) That I, the auditor-in-charge of the engagement, and the members of our immediate families do not have any direct or indirect financial interests with the bank including its affiliates and subsidiaries and that my independence is not at all impaired under any of the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.
- 4.) That I have complied with the provision of Bangko Sentral ng Pilipinas (BSP) Appendix to Section 174 on Financial Audit relating to the confidentiality clause pertinent to read-only access to the BSP report of examination under BSP Circular No. 1074;
- 5.) That the Bank has complied with the disclosure requirement under Section 174 of the MORB, as amended by Circular No. 1074 series of 2020.
- 6.) That I have **none to report** on discovery of material breach of laws and BSP rules and regulations such as on capital adequacy ratio and on loans and other risks and classification.
- 7.) That I have **no report** on findings regarding corporate governance issues;
- 8.) That I have **no report** regarding termination and resignation as external auditor
- 9.) That I have **no report** regarding breach or non-compliance on liquidity ratios, material weakness in fair value measurement methodology, significant vulnerabilities to money laundering and combating the financing of terrorism.
- 10.) That I have **none to report** on the following matters under **BSP Circular 1074 series of 2020**;
  - a) Any material finding involving fraud or dishonesty (including cases that were resolved during the audit period);
  - b) Any potential losses, the aggregate of which amounts to at least ten percent (10%) of the consolidated total asset;
  - c) Any findings to the effect that consolidated asset of the Bank, ongoing concern basis, are no longer adequate to cover the total claims of creditor;

d) Material internal control weakness which may lead to financial reporting problems.

It is however understood that the accountability of the undersigned practitioner is based on matters within the normal coverage of an audit conducted in accordance with the Philippine Standards on Auditing.

These certifications are being issued in compliance with the requirements by the BSP in the submission of audited financial statements on the above-mentioned rural bank.

EDGARDO M. MOLINA  
TIN No. 123-467-133-000  
CPA Certificate No. 39419  
BOA/PRC Certificate No. 2577, valid until September 1, 2024  
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valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements  
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March 21, 2024



SUBSCRIBED AND SWORN TO BEFORE ME this APR 17 2024 at  
City of San Fernando, Pampanga

Doc. No. 336  
Page No. 69  
Book No. CXV  
Series of 2024

NOTARY PUBLIC  
DENESE LOU T. CORTEZ  
Notary Public  
Until December 31, 2024  
Notarial Commission No. 44-23  
IBP No. 391090/01/03/2024  
PTR No. PAM-5276619/02 Jan. 2024/CSFP  
Roll No. 59452  
MCLE No. VII-0017576 Valid Until April 14, 2025

EDGARDO M. MOLINA, CPA  
Bik 10, Lot 26, Kroner Street, Villa Carolina I  
Tunasan, Muntinlupa City  
Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)

CERTIFICATION

The Shareholders and the Board of Directors  
RURAL BANK OF PORAC (PAMPANGA) INC.  
Priser Bldg. Sto. Rosario St., COR. Flora Ave. Brgy. Sto. Rosario, Angeles City Province of Pampanga

This is to certify that NO material weakness or breach in the internal control and risk management system was noted in the course of audit of RURAL BANK OF PORAC (PAMPANGA) INC.

This certification is issued in connection with the requirement of section 174 of the Manual of Regulation for Banks.

EDGARDO M. MOLINA  
TIN No. 123-467-133-000  
CPA Certificate No. 39419  
BOA/PRC Certificate No. 2577, valid until September 1, 2024  
BIR Accreditation No. 08-005012-001-2020, valid until September 27, 2025  
valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements  
CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024  
PTR No. 4347773, Issued January 4, 2024 at Muntinlupa City

March 21, 2024

SUBSCRIBED AND SWORN to before me this APR 17 2024 at City of San Fernando, Pampanga

Doc No.: 337  
Page No: 69  
Book No.: CXVI  
Series of 2024

DENESE LOU T. CORTEZ  
Notary Public  
Until December 31, 2024  
Notarial Commission No. 44-23  
IBP No. 391090/01/03/2024  
PTR No. PAM-5276619/02 Jan. 2024/CSFP  
Roll No. 59452  
MCLE No. VII-0017576 Valid Until April 14, 2025

**EDGARDO M. MOLINA, CPA**


Blk 10, Lot 26, Kroner Street, Villa Carolina I  
Tunasan, Muntinlupa City  
Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)

**CERTIFICATION**

The Shareholders and the Board of Directors  
**RURAL BANK OF PORAC (PAMPANGA) INC.**  
Priser Bldg. Sto. Rosario St., COR. Flora Ave. Brgy. Sto. Rosario, Angeles City Province of Pampanga

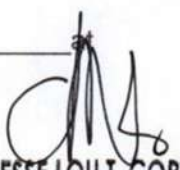
This is to certify that there are **NO** matters to report regarding fraud, dishonesty and breach of law that we noted in the course of audit of **RURAL BANK OF PORAC (PAMPANGA) INC.**

This certification is issued in connection with the requirement of section 174 of the Manual of Regulation for Banks.

  
**EDGARDO M. MOLINA**  
TIN No. 123-467-133-000  
CPA Certificate No. 39419  
BOA/PRC Certificate No. 2577, valid until September 1, 2024  
BIR Accreditation No. 08-005012-001-2020, valid until September 27, 2025  
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CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024  
PTR No. 4347773, Issued January 4, 2024 at Muntinlupa City

April 04, 2024

SUBSCRIBED AND SWORN to before me this APR 17 2024  
City of San Fernando, Pampanga

  
**DENEESSE LOU T. CORTEZ**

Notary Public  
Until December 31, 2024  
Notarial Commission No. 44-23  
IBP No. 391090/01/03/2024  
PTR No. PAM-5276619/02 Jan. 2024/CSFP  
Roll No. 59452  
MCLE No. VII-0017571 V-04 Until April 14, 2025

Doc No.: 338  
Page No.: 69  
Book No.: OXVI  
Series of 2024

**RURAL BANK OF PORAC (PAMPANGA), INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	As at December 31	
	2023	2022
<b>ASSETS</b>		
Cash and Other Cash Items (Note 6.1)	₱ 26,686,474	₱ 20,826,548
Due from BSP (Note 6.2)	22,302,937	44,270,607
Due from Other Banks (Note 6.2)	256,066,670	296,949,602
Debt Securities Measured at Amortized Cost (Note 7)	792,310,480	657,050,275
Loans & Receivable, Net (Note 8)	1,112,811,212	1,205,433,306
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)	47,704,573	39,900,974
Investment Property, Net (Note 10)	29,955,658	36,280,825
Right of Use Assets (Note 11)	47,919,618	55,007,979
Deferred Tax Asset (Note 23)	3,442,580	3,387,885
Other Assets, Net (Note 12)	9,090,106	6,179,059
Retirement Benefit Asset (Note 19)	16,723,516	18,048,870
<b>TOTAL ASSETS</b>	<b>₱ 2,365,013,824</b>	<b>₱ 2,383,335,930</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposit Liabilities (Note 13)	₱ 1,866,770,659	₱ 1,905,284,450
Accrued Interest, Interest, Taxes and Other Expenses (Note 14)	15,896,381	16,011,783
Other Liabilities (Note 15)	64,600,644	68,966,737
Income Tax Payable (Note 23)	-	2,068,564
<b>TOTAL LIABILITIES</b>	<b>₱ 1,947,267,685</b>	<b>1,992,331,534</b>
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary Share Capital	302,316,100	251,930,500
Retained Earnings - Free	119,785,736	138,956,872
Retained Earnings - Reserve for healthcare fund (Note 16)	7,022,194	7,022,194
Cumulative remeasurement gains (losses) on defined benefit plan	(11,377,891)	(6,905,170)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>417,746,139</b>	<b>391,004,396</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>₱ 2,365,013,824</b>	<b>₱ 2,383,335,930</b>
<b>BOOK VALUE PER SHARE</b>	<b>₱ 138.18</b>	<b>₱ 155.20</b>

See accompanying Notes to Financial Statements.



**RURAL BANK OF PORAC (PAMPANGA), INC.**  
**STATEMENTS OF INCOME**

	For the Year Ended December 31,	
	2023	2022
<b>INTEREST INCOME</b>		
Loans & Receivables	P 131,774,442	P 109,736,172
Due from Other Banks	5,734,701	621,686
Debt Securities Measured at Amortized Cost	31,938,425	30,433,473
<b>TOTAL INTEREST INCOME</b>	<b>169,447,568</b>	<b>140,791,331</b>
<b>INTEREST EXPENSE</b>		
Deposit Liabilities	8,209,501	8,836,116
Bills Payable	-	121,875
<b>TOTAL INTEREST EXPENSE</b>	<b>8,209,501</b>	<b>8,957,991</b>
<b>NET INTEREST INCOME</b>	<b>161,238,067</b>	<b>131,833,340</b>
<b>PROVISION FOR CREDIT LOSSES</b>	<b>218,784</b>	<b>205,769</b>
<b>NET INTEREST INCOME AFTER PROVISION</b>	<b>161,019,283</b>	<b>131,627,571</b>
<b>OTHER INCOME (Note 17)</b>	<b>20,609,936</b>	<b>56,550,542</b>
<b>TOTAL INCOME BEFORE OPERATING EXPENSES</b>	<b>181,629,219</b>	<b>188,178,113</b>
<b>OTHER OPERATING EXPENSE</b>		
Compensation & Fringe Benefits (Note 18)	62,901,530	57,758,513
Other Operating Expenses (Note 20)	49,557,905	52,570,117
Depreciation & Amortization (Note 21)	16,483,537	20,680,065
Taxes & Licenses (Note 27)	6,775,797	6,036,466
<b>TOTAL OTHER OPERATING EXPENSE</b>	<b>135,718,769</b>	<b>137,045,161</b>
<b>NET INCOME BEFORE INCOME TAX</b>	<b>45,910,450</b>	<b>51,132,952</b>
<b>INCOME TAX EXPENSE (BENEFIT) (Note 23)</b>	<b>3,390,995</b>	<b>7,548,216</b>
<b>NET INCOME AFTER INCOME TAX</b>	<b>P 42,519,455</b>	<b>P 43,584,736</b>
<b>EARNINGS PER SHARE</b>	<b>P 14.06</b>	<b>P 17.30</b>

See accompanying Notes to Financial Statements.



**RURAL BANK OF PORAC (PAMPANGA), INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
For the Years Ended December 31, 2023 and 2022

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS - FREE	RETAINED EARNINGS - RESERVE FOR HEALTHCARE FUND	CUMULATIVE LOSSES (GAINS) DEFINED BENEFIT COST (OCI)	Total
Balance at January 1, 2023	P 251,930,500	P 138,956,872	P 7,022,194	P (6,905,170)	P 391,004,396
Issuance of shares	50,385,600	(50,386,100)	-	-	(500)
Total comprehensive income for the year	-	42,519,455	-	(4,472,721)	38,046,734
Provisions and Adjustments	-	(2,486,923)	-	-	(2,486,923)
Cash dividend declared	-	(8,817,568)	-	-	(8,817,568)
<b>Balance at December 31, 2023</b>	<b>302,316,100</b>	<b>119,785,736</b>	<b>7,022,194</b>	<b>(11,377,891)</b>	<b>417,746,139</b>
Balance at January 1, 2022	251,930,500	104,218,328	7,022,194	582,359	363,753,381
Total comprehensive income for the year	-	43,584,736	-	(7,487,529)	36,097,207
Provisions and Adjustments	-	(28,624)	-	-	(28,624)
Cash dividend declared	-	(8,817,568)	-	-	(8,817,568)
<b>Balance at December 31, 2022</b>	<b>P 251,930,500</b>	<b>P 138,956,872</b>	<b>P 7,022,194</b>	<b>P (6,905,170)</b>	<b>P 391,004,396</b>



**RURAL BANK OF PORAC (PAMPANGA), INC.**
**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before Income Tax	P 45,910,450	P 51,132,951
Adjustments for:		
Depreciation & amortization	16,483,537	20,680,065
Provision for credit losses	218,784	205,769
Non-cash adjustments on FFE	(13,335)	89,949
Gain on sale of investment properties	(9,126,363)	(44,570,571)
Interest income	(169,447,568)	(140,791,331)
Interest expense	8,209,501	8,957,991
Changes in working capital:		
Loans and other receivables	92,403,309	21,688,431
Other assets	(2,911,047)	911,432
Deposits liabilities	(38,513,790)	205,463,830
Other liabilities	668,390	(9,077,928)
Accrued interest and other liabilities	(115,402)	5,251,466
Interest received	169,447,568	140,791,331
Interest paid	(8,209,501)	(8,957,991)
Income tax paid	(5,514,256)	(6,732,526)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>99,490,277</b>	<b>245,042,868</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Increase/(Decrease) in:</b>		
Investment properties	4,414,046	5,784,757
Additions to bank premises, FFE	(15,274,318)	(3,115,877)
Acquisition of debt securities measured at amortized cost	(135,260,205)	(286,733,806)
Proceeds from sale of Investment properties	9,126,363	44,570,571
Retirement benefit asset	(3,147,367)	(2,783,538)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(140,141,480)</b>	<b>(242,277,893)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of cash dividends to stockholders	(8,817,568)	(8,817,568)
Net charges to surplus/Prior period adjustments	(2,486,923)	(28,623)
Payments of lease liabilities	(5,034,483)	(5,206,511)
Proceeds from issuance of shares	(500)	-
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(16,339,474)</b>	<b>(14,052,702)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(56,990,676)</b>	<b>(11,287,727)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>362,046,757</b>	<b>373,334,484</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>P 305,056,081</b>	<b>P 362,046,757</b>

(See accompanying Notes to Financial Statements)

**RURAL BANK OF PORAC (PAMPANGA), INC.**
**COMPARATIVE FINANCIAL HIGHLIGHTS**

As of December 31, 2023 and 2022

	2023	2022	Increase (Decrease)
<b>FOR THE YEAR</b>			
TOTAL INCOME	P 190,057,504	P 197,341,873	P (7,284,369)
TOTAL EXPENSES	147,538,049	153,757,137	(6,219,088)
NET INCOME	42,519,455	43,584,736	(1,065,281)
<b>EARNINGS PER SHARE</b>			
Ordinary Shares	14.06	17.30	(3.24)
RETURN ON AVERAGE EQUITY	10.51%	11.55%	(1.04%)
RETURN ON AVERAGE ASSETS	1.79%	1.92%	(0.13%)
NET INTEREST MARGIN	7.35%	6.35%	1.00%
<b>AT YEAR END</b>			
TOTAL ASSETS	2,365,013,824	2,383,335,930	(18,322,106)
LOANS AND RECEIVABLES (NET)	1,112,811,212	1,205,433,306	(92,622,094)
LIQUID ASSETS	1,097,366,561	1,019,097,032	78,269,529
FIXED ASSETS	47,704,573	39,900,974	7,803,599
DEPOSIT LIABILITIES & DUE TO BSP	1,866,770,659	1,905,284,450	(38,513,791)
OTHER LIABILITIES	64,600,644	68,966,737	(4,366,093)
EQUITY ACCOUNTS	417,746,139	391,004,396	26,741,743
<b>BOOK VALUE PER SHARE</b>			
Ordinary Shares	138.18	155.20	(17.02)
CAPITAL ADEQUACY RATIO	25.96%	24.50%	1.46%
PAST DUE RATIO	14.15%	8.15%	6.00%
RATIO OF LIQUID ASSETS OVER DEPOSIT LIABILITIES & DUE TO BSP	58.78%	53.49%	5.29%
RATIO OF LIQUID ASSETS OVER DEPOSIT LIABILITIES OTHER LIABILITIES	56.82%	51.62%	5.20%
DEBT TO EQUITY RATIO	4.66:1	5.10:1	(0.44:1)
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	11.42%	10.20%	1.22%

(See accompanying Notes to Financial Statements)

**RURAL BANK OF PORAC (PAMPANGA), INC.**  
**RECONCILIATION OF AUDITED FINANCIAL STATEMENTS & SUBMITTED CONSOLIDATED STATEMENT OF CONDITION**  
**AND STATEMENT OF INCOME AND EXPENSES**  
As of December 31, 2023

	Submitted Report	Audited Report	Discrepancy	Reason for Discrepancy
Cash and Other Cash Items	P 26,686,474	P 26,686,474	-	
Due from Bangko Sentral ng Pilipinas	22,302,937	22,302,937	-	
Due from Other Banks	256,066,670	256,066,670	-	
Debt Securities Measured at Amortized Cost	785,283,231	792,310,480	(7,027,249)	FS presentation, Net of AIR
Loans and Receivables, Net	1,089,397,259	1,089,397,259	-	
Sales Contract Receivable	17,082,137	17,151,715	(69,578)	FS presentation, Net of AIR
Accrued Interest Income	14,990,382	6,262,238	8,728,144	AIR of Debt Securities, SCR and Time Deposits
Bank Premises, Furniture, Fixtures, and Equipment, Net	47,704,573	47,704,573	-	
Right of Use Assets	-	47,919,618	(47,919,618)	FS presentation
Investment Properties	29,955,658	29,955,658	-	
Deferred Tax Asset	12,471,501	3,442,580	9,028,921	See Adjusting entry 2, FS presentation, Net of DTL
Other Assets, Net	56,164,917	9,090,106	47,074,811	FS presentation, net of AIR, ACL, ROUA, See Adjusting entry 1
Retirement Benefits Assets	18,048,869	16,723,516	1,325,353	FS presentation
<b>Total Assets</b>	<b>2,376,154,608</b>	<b>P 2,365,013,824</b>	<b>P 11,140,784</b>	<b>Net effect of adjustments</b>
Deposit Liabilities	1,866,770,659	1,866,770,659	-	
Special Time Deposit	19,976	-	19,976	FS presentation reported in Other Liabilities
Due to Treasury of the Philippines	663,930	-	663,930	FS presentation reported in Other Liabilities
Accrued Interest, Taxes & Other Expenses	2,242,314	15,896,381	(13,654,067)	FS presentation reported in accrued expenses
Accrued Expenses	13,654,067	-	13,654,067	FS presentation reported in Accrued Interest, Taxes & Other Expenses
Deferred tax liability	9,083,617	-	9,083,617	FS presentation
Other Liabilities	63,916,739	64,600,645	(683,906)	FS presentation included the Special Time Deposit and Due to Treasury of the Philippines
<b>Total Liabilities</b>	<b>1,956,351,302</b>	<b>1,947,267,685</b>	<b>9,083,617</b>	<b>Net effect of adjustments</b>
Capital Stock	302,316,100	302,316,100	-	
Retained Earnings	124,392,376	126,907,930	(2,415,554)	See Adjusting entry 1, 2, 3
Cumulative remeasurement gains (losses)	(6,905,170)	(11,377,891)	4,472,721	See Adjusting entry 3
<b>Total Shareholders' Equity</b>	<b>419,803,306</b>	<b>417,746,139</b>	<b>2,057,167</b>	<b>Net effect of adjustments</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>2,376,154,608</b>	<b>2,365,013,824</b>	<b>11,140,784</b>	<b>Net effect of adjustments</b>
Total Gross Income	P 190,057,504	P 190,057,504	-	
Total Expenses	147,294,422	144,147,054	3,147,368	See Adjusting entry 3
<b>Net Income Before Tax</b>	<b>42,763,082</b>	<b>P 45,910,450</b>	<b>(3,147,368)</b>	<b>Net effect of adjustments</b>
Income Tax Expense (Benefit)	2,659,181	3,390,995	(731,814)	Net effect of adjustments
<b>Net Income After Tax</b>	<b>40,103,901</b>	<b>P 42,519,455</b>	<b>P (2,415,554)</b>	<b>Net effect of adjustments</b>

**RURAL BANK OF PORAC (PAMPANGA), INC.**  
**LIST OF ADJUSTING ENTRIES**  
**DECEMBER 31, 2023**

No.	Particulars	Debit	Credit
<b>Proposed Adjusting Journal Entry (PAJE)</b>			
1.	Income Tax Expense	786,510.00	
	Prepaid Income Tax		786,510.00
	<i>To adjust Income Tax Expense for the year</i>		
2.	Deferred Tax Assets	54,696.00	
	Income Tax Benefits		54,696.00
	<i>To record DTA on provision for credit losses</i>		
3.	Cumulative remeasurement gain on retirement benefit plans	4,472,721.00	
	Retirement Benefit Asset		1,325,353.00
	Retirement Expense		3,147,368.00
	<i>To record retirement asset based on PAS 19R for the year 2023.</i>		

## RURAL BANK OF PORAC

### NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

#### 1. CORPORATE INFORMATION

**Name of bank (The "BANK")** was incorporated on November 12, 1968 to engage in business of rural banking. Consequently, on December 11, 1968, it was granted authority by the Monetary Board to operate as a rural bank.

The registered principal office of the Bank is located at Priser Building Sto. Rosario St., Cor. Flora Ave., Barangay Sto. Rosario, Angeles City, Pampanga. It has twelve (12) branches located in the following areas:

1. Gen. Luna St., Cangatba, Porac, Pampanga
2. San Pedro I, Magalang, Pampanga
3. Rizal Avenue Extension, Angeles City
4. Plaza Luma, Arayat, Pampanga
5. San Antonio, Mexico, Pampanga
6. Emerald Business Center, McArthur Highway, Dolores, City of San Fernando, Pampanga
7. Lot 1 Block 2 Casmor Phase II, Mabiga, Mabalacat, Pampanga
8. Sta. Maria Cor. Rizal St., Poblacion, Floridablanca, Pampanga
9. Lot 2, Bayanihan Park, M.A. Roxas St., Malabanas, Angeles City
10. Plaridel St., Sto. Rosario, Angeles City
11. Benj-Arl Building, N. Dela Patria, L. Cortez St., Concepcion, Tarlac Pampanga
12. RHC Building, Hilario Cor. M.H. Del Pilar St. Ligtasan, Tarlac City

The Bank's Board of Directors are composed of eleven (11) members; One (1) of them is an independent director.

#### **Approval of Financial Statements**

The accompanying financial statements of the Bank for the year ended December 31, 2023 were authorized for issue by its Board of Directors on March 21, 2024.

#### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The significant accounting policies applied in the preparation of these financial statements are set out separately below or explained in the respective notes to these financial statements. These policies have been consistently applied to the periods presented, unless otherwise stated.

#### **Basis of Preparation**

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments, if any, that have been measured at fair value. The financial statements are presented in Philippine peso ("₱") and all values are rounded to the nearest peso except when otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 inputs are 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 are unobservable inputs for the asset or liability.

#### **Statement of Compliance**

The Bank's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) and relative laws, regulations and industry practices applicable to rural banks. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), Interpretations of the Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC)/International Financial Reporting Interpretations Committee (IFRIC) which have been approved and adopted by the Financial Reporting Standards Council (FRSC). and adopted by the SEC.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

#### **Going Concern Assumption**

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

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except that the Bank has adopted the following new accounting pronouncements beginning January 1, 2023. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated.

#### **New Standards, Amendments, and Interpretations Adopted**

##### Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies, the amendments change the requirements in PAS 1 with regard to the disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates that immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. Early application is permitted in applying amendments to PAS 1. The amendments are applied prospectively. The amendments to PFRS Practice Statement 2 do not contain an effective date or transition requirements.

- Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors —Definition of Accounting Estimates, the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error; and
  - The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies, the amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying PFRS 16 at the commencement date of a lease.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities.
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The adoption of the amended PFRS did not materially affect the financial statements of the Bank

#### **New and Amended PFRS Issued But Not Yet Effective**

Relevant new and amended PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the financial statements, are summarized below:

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current. The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement.
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

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

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation*, which provides a two year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

#### **Financial Instruments**

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

#### **Initial Recognition and Subsequent Measurement**

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after recognition, an expected credit allowance (ECL) is recognized for financial assets measured at amortized cost.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that used only data from observable markets, difference is recognized as a gain or loss.
- In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

#### **Financial Assets**

#### **Classification and Subsequent Measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)

#### Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Bank. The Bank measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- 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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.

The Bank's investments are under this category.

#### Impairment of Financial Assets

The bank recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivable and contract assets, the Bank applies a simplified approach in calculating ECLs. Therefore, the Bank does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime of ECLs at each reporting date. The Bank has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The bank considers a financial asset in default when contractual payments or when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about certain loss events, including, among others:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) it is probable that the borrower will enter bankruptcy or other financial reorganization;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties; or,
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank.

Considering that the Bank is regulated by the Bangko Sentral ng Pilipinas (BSP) which requires a distinct provisioning as well as default provision pursuant to Circular 855, 941 and 1011, then in case of conflict between the standard (PFRS) and special law (which is enacted by BSP such as MORB), then the latter will prevail.

The Bank recognizes impairment loss based on the category of financial assets as follows:

Carried at Amortized Cost – Loans and Receivables and Debt Securities Measured at Amortized Cost (formerly Held-to-Maturity Financial Assets)

For assets carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Bank includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivable or debt securities carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan or debt securities has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible subject to BSP guidelines, it may be written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management, the BOD and the BSP, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are presented as part of Other Income in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

When possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment Losses.

#### ***Derecognition of Financial Assets***

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower or of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

#### ***Financial Liabilities***

A financial liability is any liability that is:

- a. A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- b. A contract that will or may be settled in the entity's own equity instruments and is:
  - i. A non-derivative for which the entity is or may be obliged to deliver a favorable number of the entity's own equity instruments; or
  - ii. A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

#### ***Subsequent measurement***

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of the financial asset did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In subsequent period, the Bank recognizes any expense incurred on the financial liability, when continuing involvement approach applies.

#### ***Derecognition***

A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where 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 profit or loss.

#### ***Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Balance Sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there's an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amount in the balance sheet.

#### ***Financial Assets***

This category includes cash and cash equivalents, loans receivable, investments and portion of other assets pertaining to rental deposits.

#### ***Cash and Cash Equivalents***

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks that are highly liquid and readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and which are subject to insignificant risk of changes in value. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are valued at face amount. Cash denominated in foreign currency is translated in peso using the closing rate as of the financial date. If a bank or financial institution holding the funds of the Bank is in bankruptcy or financial difficulty, cash should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

#### ***Cash on Hand***

Cash on hand represents the total amount of cash in the bank's vault in the form of notes and coins under the custody of the cashier/cash custodian. This is measured at face value.

#### ***Due from Bangko Sentral ng Pilipinas***

This represents the balance of the deposit account in local currency maintained with the Bangko Sentral to meet reserve requirement subject to existing rules and regulations. This is measured at face value.

#### ***Due from Other Banks***

This represents the balance of the deposit accounts maintained with other resident banks. These are stated in the Statement of Financial Position at their face value. Income on interest bearing deposits are credited to and included in the determination of income in the Statement of Comprehensive Income.

#### ***Loans and Receivables***

Loans and receivable account include loans extended to clients classified as small and medium enterprise loan, real estate loans, other loans, micro finance loans, and agrarian reform and other agricultural loans. Loans and receivables are recognized when cash is advanced to borrowers. These are recognized initially at fair value plus transaction costs that are directly attributable to the receivable. These are subsequently measured at amortized costs using effective interest method less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included as "Interest Income" in the Statement of Comprehensive Income. The losses arising from impairment are recognized in profit or loss.

#### ***Restructured Loans***

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment period and the arrangement of new loan terms and conditions. Once the terms renegotiated have been finalized, the loan is classified as restructured loan. Management continuously reviews restructured loans to ensure that all criteria are met and the future payments are likely to occur. The loan is continuously subject to an individual or collective impairment assessment calculated using the loan's original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in "Provision for Impairment and Credit Losses" in the Statement of Income & Expenses.

#### ***Loans & Discounts***

Receivables from customers are stated at the outstanding balance reduced by an allowance for probable loan losses.

Interest income on non-discounted term loan is accrued monthly as earned, except in the case of non-accruing loans.

Unearned discounts are recognized as income over the period for which such discount has been collected using the effective interest method. In accordance with the existing BSP regulations no interest income is accrued on accounts classified as past due.

Under existing BSP regulations, non-accruing loans are those that have been defined as being past due and items in litigations, or those for which, in the opinion of management, collection of interest or principal is doubtful. Interest income on these loans is recognized only to the extent of amount collected. Loans are not classified as accruing until interest and/or principal due are collected and the loans are brought to current or are restructured in accordance with existing BSP regulations and future payments appear assured. Collaterals of restructured loans exceeding ₱ 1 million shall be revalued by an independent appraiser acceptable to BSP.

Sec. 304 of the Manual of Regulations for Banks (MORB) states that past due accounts of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at contractual due date.

Sec. 304 states that loans, investments, receivables or any financial asset shall be considered non performing even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, 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 90 days from contractual due date or accrued interest for more than 90 days have been capitalized, refinanced or delayed by agreement. Restructured loans shall be considered performing only, if prior to restructuring, the loans were categorized as performing. Non-performing loans and other receivables 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 6 months; or b) written off.

The allowance for credit losses is the estimated amount of losses in the Bank's portfolio, based on evaluation of the quality of loans and prior loan loss experience (Appendix 15 of the MORB). Any amount set aside with respect to losses on loans and advances in addition to those losses that have been specifically identified or potential losses are indicatively present in the portfolio of loans and advances, are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period. The allowance is increased by provisions charged to expense and reduced by reasonable write-offs and reversals as determined by the Bank.

The outstanding balance as of December 31, 2022 was tested for impairment. The result of the test is favorable since the allowance for probable losses booked by the Bank higher than the requirement of Attachment 3 of BSP Circular 1011 (Appendix 15 of MORB), "Guidelines for Adoption of PFRS 9".

#### Sales Contract Receivable

Sales Contract Receivable (SCR) shall be recorded based on the present value of the installments receivables discounted at the imputed rate of interest. Discount shall be accrued over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss at the date of sale in accordance with the provisions of PFRS 15 "Revenue". Provided, that SCR shall be subject to impairment provisions of PFRS 9.

SCRs that meet all the requirements or conditions enumerated below are considered performing assets

1. That there has been a down payment of at least twenty percent (20%) of the agreed selling price or in the absence thereof, the installment payments on the principal had already amounted to at least twenty percent (20%) of the agreed selling price;
2. That payment of the principal must be in equal installments or in diminishing amounts and with maximum intervals of one (1) year;
3. That any grace period in the payment of principal shall not be more than two (2) years and;

4. That there is no installment payment in arrear either on principal or interest: Provided, That an SCR account shall be automatically classified "Substandard" and considered non-performing in case of non-payment of any amortization due: Provided, further, That an SCR which has been classified "Substandard" and considered non-performing due to non-payment of any amortization due may only be upgraded restored to unclassified and/or performing status after a satisfactory track record of at least three (3) consecutive payments of the required amortization of principal and/or interest has been established

#### Debt Securities Measured at Amortized Cost (formerly Held-to-Maturity Financial Assets)

HTM Financial assets are renamed as 'Debt Securities at Amortized Cost' as required under Annex A of BSP Circular 1011. These are financial assets other than those that are designated at fair value through profit or loss, which meet both of the following conditions:

- 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 payment of principal and interest (SPPI) on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in accordance with PFRS 9 and BSP Circular 1011, as shown in Note 6. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

#### Premises, Furniture, Fixtures and Equipment's

The initial cost of premises, furniture, fixtures, and equipment except land, comprises its purchase price including import duties, borrowing costs (during the construction period), and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such asset when the recognition criteria are met and the estimated cost of dismantling and removing the asset and restoring the site. Land is stated at cost less any impairment value.

Expenditures incurred after the premises, furniture, fixtures, and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly determined 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 additional costs.

When major improvement is performed, its cost is recognized in the carrying amount of the premises, furniture, fixtures, and equipment as a replacement if the recognition criteria are satisfied.

For financial reporting purposes, depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

The useful lives and depreciation or amortization method are being reviewed by the Bank periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of premises, furniture, fixtures, and equipment. The residual value, if any, is also reviewed and adjusted if appropriate, at each balance sheet date.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. Land is not depreciated.

The estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment are as follows:

Buildings	10 - 20 years
Building and Leasehold Improvement	10 - 20 years
Transportation equipment	3 - 5 years
Furniture and fixtures	1 - 5 years
Information Technology Equipment	1 - 2 years

Fully depreciated assets are retained in the accounts at ₱ 1 net value until they are no longer in use and no further charge for depreciation is made with respect to those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any resulting

gain or loss are reflected in the income for the period. Any disposal or deletion of property and equipment from the Bank's book of accounts should be approved by the management.

#### Impairment of Premises, Furniture, Fixtures & Equipment

An assessment is made at the balance sheet date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists and when the carrying value of an asset exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risk specific to the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets or investments, the recoverable amount represents the net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against operations in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimate used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for premises, furniture, fixtures, and equipment) had no impairment loss been recognized for the asset in prior years. A reversal for impairment loss is credited to current operations.

#### Investment Properties

Investment Properties based on Section 382 of the MORB states that ROPA shall be booked initially at carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium or discount less allowance for credit losses computed based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PFRS 9 provisioning requirements) plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property). Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on the derecognition shall be recorded as gain on sale of investment properties in the Statement of Income in the year of disposal.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period when the costs are incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets of 10 years or shorter from the date of acquisition. Land is not depreciated.

However, under Sec.382c of the BSP MORB, land and building classified as Real and Other Properties Acquired (ROPA) shall be accounted for as Investment Properties under PAS 40.

#### Right-of-use Assets

The Bank recognizes right-of-use assets using prospective application for the remaining lease term (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at remaining cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The remaining cost of right-of-use assets includes the amount of lease liabilities recognized. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

	Years
Buildings and improvements	2 to 12

#### Intangible Assets

An intangible asset pertains to acquired information technology software capitalized on the basis of the cost incurred to acquire and bring to use the specific software. This asset is stated at historical cost less amortization. However, costs for licenses incurred for maintaining the software are charged to operations. Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets provided, they meet the following recognition requirements:

- Demonstration of technological feasibility of the prospective product for internal use or sale;
- The intangible asset will generate probable economic benefits through internal use or sale;
- Sufficient technical, financial and other resources are available for completion; and
- The intangible asset can be reliably measured.

Intangible assets are subject to impairment testing. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install specific software.

Amortization on other computer software is provided on a straight-line method over the estimated useful lives of 1 - 2 years.

#### Other Assets

Other assets represent residual accounts which were not classified as a separate line item in the Financial Reporting Package (FRP) - Manual of Accounts issued by the Bangko Sentral ng Pilipinas.

#### Impairment of Non-Financial Assets

The Bank assesses at each reporting date if there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and value in use. When the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 and time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognized in the Income Statement in the expense categories.

The assessment is made at each reporting date. 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 net of depreciation that would have been determined, had no impairment loss have been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. 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.

#### Financial Liabilities

Financial liabilities include deposit liabilities, bills payable and other accrued expenses and are recognized when the Bank becomes party to the contractual agreement of the instrument. Financial liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments. The following compose the financial liabilities of the Bank.

#### Deposit Liabilities

The deposit liability account includes savings, demand and term deposits. Savings and demand deposits are interest bearing or non-interest bearing and are withdrawable upon presentation of properly accomplished withdrawal slip, passbook and cheque. Term deposits refer to interest-bearing deposits with specific maturity dates and evidenced by certificate of deposit and passbook issued by the Bank.

#### Accrued Expenses and Other Liabilities

These refer to obligations already incurred by the Bank which are not yet paid as of the balance sheet date. These are normally measured at actual costs.



### Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available on balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

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

In those cases, where the possible outflow of economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence not recognized in the financial assets.

### Contingencies

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

### Revenue Recognition

The Bank primarily derives its revenue from interest income on loans. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods or services. The Bank assesses its revenue arrangements against specific criteria in order to determine whether it is acting as principal or as an agent. The Bank is acting principal in its revenue arrangements to its customers, revenue is recognized on a gross basis. However, if the Bank is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

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

#### Revenue within the scope of PFRS 15:

##### Loan Fees and Service Charges

Loan fees directly related to acquisition and origination of loans are included in the cost of receivables and are amortized using the effective interest rate method over the term of the loan. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower.

Service charges are recognized earned or accrued where there is reasonable degree as to its collectability

#### Revenue outside the scope of PFRS 15:

##### Interest Income

###### Interest on Loans

Interest Income on loans and discount with advanced interest are recognized periodically using the effective interest method of amortization. On the other hand, interest income on loans and discount with no advanced interest are recognized on accrual basis. The accrual basis of recognition of interest income, however, ceases when the loans and discount is already past due.

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

##### Interest Income on Bank deposits and Debt Securities measured at Amortized Cost

Interest on bank deposits and held-to-maturity financial assets are recognized using the accrual method.

##### Other Income

Other income arising from litigation, service charges, membership fee, rental income and others. Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

##### Lease Recognition

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### Lease liabilities

The Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses its incremental borrowing rate because the interest rate implicit in the lease is not readily determinable. After the initial recognition, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on lease liabilities) and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

##### Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### Employee Benefits

###### a. Short-term benefits

The Bank provides short term benefits to its employees in the form of salaries and wages, 13th month pay, contributions to SSS/PHIC/HDMF and other short term employee benefits and are presented as part of the operating expenses as compensation and fringe benefits -employees.

###### b. Retirement Benefits

Republic Act (RA) No. 7641 (New Retirement Law) which took effect on January 7, 1993 requires the Bank to provide minimum retirement benefit to qualified retiring employees. Minimum retirement benefit is equivalent to at least one-half month salary for every year of service. An employee upon reaching sixty years of age and who has served at least five years may retire and be entitled to retirement benefits. The compulsory retirement age is sixty-five (65) years of age.

###### c. Retirement Cost

The Bank has a contributory define benefit retirement plan. The retirement cost of the Bank is determined using the projected unit cost method. Under this method, the current service cost is the present value of retirement obligation in the future with respect to services rendered in the current year.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement 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 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 the 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 profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in Other Comprehensive Income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### **Income Taxes**

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### **Equity**

##### **Share Capital**

Share Capital is measured at par value for all shares issued and outstanding. When the Bank issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. The subscribed capital stock is reported in equity less the related subscription receivable not currently collectible. Capital stock consist of common shares.

Subscribed common stock is recognized at subscribed amount net of subscription receivable. Subscriptions receivable pertains to uncollected portion of subscribed stocks. The Bank accounted for the subscription receivable as a contra equity account.

##### **Retained Earning**

Retained earnings represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

##### **Dividends**

Cash dividends are recognized as liability and deducted from the equity when approved by the Board of Directors (BOD) while stock dividends are deducted from equity when approved by BOD and stockholders. Dividends for the year that are approved after the reporting date are dealt with as subsequent events. Stock issuance costs are accounted for as deduction from equity.

##### **Earnings per Share**

Earnings per share (EPS) is computed by dividing net income by the weighted average number of ordinary shares outstanding during the year with retroactive adjustments applicable, if any, to preference shares.

##### **Book Value per Share**

The book value per common share is derived from the total stockholders' equity net of dividends (for cumulative shares) divided by the total number of ordinary shares outstanding during the year.

##### **Related Party Relationships and 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. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

#### **Events after Reporting Date**

Post-year-end events up to the date of approval of the BOD of the financial statements that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed in the notes when material to the financial statements.

#### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Bank's financial statements in accordance with PFRS requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

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

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

##### **Judgments**

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

##### **a. Leases**

###### ***Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)***

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

###### ***Estimating the incremental borrowing rate***

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the stand-alone credit rating, or to reflect the terms and conditions of the lease).

###### ***Operating lease***

###### ***Bank as lessor***

The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined based on the evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option

is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased and so accounts for the contracts as operating leases.

**Bank as lessee**

The Bank has entered into leases on premises it uses for its operations. The Bank has determined, based on the evaluation of the terms and conditions of the lease agreements (i.e. the lease does not transfer ownership of the asset to the lessee by the end of the lease term and the lease term is not for the major part of the asset's economic life), that the lessor retains all significant risks and rewards of the ownership of these properties and so accounts for these contracts as operating leases.

**b. Classification of financial instruments**

The Bank exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either 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, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

**c. Determination of Functional currency**

PAS 21, the effects of Changes in Foreign Exchange Rates require management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- c.1. The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- c.2. The currency in which funds from financing activities are generated; and
- c.3. The currency in which receipts from operating activities are usually retained.

The Bank has determined that its functional currency is the Philippine Peso which is the currency of the primary environment in which the Bank operates.

**d. Recognition of Provision and Contingencies**

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are presented in the Notes to the Financial Statements.

**e. Classification of Acquired Properties and Fair Value Determination of Non-current Assets Held for Sale and Investment Property**

At initial recognition, the Bank determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

**Estimates**

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

**a. Determination of Fair Values of Financial Assets and Liabilities**

PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Bank utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would directly affect the Bank's statement of comprehensive income and statement of changes in equity.

**b. Allowance for Credit Losses**

The allowance for credit losses, which includes both specific and general loan loss reserve represents management's estimate of probable losses inherent in the portfolio, after considering the prevailing and

anticipated economic conditions, prior loss experience, estimated recoverable value based on fair market values of underlying collaterals and prospect of support from guarantors, subsequent collections and evaluations made by the BSP. The BSP observes certain criteria and guidelines in establishing specific loan loss reserves for classified loans and other risk assets a provided under Sec. 143 and Appendix 15 of the Manual of Regulations for Banks.

Individually assessed loans and other credit accommodations (which include other credits such as accounts receivables, sales contract receivables, accrued interest receivables and advances):

Loans and other credit accommodation with unpaid principal and/or interest is being classified and provided with allowance for credit losses (ACL) based on the number of days missed payments as follows:

For unsecured loans and credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
31 - 90 days	Substandard (Underperforming)	10%	2
91 - 120 days	Substandard (Non-Performing)	25%	3
121 - 180- days	Doubtful	50%	3
181 days and over	Loss	100%	3

For secured loans and other credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
31 - 90 days*	Substandard (Underperforming)	10%	2
91 - 180 days	Substandard (Non-Performing)	10%	3
181 - 365- days	Substandard (Non-Performing)	25%	3
Over 1 year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

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

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

Loans and other credit accommodations that exhibit the characteristics for classified account is being provided with allowance for credit losses as follows:

Classification	Minimum ACL	Stage
Especially Mentioned	5%	2
Substandard – Secured	10%	2 or 3*
Substandard – Unsecured	25%	2 or 3*
Doubtful	50%	3
Loss	100%	3

\*The stage depends on whether the accounts are classified as non-performing (Stage 3) or under performing (Stage 2).

Unsecured loans and other credit accommodations classified as "substandard" in the last two (2) internal credit reviews which have been continuously renewed or extended without reduction in principal and is not in process of collection, is downgraded to "doubtful" classification and provided with 50% allowance for credit losses.

Loans and other credit accommodations under litigation which have been classified as "pass" prior to litigation process is classified as 'substandard' and provided with 25% ACL.

Loans and other credit accommodations that were previously classified as "pass" but were subsequently restructured shall have a minimum classification of "especially mentioned" and provided with a 5% ACL, except for loans which are considered non-risk under existing laws, rules and regulations.

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

*Collectively Assessed Loans and Other Credit Accommodations* which includes microfinance loans, micro enterprises and small business loans and consumer loans such as salary loans, credit card receivables, auto loans, housing loans and other consumption loans, and other types of loan which fall below the Bank's materiality threshold for individual assessment:

Current "pass" loans and other credit accommodations is provided with ACL based on the number of days of missed payments as follows:

For unsecured loans and other credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
1-30 days	Especially Mentioned	2%	2
31-60 days/1 <sup>st</sup> restructuring	Substandard	25%	2 or 3
61-90 days	Doubtful	50%	3
91 days and over/ 2 <sup>nd</sup> restructuring	Loss	100%	3

For secured loans and other credit accommodations:

No. of Days Unpaid/With Missed Payments	Classification	Allowance for Credit Losses (ACL)		STAGE
		Other types of collateral	Secured by real estate	
31 - 90 days	Substandard (Underperforming)	10%	10%	2
91 - 120 days	Substandard (Non-performing)	25%	15%	3
121 - 360 days	Doubtful	50%	25%	3
361 days - 5 years	Loss	100%	50%	3
Over 5 years	Loss	100%	100%	3

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

For unclassified loans:	
Unclassified restructured loans	5% of the borrower's outstanding loan
Unclassified other than restructured	1% of the borrower's outstanding loan

Outstanding loans that were already subjected to specific provisioning were no longer included in the general loan loss provisioning as shown above.

#### Other Risk Assets

Other risk assets such as accounts receivable are also given allowance after considering the nature of the transaction and the degree of collectibles of the accounts.

Provisions for losses (expense account) on the above cited risk assets are determined by the required allowance at the end of the year less the beginning allowance for a particular year adjusted by write-off and recovery, if any.

#### c. Useful lives of Bank Premises, Furniture, Fixtures & Equipment

The useful lives of Bank Premises, Furniture, Fixtures and Equipment are estimated based on the period over which these assets are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment are reviewed periodically and are updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the Bank Premises, Furniture, Fixtures and Equipment. It is possible, however, that future financial performance could be materially affected by changes in the 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.

There were no changes in the estimated useful lives of Bank Premises, Furniture, Fixtures and Equipment.

#### d. Useful life of Depreciable Investment Property

The assumptions and estimates used by the Bank in the useful life of Investment Property are made to objectively determine the productivity or use of the assets. The BSP however in its Circular 494 provided that Investment Property -building and Investment Property -Other Non-Financial Assets specifically those that were accounted for as Investment Property under PAS 40 shall be depreciated only for a period of not more than 10 and 3 years respectively reckoning from the date of foreclosure. Thus, the lower between the estimate of the Bank and BSP regulation shall prevail.

#### e. Determination of Impairment of Non-financial Assets

An impairment review should be performed when certain impairment indicators are present. Determining the value in use of Bank Premises, Furniture, Fixtures and Equipment which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Bank to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Bank to conclude that Bank Premises, Furniture, Fixtures and Equipment are impaired.

Any resulting impairment loss could have a material adverse impact on the Bank's financial position and financial performance.

#### f. Recognition of Retirement Costs.

The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include among others, discount rates and salary rate increase. Actual results that differ from the assumptions generally affect the recognized expense and recorded obligation in such future periods. While the Bank believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

#### g. Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deferred tax assets can 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 income together with future tax planning strategies.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial instruments consist of cash and cash equivalents, receivables and payables which arise from operations, and long-term investments. The Bank's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Bank through a rigorous, comprehensive and continuous process of identification measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits, process controls and monitoring, and independent controls. The Bank has placed due importance to expanding and strengthening its risk management process and considers it as a vital component to the Bank's continuing profitability and financial stability. Central to the Bank's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate unavoidable risks and maximize returns from taking acceptable risks necessary to sustain its business validity and good financial position in the market.

The inherent risks which can arise from the Bank's financial instruments are credit risk, market risk (i. e. interest rate risk, currency risk and price risk) and liquidity risk. The Bank's risk management objective is primarily focused on controlling and mitigating these risks. The Board of Directors reviews and agrees on policies for managing each of these risks and are summarized as follows:

### Credit Risk

Credit risk is the risk of financial loss due to the other party's failure to discharge an obligation cited in a binding financial instrument. The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients and invests funds to issuers. The Bank manages the level of credit risks it accepts through comprehensive credit risk policy setting assessment and determination of what constitutes credit risk for the Bank; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Additionally, the tables below show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2023 and 2022:

2023				
	Loans and Receivables*	Due from BSP and Other Banks	Debt Securities Measured at Amortized Cost**	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	P51,227,857	P -	P -	P51,227,857
Agriculture, forestry and fishing	45,072,777	-	-	45,072,777
Financial institutions	-	256,066,670	-	256,066,670
Government	-	22,302,937	792,310,480	814,613,417
Education	1,718,890	-	-	1,718,890
Construction	12,731,300	-	-	12,731,299
Manufacturing	105,752,080	-	-	105,752,080
Household Consumption	32,121,855	-	-	32,121,855
Transportation and storage	13,455,905	-	-	13,455,905
Real estate activities	603,276,648	-	-	603,276,648
Accommodation and Food Services	208,138,177	-	-	208,138,177
Administrative and support service activities	-	-	-	P -
Electricity, gas, steam and air-conditioning supply	-	-	-	P -
Human health and social work activities	46,569,944	-	-	46,569,944
Mining and quarrying	6,247,166	-	-	6,247,166
Other service activities	24,849,071	-	-	24,849,071
<b>Total</b>	<b>P1,151,161,670</b>	<b>P278,369,607</b>	<b>P792,310,480</b>	<b>P2,221,841,757</b>

\* Amount is gross of ACL and net of unamortized discounts

\*\* Amount is gross of AIR but net of unamortized premium and discounts

2022				
	Loans and Receivables*	Due from BSP and Other Banks	Debt Securities Measured at Amortized Cost**	Total
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	P 72,746,883	P -	P -	P 72,746,883
Agriculture, forestry and fishing	48,036,948	-	-	48,036,948
Financial institutions	-	296,949,602	-	296,949,602
Government	-	44,270,607	657,050,275	701,320,882
Education	1,035,732	-	-	1,035,732
Construction	14,867,795	-	-	14,867,795
Manufacturing	116,276,844	-	-	116,276,844
Household Consumption	28,138,680	-	-	28,138,680
Transportation and storage	16,952,578	-	-	16,952,578
Real estate activities	604,924,206	-	-	604,924,206
Accommodation and Food Services	224,811,560	-	-	224,811,560
Administrative and support service activities	1,991,412	-	-	1,991,412
Electricity, gas, steam and air-conditioning supply	1,664,738	-	-	1,664,738
Human health and social work activities	64,576,980	-	-	64,576,980
Mining and quarrying	7,430,769	-	-	7,430,769
Other service activities	30,528,896	-	-	30,528,896
<b>Total</b>	<b>P1,233,984,021</b>	<b>P 341,220,209</b>	<b>P 657,050,275</b>	<b>P2,232,254,505</b>

\* Amount is gross of ACL and net of unamortized discounts

\*\* Amount is gross of AIR but net of unamortized premium and discounts

### Credit quality per class of financial assets

The tables below show the credit quality per class of financial assets as at December 31, 2023 and 2022:

2023					
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	P22,302,937	P -	P -	P -	P22,302,937
Due from other banks	256,066,670	-	-	-	256,066,670
Loans Receivable*	988,151,481	107,816,336	53,450,593	1,743,260	1,151,161,670
Sales Contract Receivable**	12,667,146	6,362,336	-	-	19,029,482
Other receivables:					
Accounts receivable**	3,517,394	-	-	-	3,517,394
Accrued Interest Receivable***	14,990,381	-	-	-	14,990,381
Debt Securities Measured at Amortized Cost****	785,283,231	-	-	-	785,283,231
<b>Total</b>	<b>2,082,979,240</b>	<b>P114,178,672</b>	<b>P53,450,593</b>	<b>P1,743,260</b>	<b>P2,252,351,765</b>

\* Amount is gross of ACL and net of unamortized discounts

\*\* Amount is net of ACL

\*\*\* Consists of accrued interest receivable from time deposit from other banks and net of ACL

\*\*\*\* Amount is net of unamortized premium and discounts

2022					
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	P 44,270,607	P -	P -	P -	P44,270,607
Due from other banks	296,949,602	-	-	-	296,949,602
Loans Receivable*	1,133,338,619	47,492,125	51,693,296	1,459,981	1,233,984,021
Sales Contract Receivable**	4,589,188	5,816,720	8,747,629	10,460,504	29,614,041
Other receivables:					
Accounts receivable**	2,323,974	-	-	-	2,323,974
Accrued Interest Receivable***	9,737,849	-	-	-	9,737,849
Debt Securities Measured at Amortized Cost****	653,473,381	-	-	-	653,473,381
<b>Total</b>	<b>P2,144,683,220</b>	<b>P53,308,845</b>	<b>P60,440,925</b>	<b>P11,920,485</b>	<b>2,270,353,475</b>

\* Amount is gross of ACL and net of unamortized discounts

\*\* Amount is net of ACL

\*\*\* Consists of accrued interest from time deposit from other bank

\*\*\*\* Amount is net of unamortized premium and discounts

### Aging analysis of past due but not impaired loans and receivables

The following tables show the total aggregate amount of loans and receivables that are contractually past due but not considered impaired per delinquency bucket as at December 31, 2023 and 2022.

2023					
at Amortized Cost	31 to 60 days	61 to 90 days	91 to 180 days	181 days and up	Total
Past Due Performing	P9,324,848	P1,649	P-	P-	P9,326,497
Past Due Non-Performing Items In Litigation	6,686,917	2,296,712	24,420,649	8,567,092	41,971,370
	-	-	-	1,660,108	1,660,108
<b>Total</b>	<b>P16,011,765</b>	<b>P2,298,361</b>	<b>P24,420,649</b>	<b>P10,227,200</b>	<b>P52,957,975</b>

2022					
at Amortized Cost	31 to 60 days	61 to 90 days	91 to 180 days	181 days and up	Total
Past Due Performing	P34,073,361	P52,000	P-	P-	P34,125,361
Past Due Non-Performing Items In Litigation	4,272,127	2,812,041	13,538,763	1,270,175	21,893,106
	-	-	-	1,428,892	1,428,892
<b>Total</b>	<b>P38,345,488</b>	<b>P2,864,041</b>	<b>P13,538,763</b>	<b>P2,699,067</b>	<b>P57,447,359</b>

### Market Risk

Market risk is the risk of loss that may result from the changes in price of a financial product. The value of a financial product may change as a result of changes in interest rates (currency risk) and market prices (price risk). Interest rate risk is the risk that the value of financial instrument will fluctuate because of changes in market interest rates, Currency risk on the other hand is the risk that the value of instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

### Interest rate risk

The Bank's loan receivables earn effective interest rates ranging from 5.875% to 28.00% and 5.75% to 24% for year 2023 and 2022, respectively. The Bank's interest rate on its deposit liabilities is 0.125% on its savings and demand accounts, and ranges from 0.25% to 5.00% on its time deposits.

However, the Bank earns 2.375% to 8.125% from its investment in bonds and treasury bills and ranging from 0.0625% to 6.25% on its savings and time deposits with other Banks.

### Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. It may result from either inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Bank monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Bank maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuations in cash flows and a balance between continuity of funding and flexibility through the use of short-term debt and advances from related parties and an arrangement for a stand-by credit line facilities with any reputable bank and in case of emergency. Interest rate and maturity matching analysis is used to quantify monitoring of liquidity position.

The tables below summarize the maturity profile based on contractual undiscounted cash flows of the Bank's financial liabilities and related financial assets used for liquidity purposes:

	2023					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
<b>Financial Liabilities</b>						
Deposit liabilities	P1,491,618,687	P67,061,636	P95,065,618	P207,956,758	P 5,067,960	P1,866,770,659
Other Liabilities:						
Accrued expenses*****	13,654,067	-	-	-	-	13,654,067
Accrued interest payable*****	2,242,314	-	-	-	-	2,242,314
Accounts payable	1,873,273	-	-	-	-	1,873,273
<b>Total Financial Liabilities</b>	<b>1,509,388,341</b>	<b>67,061,636</b>	<b>95,065,618</b>	<b>207,956,758</b>	<b>5,067,960</b>	<b>1,884,540,313</b>
<b>Financial Assets</b>						
Cash and other cash items	26,686,474	-	-	-	-	26,686,474
Due from BSP	22,302,937	-	-	-	-	22,302,937
Due from other banks	256,066,670	-	-	-	-	256,066,670
Loans and receivable*	360,773	453,682	4,472,975	29,041,097	1,091,417,077	1,125,745,604
Sales Contract Receivable**	514,224	147,480	-	1,202,876	15,217,557	17,082,137
Accounts receivable**	-	3,517,394	-	-	-	3,517,394
Accrued Interest Receivable***	14,990,381	-	-	-	-	14,990,381
Debt Securities Measured at Amortized Cost****	-	11,452,848	21,341,352	57,230,667	695,258,364	785,283,231
<b>Total Financial Assets</b>	<b>320,921,459</b>	<b>15,571,404</b>	<b>25,814,327</b>	<b>87,474,640</b>	<b>1,801,892,998</b>	<b>2,251,674,828</b>
<b>Liquidity Position (Gap)</b>	<b>P1,188,466,882</b>	<b>P51,490,232</b>	<b>P69,251,291</b>	<b>P120,482,118</b>	<b>P (1,796,825,038)</b>	<b>P (367,134,515)</b>

\* Amount is net of unamortized discount and net of (specific) ACL

\*\* Amount is gross of AIR but net of ACL

\*\*\* Amount includes AIR from Time Deposits from Other Banks and net of ACL

\*\*\*\* Amount is net of unamortized premium/discount

\*\*\*\*\* Amount is lumped into Accrued Interest, Taxes and Other Expenses Payable under the FRP

	2022					
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
<b>Financial Liabilities</b>						
Deposit liabilities	P1,492,493,818	P107,640,449	P107,787,005	P183,972,984	P 13,390,194	P1,905,284,450
Other Liabilities:						
Accrued expenses*****	13,517,496	-	-	-	-	13,517,496
Accrued interest payable*****	2,494,287	-	-	-	-	2,494,287
Accounts payable	1,564,880	-	-	-	-	1,564,880
<b>Total Financial Liabilities</b>	<b>1,510,070,481</b>	<b>107,640,449</b>	<b>107,787,005</b>	<b>183,972,984</b>	<b>13,390,194</b>	<b>1,922,861,113</b>
<b>Financial Assets</b>						
Cash and other cash items	20,826,548	-	-	-	-	20,826,548
Due from BSP	44,270,607	-	-	-	-	44,270,607
Due from other banks	296,949,602	-	-	-	-	296,949,602
Loans and receivable*	2,181,987	8,878,237	3,877,080	29,558,182	1,168,936,314	1,213,431,800
Sales Contract Receivable**	3,608,771	-	115,478	864,940	25,024,853	29,614,042
Accounts receivable**	-	2,323,974	-	-	-	2,323,974
Accrued Interest Receivable***	9,737,849	-	-	-	-	9,737,849
Debt Securities Measured at Amortized Cost****	31,682,778	72,829,896	40,930,995	120,559,001	387,470,711	653,473,381

Total Financial Assets	409,258,142	84,032,107	44,923,553	150,982,123	1,581,431,878	2,270,627,803
Liquidity Position (Gap)	P1,100,812,339	P23,608,342	P62,863,452	P32,990,861	P(1,568,041,684)	P (347,766,690)

\* Amount is net of unamortized discount and net of (specific) ACL

\*\* Amount is gross of AIR but net of ACL

\*\*\* Amount includes AIR from Time Deposits from Other Banks and net of ACL

\*\*\*\* Amount is net of unamortized premium/discount

\*\*\*\*\* Amount is lumped into Accrued Interest, Taxes and Other Expenses Payable under the FRP

### Operational Risks

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the Bank's involvement in financial instruments, personnel, technology and infrastructure and external factors other than market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. The Bank's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

### Minimum Liquidity Ratio (MLR)

Minimum Liquidity Ratio (MLR) for Stand-Alone TBs, RBs and Coop Banks. To promote short-term resilience to liquidity shocks, Banks shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. The prudential MLR requirement applies to all TBs, RBs and Coop Banks and QBs that are not subsidiaries of UBs/KBs.

A prudential MLR Minimum requirement of twenty percent (20%) shall apply to Banks on an ongoing basis absent a period of financial stress. The liquidity ratio is expressed as a percentage of a Bank's eligible stock of liquid assets to its total qualifying liabilities in accordance with MORB Section 145.

Minimum Liquidity Ratio (MLR) as of December 31, 2023

### PART 1. MINIMUM LIQUIDITY RATIO (MLR)

A. Stock of Liquid Assets	<b>P1,033,629,313</b>
B. Qualifying Liabilities	<b>1,572,189,842</b>
Minimum Liquidity Ratio	<b>65.74%</b>

### PART II. STOCK OF LIQUID ASSETS

Cash on Hand	26,686,474
Bank Reserves in the BSP	22,302,937
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP	728,573,231
Deposits in Other Banks	256,066,670
	<b>1,033,629,313</b>

### PART III. QUALIFYING LIABILITIES

<b>A. Qualifying Liabilities</b>		
1. Retail current and regular savings deposits with outstanding balance per account of P500,000 and below (50%)	741,014,784	370,507,392
2. Obligations arising from operational expenses	13,654,067	
3. Total on Balance Sheet Liabilities	1,956,351,302	
4. Deduct: Sum of A1 to A2	754,668,851	
<b>B. Other on-balance sheet liabilities (Item A.3 less A.4)</b>		<b>1,201,682,450</b>
<b>C. Irrevocable obligations under off-balance sheet items</b>		
<b>D. Total (Sum of Adjusted Amount of Item A(1), A(2), B and C)</b>		<b>P1,572,189,842</b>

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	2023	2022
<b>6.1. Cash and Other Cash items</b>		
Cash on Hand and in Vault	<b>₱26,686,474</b>	₱20,826,548
Cash and Other Cash Items	-	-
Total cash and other cash items	<b>26,686,474</b>	₱20,826,548
<b>6.2. Due from BSP and other Banks</b>		
Due from Bangko Sentral ng Pilipinas	<b>22,302,937</b>	₱44,270,607
Due from Other Banks	<b>256,066,670</b>	296,949,602
Total due from BSP and other banks	<b>278,369,607</b>	₱341,220,209
<b>Total Cash and Cash Equivalent</b>	<b>₱305,056,081</b>	₱362,046,757

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Checks and other cash items include cash items (other than currency and coins on hand) such as checks drawn on the other banks or other branches after the Bank's clearing cut-off time until the close of the regular banking hours. For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

The balance of Due from BSP account serves as the Bank's reserve for its deposit liabilities. Under the Manual of Regulations for Banks, a Bank is required to maintain its reserve requirements for its deposit liabilities in the form of deposits with the BSP. Section 252 of MORB further provides that such deposit account with the BSP is not considered as a regular current account. Drawings against such deposits shall be limited to: (a) settlement of obligations with the BSP; and, (b) withdrawals to meet cash requirements.

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its operating funds. Breakdown of this account follows:

Name of Banks	2023	%	2022	%
Asia United Bank	<b>₱ 86,387,310</b>	<b>33.74%</b>	₱104,834,531	35.30%
Banco De Oro	<b>92,790,221</b>	<b>36.24%</b>	38,606,275	13.00%
Bank of Commerce	<b>2,898,777</b>	<b>1.13%</b>	32,538,778	10.96%
Bank of the Philippine Island	<b>5,271,140</b>	<b>2.06%</b>	4,552,883	1.53%
Chinabank	<b>31,695,063</b>	<b>12.38%</b>	40,782,224	13.73%
Development Bank of the Philippines	<b>165,384</b>	<b>0.06%</b>	519,995	0.18%
Eastwest Bank	<b>2,368,875</b>	<b>0.93%</b>	6,452,848	2.17%
Landbank of the Philippines	<b>5,248,596</b>	<b>2.05%</b>	15,599,730	5.25%
Maybank	<b>2,803,984</b>	<b>1.10%</b>	295,431	0.10%
Metrobank	<b>437,400</b>	<b>0.17%</b>	468,510	0.16%
Philippine National Bank	<b>721,993</b>	<b>0.28%</b>	6,811,771	2.29%
Rural Bank of Angeles	-	<b>0.00%</b>	10,381,985	3.50%
Rizal Commercial Banking Corporation	<b>3,308,870</b>	<b>1.29%</b>	3,111,128	1.05%
Security Bank	<b>210,486</b>	<b>0.08%</b>	21,575	0.01%
Unionbank	<b>1,083,700</b>	<b>0.42%</b>	4,215,983	1.42%
United Coconut Planters Bank	<b>20,674,871</b>	<b>8.07%</b>	27,755,955	9.35%
<b>Total</b>	<b>₱ 256,066,670</b>	<b>100%</b>	₱296,949,602	100.00%

Under Sec.362g of the Manual of Regulations for Banks, loans and other credit accommodations as well as deposits and usual guarantees by a bank to any other bank whether locally or abroad shall be subject to the Single Borrower's Limit of 25% of the Net worth as herein prescribed or ₱100 Million whichever is higher. Provided that the lending bank shall exercise proper due diligence in selecting a depository bank and shall formulate appropriate policies to address the corresponding risks involved in the transactions.

As of December 31, 2023, the Bank's SBL was registered at ₱ 104,436,534 on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for clearing operation.

As of December 31, 2023 and 2022, none of the Banks has exceeded the prescribed limit or ₱ 100 million under Circular No. 734 Series of 2011.

Cash in bank represents current account in local bank, savings account, and time deposits. They earn interests ranging from 0.0625% to 6.25 and 0.0625 to 5.5% for years 2023 and 2022, respectively.

Interest income from bank accounts and short-term cash deposits amounted ₱ 5,734,701 and ₱ 621,686 for 2023 and 2022 respectively.

The Bank reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

The Bank holds no cash and cash equivalents in 2023 and 2022 which are not available for use by Bank.

## 7. DEBT SECURITIES MEASURED AT AMORTIZED COST

This account is consisting of:

	2023	2022
Book Value	<b>₱781,055,111</b>	₱655,391,531
Add: Unamortized Premium	<b>9,163,565</b>	3,077,933
Accrued Interest Receivable	<b>7,027,249</b>	3,576,894
Total	<b>797,245,925</b>	662,046,358
Less: Unamortized Discount	<b>(4,935,445)</b>	4,996,083
<b>Total</b>	<b>₱792,310,480</b>	₱657,050,275

This account consists of Treasury Bills, Treasury Bonds, and Treasury Notes. Treasury bills have maturities of a year or less. Treasury notes are issued with maturities from two to ten years. Treasury bonds are long-term investments that have maturities of 10 to 30 years from their issue date.

Debt Securities Measured at Amortized Cost earn interest ranging from 2.375% to 8.125% in 2023, and 2.375% to 6.350% for 2022. The interest income on these accounts amounted to ₱31,938,425 and ₱30,433,473 for 2023 and 2022, respectively.

## 8. LOANS AND RECEIVABLES

The loan receivables are stated at outstanding balances, net of estimated allowance for credit losses and unearned income/discounts, broken down as follows:

	2023	%	2022	%
Current Loans	<b>₱994,011,927</b>	<b>85.85%</b>	₱1,139,680,002	91.85%
Past Due Loans – Performing	<b>108,316,482</b>	<b>9.35%</b>	47,768,488	3.85%
Past Due Loans - Non-Performing	<b>53,772,270</b>	<b>4.64%</b>	51,850,582	4.18%
Items in Litigation	<b>1,751,610</b>	<b>0.15%</b>	1,463,671	0.12%
Total	<b>1,157,852,288</b>	<b>100.00%</b>	1,240,762,743	100.00%
Less: Unearned Income and Discounts	<b>6,690,618</b>		6,778,721	
Total, net of discount	<b>1,151,161,670</b>		1,233,984,022	
Less: Allowance for Credit Losses				
Specific	<b>25,416,066</b>		20,552,220	
General	<b>36,348,345</b>		43,528,813	
Total, net of allowances for credit losses	<b>₱1,089,397,259</b>		₱1,169,902,989	
Add: Accrued Interest Receivable, net	<b>6,262,238</b>		5,790,000	
Sales contract receivable, net (Note 8.1)	<b>17,151,715</b>		29,740,319	
<b>Total Loans and Receivables, net</b>	<b>₱1,112,811,212</b>		₱1,205,433,308	

The Bank's loan accounts are stated at the outstanding balance, reduced by estimated allowance for credit losses and unearned interest and discounts. These receivables can be received either by cash or check payments.

Loans and receivables earn interest income at interest rates ranging 5.875 to 28% and 5.75% to 24% in 2023 & 2022, respectively. Total earned interest amounts to ₱131,774,443 and ₱109,736,172 for 2023 and 2022, respectively.

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

The total allowance for credit losses of ₱61,764,410 are composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the BSP Memorandum Circular 1011.

The Bank has in place a reliable credit classification system to promptly identify deteriorating credit exposures and determine appropriate allowance for credit losses. Classification can be done on the basis of internal credit risk rating system, including payment delinquency status. All credit classifications, not only those reflecting severe credit deterioration, are considered in determining the appropriate allowance for credit losses.

The provisioning requirements required by the guidelines are deemed the minimum requirements. Depending on how management evaluates or assesses the collectability prospect on each account, the Bank has the option to be more aggressive in their provisioning, particularly on the Bank's clan loans and those not covered by proven methodology. A stricter provisioning policy may be adopted considering the unsecured nature of these accounts and the higher risk of loss.

Loan accounts and other credit accommodations are classified in accordance with the guidelines in the classification of credits as prescribed under Appendix 15 of the MORB as the minimum criteria and in accordance with the Bank's own set of standards for loan classification using the BSP loan classification criteria as the minimum.

The bank implemented an independent and objective credit review process to determine that credits are granted in accordance with the bank's policies; assess the overall assets quality, including appropriateness of classification and adequacy of loan-loss provisioning; determine trends; and identify problems (e.g. risk concentration, process risk mitigation, deficiencies in credit administration and monitoring). The audit unit may at its discretion assign a different classification to a particular loan account, when certain important and reasonably specific factor(s)/ information not captured by the classification criteria, work to the advantage and strengthening of the asset, or vice versa. Provided, further, that, the bank may utilize an internal credit risk rating system for its loan account classification system as the basis for its regular setting up of appropriate level of allowance for probable losses.

In the course of the credit review, loan accounts are classified for the following purpose:

- Highlight problem credits for attention and action at appropriate levels. o Categorize problem credits according to severity of actual and/or potential risk of loss;
- Initiate monitoring reports on a periodic basis to assure development of appropriate and ensure adequacy of reserve provisioning.

The Bank employed an appropriate sampling methodology to determine the scope of the credit review. At a minimum, credit review shall be conducted on all individual obligors with substantial exposures, and on a consolidated group basis to factor in the business connections among related entities in a borrowing group. Moreover, the audit team as part of its scheduled plan of activities will be task to perform this review vis-à-vis the recommendations for further upgrading/downgrading of loan accounts for loan-loss provisioning purposes. Meanwhile, the accounts that will be shortlisted more than once in the sample to be selected should be place/counted only in one of the reviews as may be deemed by the audit team.

In compliance with the regulations of the BSP, the Bank strictly adheres to the setting up of the valuation allowance for risk assets based on Circular 1011 and Appendix 15 of the MORB. The Bank reviews the quality of its loan portfolio and prepares a quantitative classification of its risk assets including loans.

## 8.1 SALES CONTRACT RECEIVABLE

This account consists of:

	2023	2022
Performing	₱12,667,146	₱21,969,540
Non- performing	6,362,336	10,381,187
Total	19,029,482	32,350,727
Add: Accrued Interest Receivable	69,578	126,277
Total	19,099,060	32,477,004
Less: Allowance for Credit Losses	1,947,345	2,736,685
<b>Sales Contract Receivable-net</b>	<b>₱17,151,715</b>	<b>₱29,740,319</b>



**9. Bank Premises, Furniture, Fixtures and Equipment**

This account consists of:

	Land	Building	Building Improvement	Furniture, Fixtures and Equipment	IT equipment	Transportation Equipment	Leasehold Improvement	Total
<b>December 31, 2023</b>								
Cost	₱ 26,701,902	₱ 25,208,778	₱ 6,737,886	₱ 47,746,390	₱ 11,220,940	₱ 10,965,529	₱ 27,564,649	₱ 156,146,074
Accumulated Depreciation and Amortization	-	14,947,605	4,967,296	45,176,754	10,586,493	9,699,906	23,063,447	108,441,501
<b>Net carrying amount</b>	<b>26,701,902</b>	<b>10,261,173</b>	<b>1,770,590</b>	<b>2,569,636</b>	<b>634,447</b>	<b>1,265,623</b>	<b>4,501,202</b>	<b>47,704,573</b>
<b>December 31, 2022</b>								
Cost	14,429,929	25,208,778	6,687,886	46,324,940	10,838,445	10,602,129	26,779,649	140,871,756
Accumulated Depreciation and Amortization	-	14,215,698	4,627,060	42,310,144	10,083,930	8,399,011	21,334,939	100,970,782
<b>Net carrying amount</b>	<b>₱ 14,429,929</b>	<b>₱ 10,993,080</b>	<b>₱ 2,060,826</b>	<b>₱ 4,014,796</b>	<b>₱ 754,515</b>	<b>₱ 2,203,118</b>	<b>₱ 5,444,710</b>	<b>₱ 39,900,974</b>

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2023 and 2022 is shown below:

	Land	Building	Building Improvement	Furniture, Fixtures and Equipment	IT equipment	Transportation Equipment	Leasehold Improvement	Total
<b>Cost</b>								
Balance at beginning of year	₱14,429,929	₱25,208,778	₱6,687,886	₱46,324,940	₱10,838,445	₱10,602,129	₱26,779,649	₱140,871,756
Additions	12,271,973	-	50,000	1,421,450	382,495	363,400	785,000	15,274,318
<b>Balance at end of year</b>	<b>26,701,902</b>	<b>25,208,778</b>	<b>6,737,886</b>	<b>47,746,390</b>	<b>11,220,940</b>	<b>10,965,529</b>	<b>27,564,649</b>	<b>156,146,074</b>
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	-	14,215,698	4,627,060	42,310,144	10,083,930	8,399,011	21,334,939	100,970,782
Depreciation and amortization	-	731,907	340,236	2,879,946	502,563	1,300,895	1,728,508	7,484,055
Adjustment	-	-	-	(13,336)	-	-	-	(13,336)
<b>Balance at end of year</b>	<b>-</b>	<b>14,947,605</b>	<b>4,967,296</b>	<b>45,176,754</b>	<b>10,586,493</b>	<b>9,699,906</b>	<b>23,063,447</b>	<b>108,441,501</b>
<b>Net Book Value</b>	<b>₱26,701,902</b>	<b>₱10,261,173</b>	<b>₱1,770,590</b>	<b>₱2,569,636</b>	<b>₱634,447</b>	<b>₱1,265,623</b>	<b>₱4,501,202</b>	<b>₱47,704,573</b>

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	Land	Building	Building Improvement	Furniture, Fixtures and Equipment	IT equipment	Transportation Equipment	Leasehold Improvement	Total
<b>Cost</b>								
Balance at beginning of year	₱14,429,929	₱25,208,778	₱6,687,886	₱45,266,519	9,367,485	10,015,629	26,757,163	137,733,389
Additions	-	-	-	1,058,421	1,470,960	586,500	-	3,115,881
Reclassification	-	-	-	-	-	-	22,486	22,486
<b>Balance at end of year</b>	<b>14,429,929</b>	<b>25,208,778</b>	<b>6,687,886</b>	<b>46,324,940</b>	<b>10,838,445</b>	<b>10,602,129</b>	<b>26,779,649</b>	<b>140,871,756</b>
<b>Accumulated Depreciation and Amortization</b>								
Balance at beginning of year	-	13,452,938	4,265,693	38,735,522	8,439,864	7,256,372	19,151,694	91,302,084
Additions	-	704,110	361,367	3,548,740	1,725,194	1,056,095	2,160,758	9,556,264
Adjustments	-	58,650	-	25,882	(81,128)	86,544	22,487	112,434
<b>Balance at end of year</b>	<b>14,429,929</b>	<b>14,215,698</b>	<b>4,627,060</b>	<b>42,310,144</b>	<b>10,083,930</b>	<b>8,399,011</b>	<b>21,334,939</b>	<b>100,970,782</b>
<b>Net Book Value</b>	<b>₱14,429,929</b>	<b>₱10,993,080</b>	<b>₱2,060,826</b>	<b>₱4,014,796</b>	<b>₱754,515</b>	<b>2,203,118</b>	<b>₱5,444,710</b>	<b>₱39,900,974</b>

Depreciation of these accounts amounting to ₱7,484,055 and ₱9,556,261 in 2023 and 2022, respectively, are shown as separate components of operating expenses in the Statements of Comprehensive Income.

No additions to property and equipment during the year are treated as non-cash transactions for cash flows.

The value of the Bank premises, furniture, fixtures and equipment of ₱47,704,573 net of accumulated depreciation, as of December 31, 2023 is 11.42% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Section 109).

The Bank, after due consideration of the assessment of its impairment, believes that there are no indications that the property and equipment as of December 31, 2023 and 2022 are impaired or its carrying amount cannot be recovered.

## 10. INVESTMENT PROPERTY

This account is consisting of real estate properties acquired by the Bank in settlement of loans which were recognized as ROPA and accounted for as investment properties to conform with PAS 40. Under Sec. 394.2, ROPA shall be booked initially at the carrying amount of the loan (i.e., outstanding loan balance adjusted for any unamortized premium or discount less allowance for credit losses computed based on PAS 39 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PAS 39 provisioning requirements) plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property).

This account consists of:

	2023	2022
Land	₱15,247,131	₱20,771,744
Building	19,898,021	19,709,241
Total	35,145,151	40,480,985
Less: Accumulated Depreciation	5,189,484	4,200,151
Net Amount	29,955,667	36,280,834
Less: Allowance for Credit Losses	9	9
<b>Net Carrying Amount</b>	<b>₱29,955,658</b>	<b>₱36,280,825</b>

A reconciliation of the carrying amounts of the Bank's investment property at the beginning and end of 2023 and 2022 is shown in below:

	2023	2022
Balance at beginning of year net of accumulated depreciation and Impairment loss	₱36,280,825	₱43,957,856
Additions	3,799,853	11,014,821
Disposal	(11,118,637)	(17,236,292)
Depreciation	(1,911,121)	(1,892,274)
Impairment Losses	-	-
Other Adjustments	2,904,738	436,714
Balance at end of year net of accumulated depreciation and Impairment loss	<b>₱29,955,658</b>	<b>₱36,280,825</b>

As of December 31, 2023 and 2022, no amount of investment property was used as collateral for liabilities.

Additions to investment property during the year are through transfer of loans receivables to ROPA account.

## 11. RIGHT OF USE ASSETS

The Bank is currently leasing its building premises. With the exception of short-term leases and leases of low-value underlying assets, the lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company recorded ROU assets in relation to the leases in line with the adoption of PFRS 16.

As at December 31, 2023 and 2022, the movements of right-of-use assets follow:

	Building
<b>Cost</b>	
At January 1, 2022	₱79,867,058
Additions	-
At December 31, 2022	₱79,867,058
Deductions	(3,074,859)
At December 31, 2023	<b>₱76,792,199</b>
<b>Depreciation</b>	
At January 1, 2022	₱15,627,551
Depreciation	9,231,528
At December 31, 2022	24,859,079

Depreciation	7,088,361
Disposals	(3,074,859)
At December 31, 2023	<b>₱28,872,581</b>

## Net Book Value

December 31, 2022	₱55,007,979
December 31, 2023	<b>₱47,919,618</b>

## 12. OTHER ASSETS

This account consists of:

	2023	2022
<b>Financial Assets</b>		
Accounts Receivables	₱4,170,135	₱ 2,976,715
Accrued Interest Receivable	1,631,316	244,679
<b>Non-Financial Assets</b>		
Prepaid Expense	2,061,026	2,176,782
Prepaid Income Tax	167,398	
PLDT 350 Shares	3,500	3,500
Petty Cash Fund	79,000	79,000
Stationery and Supplies on Hand	1,630,472	1,351,124
Total	9,742,846	6,831,800
Less: Allowance for Credit Losses	652,741	652,741
<b>Net Other Assets</b>	<b>₱9,090,106</b>	<b>₱ 6,179,059</b>

The Accounts Receivable represents various advances and payments made by the Bank of various expenses and/or transactions and were charged to the respective accounts of the beneficiaries' subject to liquidation. Prepaid Expenses are future expenses that have been paid in advance.

## 13. DEPOSIT LIABILITIES

This account consists of:

	2023	%	2022	%
Savings Deposit	₱1,219,261,031	65.31%	₱1,167,325,302	61.27%
Special Savings/Time Deposit	387,081,651	20.74%	480,663,295	25.23%
Demand Deposit	260,427,977	13.95%	257,295,853	13.50%
<b>Total Deposit Liabilities</b>	<b>₱1,866,770,659</b>	<b>100.00%</b>	<b>₱1,905,284,450</b>	<b>100.00%</b>

Savings Deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time. The total deposits for the year decreased by ₱ 38,513,791 or 2.02% over the figures of 2022.

On June 23, 2023, the Monetary Board in its Resolution No. 727 or Circular No. 1175 Series of 2023, approved the lowering the RR of universal banks ("UBs") and commercial banks ("KBs") from 12% to 9.5%, digital banks from 8.0% to 6.0%, thrift banks from 3.0% to 2.0%, and rural and cooperative banks from 2.0% to 1.0%. The required reserve as of December 31, 2023 amounted to ₱ 18,667,707 or 1% of the total deposit liabilities. This amount is in the form of deposit with Bangko Sentral ng Pilipinas which has a balance of ₱ 22,302,937 as at December 31, 2023 which is higher than the required reserves for rural banks.

For the years 2023 and 2022, savings and demand deposit carries an interest rate of 0.125%. The bank's special savings deposit carries interest rate ranging from 0.25% to 5.00% for the years 2023 and 2022.

Interest expense on deposit liabilities charged to profit or loss in 2023 and 2022 amounted to ₱8,209,501 and ₱8,836,116 respectively.

#### 14. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

	2023	2022
Accrued Interest Payable	₱2,242,314	₱2,494,287
Accrued Other Expenses Payable	13,654,067	13,517,496
<b>Total</b>	<b>₱15,896,381</b>	<b>₱16,011,783</b>

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31, 2023 but subsequently paid in the next accounting period. Accrued other expenses payable are year-end expenses payable on the following year.

#### 15. OTHER LIABILITIES

This account consists of:

	2023	2022
Accounts Payable	₱1,873,272	₱1,564,880
Premium Payable	439,870	445,357
Withholding Taxes Payable	328,108	352,600
Special Guarantee Fund	19,976	19,976
Due to Treasurer of the Philippines	663,930	273,953
Lease Liability	61,275,488	66,309,971
<b>Total</b>	<b>₱64,600,644</b>	<b>₱68,966,737</b>

The above liabilities are settled either by cash or check payments. As at December 31, 2023 and 2022, no amount of assets was used as collateral, security or guarantee for the above liabilities.

Accounts Payable represents various liabilities incurred by the Bank for its own account and the third parties arising from short term indebtedness/obligations still outstanding at the cut-off/ reporting date.

Withholding taxes payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is obliged to withhold as a withholding agent of the government.

SSS, Medicare and Pag-ibig Contribution are employees' contribution which are to be remitted by the Bank on January 2024.

Due to Treasurer of the Philippines are deposit account balances which are dormant for ten years or longer which are due for transfer to the Treasurer of the Philippines due to absence of claimant.

#### 16. EQUITY

##### Share Capital

##### Ordinary Shares

The ordinary shareholders of the bank are given less priority as to assets liquidation compared to outside creditors and preferred shareholders. Ordinary shares are given equal rights and preference as among ordinary shareholders. The availability of dividends shall be determined by the net income after deducting any restriction for reserve requirements and preferred dividends, if any.

Authorized ordinary share capital as of December 31, 2023 amounted to ₱350,000,000 or 3,500,000 shares with a par value of ₱100 each. Total subscribed ordinary shares amounted to ₱302,216,100 and paid-up ordinary shares amounted to ₱302,216,100 as of December 31, 2023.

Under BSP Circular No. 1151: Amendments to the Minimum Capitalization of Rural Banks, Rural Banks with head office and up to ten branches regardless of location are required to comply with the minimum capital of ₱200 Million within five (5) years. A capital build up program is also required to be submitted to the BSP within

six (6) months from date of the circulars effectively. As of December 31, 2023, the Bank is compliant with the minimum capital requirement.

The reconciliation of ordinary shares outstanding during the period is as follows:

	2023		2022	
	Shares	Amount	Shares	Amount
<b>Share Capital – ₱100 par value, 3,500,000 authorized shares</b>				
Ordinary Shares at the beginning of the year	2,519,305	₱251,930,500	2,519,305	₱251,930,500
Issuance of shares of stocks from settlement of subscriptions receivable	508,356	50,835,600	-	-
Ordinary Shares at the end of the year	3,023,161	₱302,316,100	2,519,305	₱251,930,500
Subscribed	-	-	-	-
Subscription receivable	-	-	-	-
	<b>3,023,161</b>	<b>₱302,316,100</b>	<b>2,519,305</b>	<b>₱251,930,500</b>

The reconciliation of surplus during the period is as follows:

##### Retained Earnings - Free

	2023	2022
Balance, Beginning	₱138,956,872	₱104,218,328
Net Income (Loss)	42,519,455	43,584,736
Provision and Adjustments	(2,486,923)	(28,624)
Dividends Declared	(59,203,668)	(8,817,568)
<b>Balance, Ending</b>	<b>₱119,785,736</b>	<b>₱138,956,872</b>

##### Retained Earnings – Reserve for healthcare fund

	2023	2022
Balance, Beginning	₱7,022,194	₱7,022,194
Transfer from/(to)	-	-
<b>Balance, Ending</b>	<b>₱7,022,194</b>	<b>₱7,022,194</b>

##### Capital Management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. The Bank maintains sufficient capital necessary to support its primary purpose and/or undertakings which it has initiated and promoted. The Bank management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Bank's business operations of unanticipated events created by consumer behavior or capital market conditions.

The Bank manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

##### Regulatory Qualifying Capital

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) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects.

Under Section 127 of the MORB, as amended by Circular No. 1079 dated March 2020, the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks are in Appendix 62 of the MORB.

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The CAR of the Bank as at December 31, 2023 and 2022, as adjusted, is shown in the table below:

	2023	2022
Tier 1 capital	<b>₱425,681,450</b>	₱394,521,682
CET 1 capital	<b>425,681,450</b>	394,521,682
Tier 2 capital	<b>15,131,287</b>	16,618,851
<b>Total qualifying capital</b>	<b>₱440,812,737</b>	₱411,140,533
<b>Risk weighted assets</b>	<b>₱1,698,217,222</b>	₱1,827,075,790
Tier 1 capital ratio	<b>25.07%</b>	21.59%
CET 1 capital ratio	<b>25.07%</b>	21.59%
Tier 2 capital ratio	<b>0.89%</b>	0.91%
<b>Total CAR</b>	<b>25.96%</b>	22.50%

The Bank's Total Qualifying Capital as at December 31, 2023 and 2022 was computed as follows:

	2023	2022
<b>A. Calculation of Qualifying Capital</b>		
<b>A.1 Tier 1 Capital</b>		
Core Tier 1 Capital		
Paid-Up Capital - Ordinary	<b>₱302,316,100</b>	₱251,930,500
Retained Earnings	<b>126,807,930</b>	145,979,067
Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	<b>(3,442,580)</b>	(3,387,885)
<b>Total Tier 1 Capital</b>	<b>₱425,681,450</b>	394,521,682
<b>A.2 Tier 2 Capital</b>		
General Loan Loss Provisions, net	<b>15,131,287</b>	16,618,851
<b>Total Upper Tier 2 Capital</b>	<b>15,131,287</b>	16,618,851
<b>TOTAL QUALIFYING CAPITAL</b>	<b>₱440,812,737</b>	₱411,140,533

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios adopted by the BSP in supervising the Bank.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments. As at December 31, 2023 and 2022, the Bank was in compliance with CAR requirement.

## 17. OTHER INCOME

This account consists of:

	2023	2022
Fees and Commission Income	<b>₱11,807,418</b>	₱9,783,596
Gains on sale of ROPA	<b>9,126,363</b>	44,570,571
Gain (Loss) on Sale - Investment in HTM - Government Securities	<b>(936,123)</b>	
Recovery on charged off assets	-	1,019,999
Miscellaneous income	<b>612,277</b>	1,176,375
<b>Total</b>	<b>₱20,609,936</b>	₱56,550,541

## 18. COMPENSATION AND BENEFITS

This account consists of:

	2023	2022
Salaries and Wages	<b>₱38,129,276</b>	₱35,482,857
Staff Benefits	<b>13,803,498</b>	14,016,721
Director's Fee	<b>2,880,000</b>	2,773,333
SSS, PhilHealth and Employees Compensation Premium and PAGIBIG Fund Contribution	<b>5,552,908</b>	3,736,716
Medical, Dental, and Hospitalization	<b>1,877,095</b>	679,252
Contribution to Retirement Fund	<b>658,754</b>	1,069,634
<b>Total</b>	<b>₱62,901,530</b>	₱57,758,513

## 19. RETIREMENT BENEFITS

The Bank provides contributory defined benefit pension plans for all employees that is qualified for retirement. Provisions for pension obligations are established for benefits payable in the form of retirement pensions and the employees do contributes in the Bank's retirement fund but will be fully withdrawn once resigned or separated. Benefits are dependent on years of service and the respective employee's final compensation. The most recent actuarial valuation was carried out as of December 31, 2023. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the recognized liability under the "Retirement benefit asset" account in the statement of financial position is as follows:

	2023	2022
<b>Present value of defined benefit obligation</b>	<b>₱38,311,277</b>	₱27,022,110
<b>Fair value of plan assets</b>	<b>(59,285,059)</b>	(53,326,040)
<b>Asset ceiling</b>	<b>4,250,266</b>	8,255,060
<b>Net defined benefit liability (asset)</b>	<b>₱(16,723,516)</b>	₱(18,048,870)

The movement in the defined benefit obligation is shown below:

	2023	2022
Present value of defined benefit obligation, beginning	<b>₱27,022,110</b>	₱27,964,666
Interest expense	<b>1,950,996</b>	1,420,605
Current service cost	<b>2,096,929</b>	2,315,557
Benefit paid from Plan assets	<b>(65,238)</b>	(306,810)
Actuarial (gains) losses- changes in financial assumptions	<b>3,769,485</b>	(5,592,801)
Actuarial (gains) losses- changes in demographic assumptions	<b>2,876,087</b>	-
Actuarial (gains) losses- experience	<b>660,908</b>	1,220,110
<b>Present value of defined benefit obligation, ending</b>	<b>₱38,311,277</b>	₱27,022,110

The movement in the plan assets is shown below:

	2023	2022
Fair value of plan assets, beginning	₱53,326,040	₱58,010,275
Interest income	3,985,186	3,037,000
Contributions	3,806,121	3,853,171
Benefit paid from plan assets	(65,238)	(306,810)
Remeasurement gain (loss) - return on plan assets	(1,767,050)	(11,267,596)
	₱59,285,059	₱53,326,040

The defined benefit cost recognized in the profit or loss statement consists of:

	2023	2022
Current service cost	₱2,096,929	₱2,315,557
Interest cost, net of interest income from plan assets	(1,438,175)	(1,245,923)
	₱658,754	₱1,069,634

The defined benefit cost recognized in the other comprehensive income:

	2023	2022
Accumulated comprehensive income, beginning	₱6,905,170	₱(582,359)
Actuarial (gains) losses- DBO	7,306,480	(4,371,908)
Remeasurement (gain) loss- plan assets	1,767,050	11,267,596
Remeasurement (gain) loss- changes in the effect of the asset ceiling	(4,600,809)	591,841
Defined benefit cost in OCI- Expense (Income)	4,472,721	7,487,529
Accumulated comprehensive income, ending	₱11,377,891	₱6,905,170

The principal assumption used to determine retirement benefit obligation of the Bank are as follows:

	2023	2022
Discount rate	6.12%	7.22%
Salary increase rate	7.00%	7.00%

The summary of movements in the net defined benefit liability (asset) is as follows:

	2023	2022
Beginning Net defined liability (Asset)	₱(18,048,870)	₱(22,752,862)
Defined benefit cost recognized in P&L	₱658,754	1,069,634
Defined benefit cost recognized in OCI	4,472,721	7,487,529
Contributions	(3,806,122)	(3,853,171)
Closing Net defined liability (asset)	₱(16,723,517)	₱(18,048,870)

Sensitivity Analysis, Year-end defined benefit obligation (DBO)

	2023	2022
a. 1. Decrease in DBO due to 100 bps increase in discount rate	(3,450,647) (9.0%)	(2,100,553) (7.8%)
	3,997,855	2,404,201
2. Increase in DBO due to 100 bps decrease in discount rate	10.4%	8.9%
	3,918,108	2,385,633
b. 1. Increase in DBO due to 100bps increase in salary increase rate	10.2%	8.8%
	(3,454,288)	
2. Decrease in DBO due to 100bps decrease in salary increase rate	(9.0%)	(2,123,163) (7.9%)
	11,171,129	
c. Increase in DBO, no attrition rates	29.2%	9,951,038 36.8%

	2023	2022
Allocation of plan assets		
Cash and cash equivalents	92.12%	93.51%
Loans	7.88%	6.49%

## 20. OTHER OPERATING EXPENSES

This account consists of:

	2023	2022
Miscellaneous	₱19,519,370	₱19,707,934
Interest Expense	6,928,066	5,006,154
Insurance expense	5,987,607	5,634,955
Security and Messengerial Services	3,225,493	2,955,211
Power, Light, and Water	2,220,290	2,356,814
Repair and Maintenance	1,456,334	1,839,538
Stationery and Supplies	1,418,476	1,330,248
Fuel and Lubrication	1,398,710	1,937,448
Litigation and Asset Acquired	1,043,889	874,215
Postage, Telephone, and Telegram	1,043,847	2,601,682
Representation and Entertainment	966,462	766,411
Publicity and Advertisement	844,713	2,030,905
Information Technology Expense	751,931	595,632
Management and Other Professional Fees	728,038	484,973
Fines and Penalties	532,462	974,287
Supervision Fees	507,379	451,849
Fees and Commissions Expense	416,459	1,438,429
Travelling	214,545	216,385
Membership Fees and Dues	195,625	220,126
Donation	140,209	172,730
Rental	18,000	807,753
Documentary Stamps	-	166,438
<b>Total</b>	<b>₱49,557,905</b>	<b>₱52,570,117</b>

## 21. DEPRECIATION AND AMORTIZATION EXPENSE

This account consists of:

	2023	2022
Depreciation Expense – Buildings	₱1,072,143	₱1,065,476
Depreciation Expense - Furniture and Fixtures	2,879,946	3,548,740
Depreciation Expense - Transportation Equipment	1,300,895	1,056,095
Depreciation Expense – Information Technology	502,563	1,725,194
Depreciation Expense – Leasehold Improvements	1,728,508	2,160,758
Depreciation Expense – ROPA Building	1,911,121	1,892,274
Depreciation Expense - Right of Use Asset	7,088,361	9,231,528
<b>Total</b>	<b>₱16,483,537</b>	<b>₱20,680,065</b>

## 22. LONG-TERM LEASE

Bank as a lessee

	MINIMUM LEASE PAYMENTS						TOTAL
	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	6-7 YEARS	8-9 YEARS	10 YEARS AND BEYOND	
December 31, 2023							
Lease Payments	₱21,009,838	₱24,433,551	₱29,635,359	₱2,884,591	₱-	₱-	₱77,963,339
Finance Charges	7,96,469	6,062,809	3,224,902	203,671	-	-	16,687,851
<b>Net Present Value</b>	<b>₱2,981,793</b>	<b>₱18,370,742</b>	<b>₱26,410,457</b>	<b>₱2,680,920</b>	<b>₱-</b>	<b>₱-</b>	<b>₱61,275,488</b>

	MINIMUM LEASE PAYMENTS						TOTAL
	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	6-7 YEARS	8-9 YEARS	10 YEARS AND BEYOND	
<b>December 31, 2022</b>							
Lease Payments	P10,507,757	P21,009,838	P24,433,551	P29,635,359	P2,884,591	P-	P88,471,096
Finance Charges	4,641,698	8,028,045	6,062,809	3,224,902	203,671	-	22,161,125
Net Present Value	P5,866,059	P12,981,793	P18,370,742	P26,410,457	P2,680,920	P-	P66,309,971

All rental fees shall be increased by 10% every year beginning from the date of consummation.

### 23. INCOME TAXES

Under Philippine tax laws, the Bank is subject to percentage and other taxes presented as 'Taxes and licenses' in the statements of income as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes.

Income taxes also include RCIT, as discussed below and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Provision for income tax consists of:

	2023	2022
Current	P3,445,692	P6,526,016
Deferred	(54,696)	1,022,200
<b>Tax Expense reported in Statement of Comprehensive Income</b>	<b>P3,390,995</b>	<b>P7,548,216</b>

The current and deferred tax is computed as follows:

#### Current Tax

	2023	2022
Transitory and Statutory income tax	P11,477,612	P12,783,238
Income tax effects of:		
Interest income subject to final tax	(9,418,281)	(7,763,790)
Interest Income from HGC	(1,536,375)	(1,227,250)
Accounts written-off	-	(67,388)
Lease payments	(2,990,637)	(2,750,604)
Interest expense	2,354,570	1,940,947
Non-Deductible Interest Expense and Depreciation	3,504,107	3,559,421
Provision for credit losses	54,696	51,442
<b>Current tax expense</b>	<b>P3,445,692</b>	<b>P6,526,016</b>

#### Computation of Income Tax:

	2023	2022
Net Income before tax per books	P45,910,450	P51,132,951
Add: Non-deductible Expenses/Taxable Other Income		
Provision for Credit Losses	218,784	205,769
Non-deductible Interest Expense and Depreciation	14,016,428	14,237,682
Interest expense	9,418,281	7,763,790
<b>Total</b>	<b>69,563,943</b>	<b>73,340,192</b>
Less: Non-taxable Income and Income Subjected to Final Tax		
Interest Income Subject to Final Tax	37,673,126	31,055,159
Interest Income under HGC	6,145,500	4,909,000
Accounts written off	-	269,552
Lease payments	11,962,549	11,002,419
<b>Net Taxable Income</b>	<b>13,782,768</b>	<b>26,104,062</b>

Tax Rate	25%	25%
Normal Corporate Income Tax	3,445,692	6,526,016
Minimum Corporate Income Tax**	609,232	982,072
Income Tax Due	3,445,692	6,526,016
Less: Tax payments for the previous quarters	3,613,089	3,765,536
Creditable Tax Withheld per BIR Form 2307	-	691,916
<b>Income Tax Still Due/(Overpayment)</b>	<b>P(167,397)</b>	<b>P2,068,564</b>

\*\*Below is the computation of Minimum Corporate Income Tax (MCIT) for the years ended December 31, 2023 and 2022.

	2023	2022
Revenue	P169,447,568	P140,791,331
Cost of Revenue	66,034,402	63,170,503
Gross Income	103,413,166	77,620,828
Add: Other Income	20,609,936	56,550,542
Less: Interest Income Subjected to Final Tax	37,673,126	31,055,159
Interest Income under HGC	6,145,500	4,909,000
Total Gross Income	80,204,476	98,207,210
MCIT Rate	1.5%	1%
<b>Minimum Corporate Income Tax</b>	<b>P1,203,067</b>	<b>P982,072</b>

#### An analysis of deferred tax assets

As at December 31, 2023 and 2022, net deferred tax assets are as follows:

	2023	2022
Deferred Tax Asset - Beginning	P12,471,502	P11,185,820
Provision for Credit Losses	54,695	51,442
Lease Liability	-	1,301,628
Used DTA from accounts written-off	-	(67,388)
	12,526,197	12,471,502
Deferred Tax Liability - Beginning	9,083,617	6,775,735
Right of Use Asset	-	2,307,882
	9,083,617	9,083,617
<b>Net Deferred Tax Assets</b>	<b>P3,442,580</b>	<b>P3,387,885</b>

### 24. 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. Entities are considered to be related if they are subjected under common control or significant influence. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities
- which are controlled, significantly influenced by or for which significant voting power is held
- by key management personnel or their close family members,
- post-employment benefit plans for the benefit of the Bank's employees, and

The Bank has business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

#### Remunerations of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the senior management to constitute key management personnel for purposes of PAS 24.

The compensation of key management personnel included under 'Compensation and benefits' in the statement of income are as follows:

	2023	2022
Short-term employee benefits	<b>₱10,455,709</b>	₱10,618,607
<b>Total</b>	<b>₱10,455,709</b>	₱10,618,607

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

#### 25. OTHER MATTERS

##### 1. Anti-Money Laundering Act (AMLA)

The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering Act.

2. As of December 31, 2023, all of the bank's directors had undergone the requirements for corporate governance as confirmed by the Monetary Board as mandated by Section 132 of the MORB.

#### 26. RECLASSIFICATION OF ACCOUNTS

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. Management believes that the reclassifications resulted to a better presentation of accounts and did not have any impact on prior year's profit or loss.

These reclassifications had no effect on the reported results of operations. Adjustments have been made to the Statements of Financial Position and Statements of Cash Flows for the fiscal year ended December 31, 2023. These changes in classification do not affect previously reported financial statements.

#### 27. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR 15-2010 and RR 19-2011

##### Revenue Regulation (RR) No 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the year.

##### Percentage Taxes (Gross Receipt Tax)

Under Section 121 of the National Internal Revenue Code, there shall be tax on gross receipts derived from all sources within the Philippines by all banks and non-bank financial intermediaries in accordance with the following rates:

a) On interest commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period of five (5) years or less .....	5%
Maturity period is more than five (5) years.....	1%

b) On dividends.....0%

c) On royalties, rentals of property, real or personal, profit from exchange and all other items treated as gross income under Section 32 of the NIRC.....7%

d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments.....7%

#### Documentary Stamp

Pursuant to revenue regulation No. 13-2004 dated December 23, 2004 " Implementing provisions of Republic Act No.9243, an act rationalizing the provisions of the documentary stamp tax of the Internal Revenue Code of 1997 (as amended), below are some of the circulars affecting the operation of bank and non-bank financial intermediaries:

##### Section 51 of Republic Act No 10963: New Rate of DST on Original Issuance of Shares of Stock

There shall be two pesos (₱2.00) on each two hundred pesos (₱ 200.00) or fractional part thereof of the par value of such shares of stock. Provided that in case of original issue of shares of stocks without par value, the amount of documentary stamp herein prescribed shall be based upon the actual consideration for the issuance of such shares of stocks. Provided further that in the case of stock dividends, or the actual value represented by each share.

##### Section 55 of Republic Act No 10963: New Rate of DST on all Debt Instruments (Documents, Loan Agreements, Instruments and Papers)

One peso and fifty centavos (₱1.50) on each two hundred pesos (₱ 200.00) or any fractional part thereof of the issue price of any such debt instrument. If the debt instrument has a maturity date of less than one (1) year, the DST due shall be computed based on the number of days the instrument is outstanding as a fraction of 365 days.

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2023, follow:

#### Taxes and Licenses

<b>a. Local</b>	
Business Permit	₱ 763,215
Real Property Tax	25,255
Others	140,419
<b>b. National</b>	
Percentage Tax	5,336,552
Documentary Stamp Tax	503,856
Annual Registration - BIR	6500
<b>Total-Taxes and Licenses</b>	<b>₱ 6,775,797</b>

Withholding taxes in 2023 are categorized into:

<b>Paid:</b>	
Final withholding tax on interest expense	1,706,364.00
Withholding taxes on compensation and benefits	651,500.00
Expanded withholding tax	1,093,111.00
	<b>3,450,975.00</b>

#### Tax Assessments and Cases

As at December 31, 2023, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.

#### Revenue Regulation (RR) No 19-2011

The Bank reported the following schedules and information on taxable income and deductible expenses to be taken in 2023:

### Sale of Services

The Bank's taxable sale of services amounted to ₱190,057,504 and income subject to final income tax and are exempt from tax amounted to ₱37,673,126 for the year ended December 31, 2023.

### Cost of Services

	2023
Details of the Bank's tax-deductible cost of services accounts are as follows:	
Direct Charges - Salaries and wages	₱62,901,530
Direct Charges - Insurance (PDIC)	3,834,273
Direct Charges – Supervision Fee	507,379
Direct Charges - Interest Expense	
Interest expense	8,209,501
Less: Limit (interest income subj. to final tax)	(9,418,281)
<b>Total</b>	<b>₱ 66,034,402</b>

### Itemized Deductions

	2023
Miscellaneous	₱19,519,370
Insurance expense OTHERS	2,153,333
Security and Messengerial Services	3,225,493
Postage, Telephone, and Telegram	1,043,847
Power, Light, and Water	2,220,290
Publicity and Advertisement	844,713
Fuel and Lubrication	1,398,710
Repair and Maintenance	1,456,334
Fees and Commissions Expense	416,459
Stationery and Supplies	1,418,476
Fines and Penalties	532,462
Litigation and Asset Acquired	1,043,889
Rental	11,980,549
Representation and Entertainment	966,462
Information Technology Expense	751,931
Management and Other Professional Fees	728,038
Membership Fees and Dues	195,625
Travelling	214,545
Donation	140,209
Taxes and licenses	6,775,797
Depreciation	9,395,176
<b>Total</b>	<b>₱66,421,708</b>
Total Deductible Expense	₱132,456,110
Expense Reported in Audited Financial Statements	144,147,054
Difference*	₱(11,690,944)
<i>*Reconciliation of Difference:</i>	
Provision for credit losses	₱218,784
Non-deductible Interest Expense and Depreciation	14,016,428
Interest Limit	9,418,281
Lease Payments	(11,962,549)
Difference	₱11,690,944

### 28. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On February 7, 2020, the BSP issued Circular No. 1074 to amend certain provisions of the MORB and Manual of Regulations for Foreign Exchange Transactions (MORFXT). The Circular provides for new and amended disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.

In compliance with the requirements set forth by Circular No. 1074, hereunder are the supplementary information:

### Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2023	2022
A. Return on average equity (ROE)	10.51%	11.55%
B. Return on average assets (ROA)	1.79%	1.92%
C. Net interest margin	7.35%	6.35%
D. Debt to Equity Ratio	4.66:1	5.10:1

The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2023 and 2022 was computed as follows:

### Return on average equity (ROE)

Formula: ROE = Net Income after Tax / Average Capital

	2023	2022
Net Income	₱42,519,455	₱43,584,736
Average Equity		
2023	417,746,139	
2022	391,004,396	391,004,396
2021		363,753,379
<b>Total</b>	<b>808,750,535</b>	<b>754,757,775</b>
<b>Average Equity</b>	<b>404,375,268</b>	<b>377,378,888</b>
<b>Return on Average Equity</b>	<b>10.51%</b>	<b>11.55%</b>

### Return on average assets (ROA)

Formula: ROA = Net Income after Tax / Average of Total Assets

	2023	2022
Net Income	₱42,519,455	₱43,584,736
Average Assets		
2023	2,365,013,824	
2022	2,383,335,930	2,321,645,340
2021		2,159,860,565
<b>Total</b>	<b>4,748,349,754</b>	<b>4,543,196,495</b>
<b>Average Assets</b>	<b>2,374,174,877</b>	<b>2,271,598,248</b>
<b>Return on Average Assets</b>	<b>1.79%</b>	<b>1.92%</b>

### Net Interest Margin Ratio

Formula: Net Interest Margin Ratio = Net Interest Income / Average Earning Assets

Formula: Average Earning Assets = Due from BSP + Due From Other Banks + Loans + Debt Securities Measured at Amortized Cost



	2023	2022
Net Interest Income	₱161,238,067	₱131,833,340
Average Interest Earnings Assets		
2023	2,183,491,299	
2022	2,203,703,790	
		2,203,703,790
2021		1,946,306,584
Total	4,387,195,089	4,150,010,374
Average Interest Earnings Assets	2,193,597,544	2,075,005,187
<b>Net Interest Margin</b>	<b>7.35%</b>	<b>6.35%</b>

#### Debt to Equity Ratio

Formula: Debt to Equity Ratio = Total Liabilities / Total Equity

	2023	2022
Total Liabilities	₱1,947,267,685	₱1,992,331,533
Total Equity	417,746,139	₱391,004,397
<b>Debt to Equity Ratio</b>	<b>4.66:1</b>	<b>5.10:1</b>

#### Capital Instruments

As of December 31, 2023 and 2022, the Bank share capital consist of:

	Shares*	Amount
Share Capital - ₱100 par value		
Authorized	3,500,000	₱350,000,000
Issued and outstanding		
Balance at the beginning and end of the year	3,023,161	₱302,316,100

\*Absolute number of shares

There are no capital instruments issued by the Bank in 2023 and 2022.

#### Significant credit exposures as to industry/economic sector

As of December 31, 2023 and 2022, information on the concentration of credit as to industry, net of unearned discounts and deferred credits, follows:

#### As to Concentration of Credits to Certain Industry/Economic Sector:

	2023	%	2022	%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycle	₱ 51,227,857	4.45%	₱72,746,883	5.90%
Construction	12,731,299	1.11%	14,867,795	1.20%
Real Estate Activities	603,276,648	52.41%	604,924,206	49.02%
Agriculture, Forestry, And Fishing	45,072,777	3.92%	48,036,948	3.89%
Household Consumption	32,121,855	2.79%	28,138,680	2.28%
Transportation and Storage	13,455,905	1.17%	16,952,578	1.37%
Electricity, Gas, Steam and Air Conditioning		0.00%	1,664,738	0.13%
Education	1,718,890	0.15%	1,035,733	0.08%
Manufacturing	105,752,080	9.19%	116,276,844	9.42%
Mining and Quarrying	6,247,166	0.54%	7,430,769	0.60%
Accommodation and food service activities	208,138,177	18.08%	224,811,560	18.22%

Administrative and support service activities		0.00%	1,991,412	0.16%
Human Health and Social work activities	46,569,944	4.05%	64,576,980	5.23%
Professional, Scientific and Technical Activities		0.00%		0.00%
Other service activities	24,849,071	2.16%	30,528,896	2.47%
<b>Total</b>	<b>₱1,151,161,670</b>	<b>100.00%</b>	<b>₱1,233,984,021</b>	<b>100.00%</b>

#### As to Tier Capital 1:

	2023	%	2022	%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycle	₱51,227,857	12.26%	₱72,746,883	18.56%
Construction	12,731,299	3.05%	14,867,795	3.79%
Real Estate Activities	603,276,648	144.37%	604,924,206	154.37%
Agriculture, Forestry, And Fishing	45,072,777	10.79%	48,036,948	12.26%
Household Consumption	32,121,855	7.69%	28,138,680	7.18%
Transportation and Storage	13,455,905	3.22%	16,952,578	4.33%
Electricity, Gas, Steam and Air Conditioning		0.00%	1,664,738	0.42%
Education	1,718,890	0.41%	1,035,733	0.26%
Manufacturing	105,752,080	25.31%	116,276,844	29.67%
Mining and Quarrying	6,247,166	1.49%	7,430,769	1.90%
Accommodation and food service activities	208,138,177	49.81%	224,811,560	57.37%
Administrative and support service activities		0.00%	1,991,412	0.51%
Human Health and Social work activities	46,569,944	11.14%	64,576,980	16.48%
Other service activities	24,849,071	5.95%	30,528,896	7.79%
<b>Total</b>	<b>₱1,151,161,670</b>		<b>₱1,233,984,021</b>	

The BSP considers that significant credit exposures exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital.

As at December 31, 2023, 1 (one) of the industry is exceeding 30% percent of the total loan portfolio and 6 (six) industries exceeding 10% percent of the Bank's Tier 1 Capital.

#### Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2023 and 2022:

Classification of loans: (Amount is gross of ACL and net of unamortized discounts)

#### As to Maturity:

	2023	%	2022	%
Due within one (1) year	₱15,568,116	1.35%	₱22,152,242	1.80%
Due beyond one (1) year	1,135,593,554	98.65%	1,211,831,779	98.20%
<b>Total Loan Portfolio</b>	<b>₱1,151,161,670</b>	<b>100.00%</b>	<b>₱1,233,984,021</b>	<b>100.00%</b>

#### As to Security:

	2023	%	2022	%
Unsecured	₱14,073,511	1.22%	₱8,832,581	0.72%
Secured by real estate mortgage	1,134,585,470	98.56%	1,221,481,577	98.98%
Secured by other type of securities	2,502,689	0.22%	3,669,863	0.30%
<b>Total Loan Portfolio</b>	<b>₱1,151,161,670</b>	<b>100.00%</b>	<b>₱1,233,984,021</b>	<b>100.00%</b>

**As to Type of Security:**

	2023	2022
REM*	P1,134,585,470	P1,221,481,577
Chattel	387,531	475,505
Hold-out	2,115,158	3,194,358
<b>Total Loan Portfolio</b>	<b>P1,137,088,159</b>	<b>P1,225,151,440</b>

\*amount is net of unamortized interest discounts

The following table shows the breakdown of receivable from customers net of unearned discounts and deferred credits as to performing and non-performing as of December 31, 2023 and 2022, (Amount is net of unamortized discount)

Loan Portfolio per Product Line - December 31, 2023	Current	Performing	Non-Performing	Items in Litigation	Total
<b>Agrarian Reform and Other Agricultural Reform Loans</b>					
<i>Agrarian Reform Loans</i>	P-	P-	P6	P-	P6
<i>Other Agricultural Credit Loans</i>	26,131,011	16,433,582	1,196,443	638,791	44,399,828
<b>Microfinance Loans</b>	12,534,817	135,976	467,902	-	13,138,695
<b>Small and Medium Enterprises Loans</b>					
<i>Small Enterprises</i>	68,736,552	2,671,949	3,976,804	-	75,385,305
<i>Medium Enterprises</i>	177,138,494	38,673,594	4,705,868	-	220,517,956
<b>Loans to Individuals for Housing Purposes</b>	157,173,552	2,121,584	16,440,255	1,063,870	176,799,261
<b>Loans to Private Corporation for Non-Financial Purposes</b>	333,115,785	46,078,234	21,438,587	-	400,632,606
<b>Loans to Individuals for Personal Purposes</b>	29,630,881	1,701,417	748,959	40,598	32,121,855
<b>Loans to Individuals for Other Purposes</b>	183,690,388	-	4,475,729	-	188,166,117
<b>Total</b>	<b>P988,151,481</b>	<b>P107,816,336</b>	<b>P53,450,553</b>	<b>P,743,260</b>	<b>P1,151,161,670</b>

Loan Portfolio per Product Line - December 31, 2022	Current	Performing	Non-Performing	Items in Litigation	Total
<b>Agrarian Reform and Other Agricultural Reform Loans</b>					
<i>Agrarian Reform Loans</i>	P-	P-	P 6.00	P-	P 6
<i>Other Agricultural Credit Loans</i>	52,096,853	734,670	111,170	664,763	53,607,456
<b>Microfinance Loans</b>	10,379,933	-	2,241,157	-	12,621,090
<b>Small and Medium Enterprises Loans</b>					
<i>Small Enterprises</i>	59,027,140	2,311,427	1,070,244	-	62,408,811
<i>Medium Enterprises</i>	228,303,079	6,646,350	22,335,798	-	257,285,227
<b>Loans to Individuals for Housing Purposes</b>	172,229,775	5,405,367	12,464,930	1	190,100,073
<b>Loans to Private Corporation for Non-Financial Purposes</b>	392,244,544	24,201,902	8,393,052	-	424,839,498
<b>Loans to Individuals for Personal Purposes</b>	27,271,294	292,243	534,544	40,598	28,138,679
<b>Loans to Individuals for Other Purposes</b>	191,786,001	7,900,166	4,542,395	754,619	204,983,181
<b>Total</b>	<b>P1,133,338,619</b>	<b>P 47,492,125</b>	<b>P51,693,296</b>	<b>P1,459,981</b>	<b>P1,233,984,021</b>

**Information on related party loans**

As required by BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending Bank within the Bank.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of the bank's net worth, the unsecured portion shall not exceed 5.00% of such net worth. Further, the total outstanding exposures shall not exceed 20.00% of the net worth of the lending bank. The said Circular became effective on February 15, 2007.

BSP Circular No. 423, dated March 15, 2004 amended the definition of DOSRI accounts. Further, BSP issued Circular No. 464 dated January 4, 2005 clarifying the definition of DOSRI accounts.

In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As at December 31, 2023 and 2022, the Bank is in compliance with the regulatory requirements.

Below are the selected ratios relative to the Banks' DOSRI and Related Party loan accounts.

	2023	DOSRI Loans	Related Party Loans Inclusive of DOSRI
<b>A.1. Outstanding Balance</b>		<b>6,327,632</b>	<b>19,561,323</b>
<b>A.2. Total Loan Portfolio</b>		<b>1,151,161,670</b>	<b>1,151,161,670</b>
<b>B. Percentage of DOSRI/Related Party to Total Loan Portfolio (A.1./A.2.)</b>		<b>0.55%</b>	<b>1.70%</b>
<b>C. Percentage of unsecured DOSRI/RP to Total DOSRI/RP Loans</b>			
Unsecured		-	-
<b>Total DOSRI/RP Loan</b>		<b>6,327,632</b>	<b>19,561,323</b>
		<b>0.00%</b>	<b>0.00%</b>
<b>D. Percentage of Past Due DOSRI/RP to Total DOSRI/RP Loans</b>			
Past Due		-	-
<b>Total DOSRI/RP Loan</b>		<b>6,327,632</b>	<b>19,561,323</b>
		<b>0.00%</b>	<b>0.00%</b>
<b>E. Percentage of Non-Performing DOSRI/RP to Total DOSRI/RP Loans</b>			
Non-Performing		-	-
<b>Total DOSRI/RP Loan</b>		<b>6,327,632</b>	<b>19,561,323</b>
		<b>0.00%</b>	<b>0.00%</b>
	2022	DOSRI Loans	Related Party Loans Inclusive of DOSRI
<b>A.1. Outstanding Balance</b>		<b>P2,759,235</b>	<b>P21,554,105</b>
<b>A.2. Total Loan Portfolio</b>		<b>1,233,984,021</b>	<b>1,233,984,021</b>
<b>B. Percentage of DOSRI/Related Party to Total Loan Portfolio (A.1./A.2.)</b>		<b>0.22%</b>	<b>1.75%</b>
<b>C. Percentage of unsecured DOSRI/RP to Total DOSRI/RP Loans</b>			
Unsecured		-	-
<b>Total DOSRI/RP Loan</b>		<b>2,759,235</b>	<b>21,554,105</b>
		<b>0.00%</b>	<b>0.00%</b>
<b>D. Percentage of Past Due DOSRI/RP to Total DOSRI/RP Loans</b>			
Past Due		-	-
<b>Total DOSRI/RP Loan</b>		<b>2,759,235</b>	<b>21,554,105</b>
		<b>0.00%</b>	<b>0.00%</b>
<b>E. Percentage of Non-Performing DOSRI/RP to Total DOSRI/RP Loans</b>			
Non-Performing		-	-
<b>Total DOSRI/RP Loan</b>		<b>2,759,235</b>	<b>21,554,105</b>
		<b>0.00%</b>	<b>0.00%</b>

The term of the related party loans ranges from one (1) to ten (10) years. Payment of the principal amount and interest is made on a monthly basis. The related parties are siblings of the directors, officers, and/or stockholders.

The Bank monitors its RPTs using the Bank's materiality threshold and limits. The sublimit per related parties and per family group of each director, officer, and stockholder is ₱100M and ₱12.5M per family group of each DOS, respectively. As of December 31, 2023 and 2022, The Bank is in compliant with the maximum aggregate amount and sub-limit that was set by the Bank.

**Other Related Party:**

**2023**

Name of Related Party	Amount of Transaction	Amount Paid	Outstanding Balance
Priser Trading Corporation	8,892,631	8,892,631	-
<b>Total</b>	<b>8,892,631</b>	<b>8,892,631</b>	<b>-</b>

**2022**

Name of Related Party	Amount of Transaction	Amount Paid	Outstanding Balance
Priser Trading Corporation	₱8,393,665	₱8,393,665	₱-
B and H Fuel Bar	835,603	835,603	-
<b>Total</b>	<b>₱9,229,268</b>	<b>₱9,229,268</b>	<b>₱-</b>

**Aggregate amount of secured liabilities and assets pledged as security**

As of December 31, 2023 and 2022, the Bank has no secured liabilities and assets pledged.

**Commitments and contingent liabilities**

- a.) The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of loans and receivables under litigation amounted to ₱1,751,610 and ₱1,463,671 as at December 31, 2023 and 2022, respectively.
- b.) The Bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.
- c.) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.
- d.) The Bank has no contingent accounts for the years ended December 31, 2023 and 2022.

# OUR BRANCHES



## CORPORATE/HEAD OFFICE

Priser Building Cor. Flora Ave., Sto. Rosario St.,  
Angeles City, Pampanga  
(045) 322-9900 to 79



## PORAC BRANCH

General Luna St., Cangatba, Porac, Pampanga  
(045) 322-9900 local 215 to 218



## ANGELES BRANCH

Rizal Ext. Angeles City, Pampanga  
(045) 322-9900 local 201 to 202



## ANGELES-BALIBAGO BRANCH

Lot 2, Bayanihan Park, M.A. Roxas St., Malabánias,  
Angeles City, Pampanga  
(045) 322-9900 local 203 to 204



## MAGALANG BRANCH

San Pedro I, Magalang, Pampanga  
(045) 322-9900 local 208 to 209



## MABALACAT BRANCH

Lot 1 Blk 2, Casmor Mabiga, Mabalact, Pampanga  
(045) 322-9900 local 205



## TARLAC-TARLAC BRANCH

RHC Bldg. Hilario Corner M.H. Del Pilar Street, Ligtasan, Tarlac City  
(045) 322-9900 local 220



## FLORIDA BLANCA BRANCH

Sta. Maria, Cor. Rizal St., Poblacion, Florida Blanca,  
Pampanga  
(045) 322-9900 local 210 to 211



## ARAYAT BRANCH

Plaza Luma, Arayat, Pampanga  
(045) 322-9900 local 212 to 214



## DOLORES BRANCH

Emerald Business Center, McArthur Hi-way, Dolores,  
City of San Fernando, Pampanga  
(045) 322-9900 local 207



## MEXICO BRANCH

San Antonio, Mexico, Pampanga  
(045) 322-9900 local 206



## ANGELES-PLARIDEL BRANCH

Plaridel St., Sto. Rosario, Angeles City, Pampanga  
(045) 322-9900 local 200



## CONCEPCION-TARLAC BRANCH

Benj-Arl Bldg, N. Dela Patric, L. Cortez St., Concepcion,  
Tarlac  
(045) 322-9900 local 219