

ANNUAL REPORT 2021

LOOKING AHEAD, GROWING WITH PURPOSE



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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

BENJAMIN C. DIZON, M.D
CHAIRPERSON

MESSAGE FROM THE PRESIDENT

LOURDES CONNIE C. TAYAG
PRESIDENT/CEO

In Year 2024, Porac Bank successfully navigated a complex landscape of challenges and opportunities. Despite persistent business climate challenges, including global and domestic economic uncertainties and tight financial conditions, we at Porac Bank demonstrated resilience and steadfastly advanced our strategic growth objectives.

Notwithstanding the increased competition within a difficult financial environment, Porac Bank successfully maintained a strong financial position and enhanced profitability by year-end. Under the board's judicious leadership and sound governance, we delivered impactful results, including strong performance in our financial ratios.

Our theme, "Looking Ahead, Growing with Purpose," captures the essence of our vision for the future. With our 5-Year Strategic Plan, we remain committed to fostering purposeful growth that aligns with the needs of the communities we serve. The technological and operational advancements achieved this year provide a strong foundation for delivering greater value and reaching new heights. Furthermore, our strengthened infrastructure and partnerships will enable us to navigate future challenges while maintaining our position as a trusted partner in rural development.

Indeed, Porac Bank is poised for long-term growth. We are confident in our ability to navigate the evolving financial landscape, deliver sustained value to our shareholders, and execute our ambitious 5-year growth plan. Our continued investments in our people, technology and customer relationships will propel us to greater heights.

Together, we at Porac Bank are looking ahead and growing with purpose in 2025 and beyond.

The year 2024 presented both global and national headwinds that tested the resilience and adaptability of the rural banking industry at large. Globally, rising inflationary pressures, geopolitical tensions, and the ongoing impacts of climate change created an unpredictable economic environment. Domestically, rural banks faced challenges stemming from the elevated cost of funds, competitive interest rate environment, and the increasing competition brought about by the rapid evolution of financial technology.

In addition to these challenges, the Board, together with management, embarked on the development of a new five-year strategic plan—a pivotal initiative that has reshaped our strategic direction. While this undertaking presented another layer of complexity, it also provided a valuable opportunity to reassess our position, ensuring that our aspirations align with long-term growth and sustainability for Porac Bank.


Our 5-year strategic goal—envisioned and championed by our late independent director Bapang Raul De Mesa—stands as a testament to his unwavering leadership and profound dedication. His nearly five years of invaluable contributions to the bank helped shape our institution's course, reinforcing its strength and guiding it toward a future of lasting impact. With the guidance and full support of the board, this bold and ambitious roadmap underscores our commitment to excellence, ensuring that we remain at the forefront of rural banking innovation and service.

With purpose guiding our actions, we aim to empower our customers, uplift the community, and drive sustainable development. Every step we take is anchored in our dedication to making a meaningful difference in the lives of those we serve.

In closing, I extend my heartfelt gratitude to our stakeholders—our customers, employees, board of directors, and stockholders—for your unwavering support and confidence in our vision. Together, we are looking ahead to make the next five years a period of unparalleled growth and impactful transformation for our beloved Porac Bank.

FINANCIAL HIGHLIGHTS


**TOTAL
ASSETS**

2.60B
10.04% 

**NET
INCOME**

47.29M
11.22% 

**DEPOSIT
LIABILITIES**

2.08B
11.45% 

ROE 11.89%
ROA 1.90%

13.13% 
from 2023
6.15% 
from 2023

Profitability

	2024	2023
Total Net Interest Income	176,429,174.00	161,238,067.00
Total Non-Interest Income	25,996,727.00	20,609,936.00
Total Non-Interest Expenses	151,572,688.00	135,718,769.00
Pre-provisioning Profit	50,853,213.00	46,129,234.00
Allowance for Credit Losses	56,722,513.00	61,764,411.00
Net Income	47,289,885.00	42,519,455.00

Selected Balance Sheet Data

Liquid Assets	1,396,859,078.00	1,097,366,561.00
Gross Loans	1,083,976,657.00	1,157,852,288.00
Total Assets	2,602,554,102.00	2,365,013,824.00
Deposits	2,080,573,953.00	1,866,770,659.00
Total Equity	377,942,225.00	417,746,139.00

Selected Ratios

Return on Equity	11.89%	10.51%
Return on Assets	1.90%	1.79%
Capital Adequacy Ratio	21.02%	24.66%

Per Common Share

Basic Net Income per share	15.64	14.06
Diluted Net Income per share	15.64	14.06
Book Value per share	125.02	138.18

Others

Cash Dividends Declared	10,581,064.00	8,817,568.00
Headcount	184	168
Officers	45	39
Staff	139	129

In 2024, Porac Bank delivered strong financial results compared to the previous year, driven by robust earnings, improved profitability ratios, and solid asset growth. These achievements underscore the bank's operational strength and financial resilience amid a challenging economic landscape.

In terms of profitability, the bank's total net interest income rose by 9.42%, increasing from ₱161.24 million in 2023 to ₱176.43 million in 2024. This growth was supported by a favorable interest rate environment, enhanced treasury operations, higher loan yields, and sound asset liability management strategies.

Total non-interest income also posted a significant increase of 26.14%, rising from ₱20.61 million to ₱26.00 million. This was fueled by the expansion of fee-based products, improved cross-selling efforts, and broader service offerings.

On the expense side, total non-interest expenses grew by 11.68%, from ₱135.72 million to ₱151.57 million, reflecting increased operational costs aligned with business growth.

Despite higher expenses, pre-provision profit rose by 10.24%, from ₱46.13 million in 2023 to ₱50.85 million in 2024, demonstrating the bank's ability to generate strong core earnings. Net income reached ₱47.29 million, marking an 11.22% increase from ₱42.52 million, driven by strong margins and effective cost management.

Porac Bank significantly strengthened its liquidity position, with liquid assets rising by 27.29%, from ₱1.10 billion to ₱1.40 billion. This high level of liquidity ensures continued capacity to meet customer needs and regulatory obligations.

Gross loans declined by 6.38%, from ₱1.16 billion in 2023 to ₱1.08 billion in 2024, reflecting more stringent credit underwriting standards and subdued loan demand in select sectors.

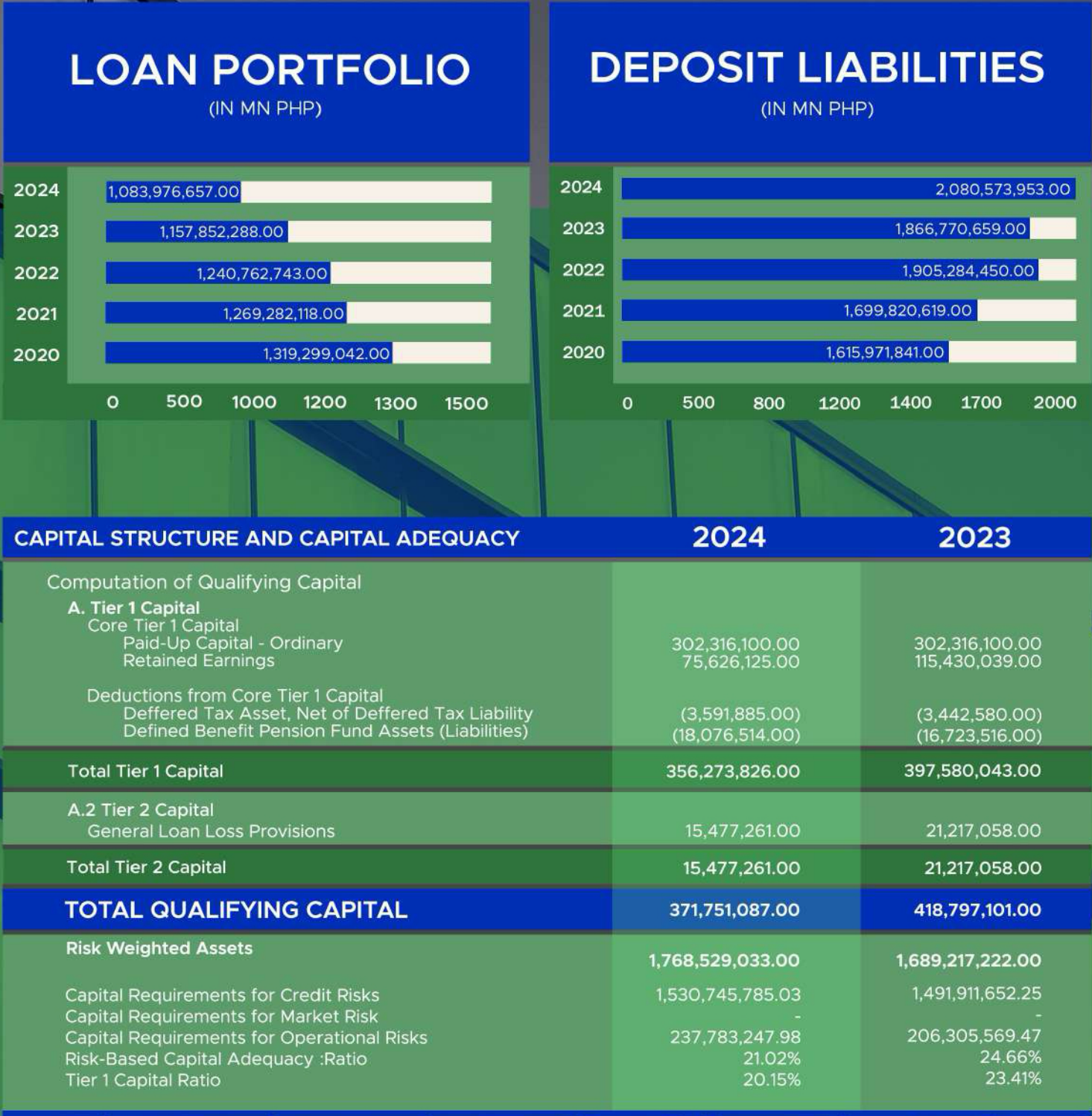
Total assets expanded by 10.04%, reaching ₱2.60 billion, up from ₱2.37 billion, while total deposits grew by a robust 11.45%, from ₱1.87 billion to ₱2.08 billion—a clear indicator of customer trust and successful deposit mobilization efforts.

Total equity remained stable at ₱377.94 million, supporting the bank's continued financial strength.

The bank's Return on Equity (ROE) improved to 11.89% from 10.51%, reflecting more efficient use of shareholder's capital. Return on Assets (ROA) also increased to 1.90%, up from 1.79%, indicating enhanced profitability relative to total assets.

While the Capital Adequacy Ratio (CAR) declined from 24.66% to 21.02%, it remains comfortably above regulatory requirements. The reduction is primarily due to the issuance of stock dividends, which is currently pending approval from the Securities and Exchange Commission (SEC).

STATEMENT OF FINANCIAL POSITION



CAPITAL STRUCTURE AND CAPITAL ADEQUACY

2024

2023

Computation of Qualifying Capital

A. Tier 1 Capital

Core Tier 1 Capital

Paid-Up Capital - Ordinary

Retained Earnings

302,316,100.00

75,626,125.00

302,316,100.00

115,430,039.00

Deductions from Core Tier 1 Capital

Deffered Tax Asset, Net of Deffered Tax Liability

Defined Benefit Pension Fund Assets (Liabilities)

(3,591,885.00)

(18,076,514.00)

(3,442,580.00)

(16,723,516.00)

Total Tier 1 Capital

356,273,826.00

397,580,043.00

A.2 Tier 2 Capital

General Loan Loss Provisions

15,477,261.00

21,217,058.00

Total Tier 2 Capital

15,477,261.00

21,217,058.00

TOTAL QUALIFYING CAPITAL

371,751,087.00

418,797,101.00

Risk Weighted Assets

1,768,529,033.00

1,689,217,222.00

Capital Requirements for Credit Risks

Capital Requirements for Market Risk

Capital Requirements for Operational Risks

Risk-Based Capital Adequacy :Ratio

Tier 1 Capital Ratio

1,530,745,785.03

-

237,783,247.98

21.02%

20.15%

1,491,911,652.25

-

206,305,569.47

24.66%

23.41%

RURAL BANK OF PORAC (PAMPANGA), INC.		
STATEMENTS OF FINANCIAL POSITION		
As at December 31		
	2024	2023
ASSETS		
Cash and Other Cash Items (Note 6.1)	₱ 27,485,384	₱ 26,686,474
Due from BSP (Note 6.2)	17,561,152	22,302,937
Due from Other Banks (Note 6.2)	301,521,928	256,066,670
Debt Securities Measured at Amortized Cost (Note 7)	1,050,290,614	792,310,480
Loans & Receivable, Net (Note 8)	1,044,432,093	1,112,811,212
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)	57,459,580	47,704,573
Investment Property, Net (Note 10)	34,155,628	29,955,658
Right of Use Assets (Note 11)	39,160,781	47,919,618
Deferred Tax Asset (Note 23)	3,591,885	3,442,580
Other Assets, Net (Note 12)	8,818,543	9,090,106
Retirement Benefit Asset (Note 19)	18,076,514	16,723,516
TOTAL ASSETS	2,602,554,102	2,365,013,824
LIABILITIES & SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposit Liabilities (Note 13)	2,080,573,953	1,866,770,659
Accrued Interest, Taxes and Other Expenses (Note 14)	11,640,664	15,896,381
Other Liabilities (Note 15)	132,397,260	64,600,645
TOTAL LIABILITIES	2,224,611,877	1,947,267,685
SHAREHOLDERS' EQUITY		
Ordinary Share Capital	302,316,100	302,316,100
Retained Earnings - Free	77,888,864	119,785,736
Retained Earnings - Reserve for healthcare fund (Note 16)	7,022,194	7,022,194
Cumulative remeasurement gains (losses) on defined benefit plan	(9,284,933)	(11,377,891)
TOTAL SHAREHOLDERS' EQUITY	377,942,225	417,746,139
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	₱ 2,602,554,102	₱ 2,365,013,824
BOOK VALUE PER SHARE	₱ 125	₱ 138

See accompanying Notes to Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CHANGES IN EQUITY

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

	For the Year Ended December 31,	
	2024	2023
INTEREST INCOME		
Loans & Receivables	P 137,839,961	P 131,774,443
Due from Other Banks	5,605,227	5,734,700
Debt Securities Measured at Amortized Cost	42,072,087	31,938,425
TOTAL INTEREST INCOME	185,517,275	169,447,568
INTEREST EXPENSE		
Deposit Liabilities	9,088,101	8,209,501
Bills Payable	-	-
TOTAL INTEREST EXPENSE	9,088,101	8,209,501
NET INTEREST INCOME	176,429,174	161,238,067
PROVISION FOR CREDIT LOSSES	597,219	218,784
NET INTEREST INCOME AFTER PROVISION	175,831,955	161,019,283
OTHER INCOME (Note 17)	25,996,727	20,609,936
TOTAL INCOME BEFORE OPERATING EXPENSES	201,828,682	181,629,219
OTHER OPERATING EXPENSE		
Compensation & Fringe Benefits (Note 18)	74,712,044	62,901,530
Other Operating Expenses (Note 20)	50,836,025	49,557,905
Depreciation & Amortization (Note 21)	19,708,893	16,483,537
Taxes & Licenses (Note 27)	6,315,726	6,775,797
TOTAL OTHER OPERATING EXPENSE	151,572,688	135,718,769
NET INCOME BEFORE INCOME TAX	50,255,994	45,910,450
INCOME TAX EXPENSE (BENEFIT) (Note 23)	2,966,109	3,390,995
NET INCOME AFTER INCOME TAX	47,289,885	42,519,455
Items that will not be reclassified to profit or loss in subsequent period		
Remeasurement gains/(losses) on defined benefit plans	2,092,958	-
TOTAL COMPREHENSIVE INCOME	P 49,382,843	P 42,519,455
EARNINGS PER SHARE	P 16	P 14

See accompanying Notes to Financial Statements.

RURAL BANK OF PORAC (PAMPANGA), INC. STATEMENTS OF CHANGES IN EQUITY For the Years Ended December 31, 2024 and 2023

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS - FREE	RETAINED EARNINGS - RESERVE FOR HEALTHCARE FUND	CUMULATIVE LOSSES (GAINS) DEFINED BENEFIT COST (OCI)	Total
Balance at January 1, 2024	P 302,316,100	P 119,785,736	P 7,022,194	P (11,377,891)	P 417,746,139
Total comprehensive income for the year	-	47,289,885	-	2,092,958	49,382,843
Provisions and Adjustments	-	(3,605,693)	-	-	(3,605,693)
Cash dividend declared	-	(10,581,064)	-	-	(10,581,064)
Stock dividend declared	-	(75,000,000)	-	-	(75,000,000)
Balance at December 31, 2024	P 302,316,100	P 77,888,864	P 7,022,194	P (9,284,933)	P 377,942,225
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)
Balance at December 31, 2023	P 302,316,100	P 119,785,736	P 7,022,194	P (11,377,891)	P 417,746,139

STATEMENT OF CASH FLOWS

RURAL BANK OF PORAC (PAMPANGA), INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Income Tax	P 50,255,994	P 45,910,450
Adjustments for:		
Depreciation & amortization	19,708,893	16,483,538
Provision for credit losses	597,219	218,784
Non-cash adjustments on FFE	448,765	(13,335)
Gain on sale of investment properties	(13,851,467)	(9,126,363)
Interest income	(185,517,275)	(169,447,568)
Interest expense	9,088,101	8,209,501
Changes in working capital:		
Loans and other receivables	67,781,900	92,403,309
Other assets	271,563	(2,911,047)
Right Use of Asset	(1,257,112)	-
Deposits liabilities	213,803,294	(38,513,790)
Other liabilities	(65,338)	668,388
Accrued interest and other liabilities	(4,255,717)	(115,402)
Interest received	185,517,275	169,447,568
Interest paid	(9,088,101)	(8,209,501)
Income tax paid	(3,115,414)	(5,514,252)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	330,322,580	99,490,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase/(Decrease) in:		
Investment properties	(6,040,408)	4,414,046
Additions to bank premises, FFE	(18,056,278)	(15,274,318)
Acquisition of debt securities measured at amortized cost	(257,980,134)	(135,260,205)
Proceeds from sale of Investment properties	13,851,467	9,126,363
Retirement benefit asset	(1,352,998)	(3,147,367)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(269,578,351)	(140,141,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends to stockholders	(10,581,064)	-
Net charges to surplus/Prior period adjustments	(1,512,735)	(61,690,592)
Payments of lease liabilities	(7,138,047)	(5,034,483)
Proceeds from issuance of shares	-	50,385,600
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(19,231,846)	(16,339,475)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	41,512,383	(56,990,676)
CASH AND CASH EQUIVALENTS, BEGINNING	305,056,081	362,046,757
CASH AND CASH EQUIVALENTS, ENDING	P 346,568,464	P 305,056,081

(See accompanying Notes to Financial Statements)

OPERATIONAL HIGHLIGHTS

Beyond our financial success, the Bank also achieved significant operational milestones that strengthened our efficiency, customer experience, and overall service delivery. We are proud to state that the year 2024 marked several transformative achievements that laid the foundation for the bank's long-term growth.

2024 CREDIT INITIATIVES

- Expanded the loan amount offered to Easy Cash Loan clients by up to Php200,000.
- Expanded the scope of eligibility for Easy Cash Loan clients as to age limit.
- Introduced the usage of jotform to ease the burden of submission of Easy Cash Loan applications especially for far branches.
- Renewed the bank's guarantee line with Phil Guarantee - AGFP.
- Successfully released loans for totaling Php303,776,100 for the year 2024.

Another key achievement was securing accreditation as an accessing entity of the Credit Information Corporation. This milestone empowers the bank to make more informed lending decisions by leveraging accurate and comprehensive credit information. By doing so, we can better serve our clients while maintaining the quality of our loan portfolio and mitigating credit risks.

BRANCH BANKING GROUP 2024 HIGHLIGHTS

In 2024, the Branch Banking Group of Porac Bank achieved significant milestones aimed at strengthening its foundation for future growth and aligning with the bank's five-year strategic plan.

Key highlights include the appointment of a Branch Banking Sales Head to drive sales initiatives and support the bank's long-term vision. In line with operational improvements, the Field Deposit Collector (FDC) routes were optimized, enhancing efficiency and service coverage. Additionally, three personnel were promoted to FDC supervisors to provide better oversight and ensure consistent performance across branches.

To further bolster our sales capabilities, the bank initiated the hiring of Sales Officers for each branch, reinforcing our commitment to delivering proactive customer engagement and targeted financial solutions.

On the expansion front, thorough assessments were conducted to identify new locations for potential branch openings in 2025, with Manibaug, Sta. Rita, and Calulut identified as key growth areas. Furthermore, two existing branches were earmarked for relocation to better position them for improved deposit mobilization and loan portfolio growth.

These strategic initiatives underscore Porac Bank's ongoing commitment to operational excellence, market expansion, and customer-centric service delivery.

THE ESTABLISHMENT OF THE TREASURY DEPARTMENT

As part of its five-year strategic plan, Porac Bank has taken a bold step to enhance its operational efficiency and financial resilience by appointing a Head of Financial Planning and Investment. This move comes as part of the bank's larger organizational restructuring, designed to position it for long-term growth and success in a rapidly evolving financial landscape.

This decision was driven by the increasing complexity of financial markets, tighter regulatory frameworks, and the need for a more sophisticated approach to managing the bank's liquidity, funding, and risk exposure. In recognizing these challenges, the bank's leadership team saw the need for a specialized position that could focus on optimizing financial resources and supporting strategic initiatives.

EMBRACING DIGITAL TRANSFORMATION:
THE DAWN OF INNOVATION



One of the most significant milestones was the successful transition to a new core banking system-NextBank, that is fully hosted on the cloud. This cutting-edge platform enhances operational efficiency, improves data security, and provides the scalability needed to support our 5 year-growth. More importantly, this upgrade positions us to launch mobile banking services in 2025, enabling greater convenience and accessibility for our customers and reinforcing our commitment to digital transformation.

The bank also became a direct clearing participant of the Philippine Clearing House Corporation (PCHC) in 2024. This strategic move has significantly improved the speed and efficiency of transaction settlements, enabling one-day clearing for checks and other clearing items. This accomplishment translates into faster service for our customers and enhanced liquidity management for the bank.



On October 07, 2024, Senior Management together with the bank’s CBS Core Team and representative from NextBank convened a meeting with SGV Partners & Associates to assess the progress of the ADB FIT grant project funded by the Asian Development Bank. The meeting aimed to evaluate the project’s current status, review implementation progress, identify challenges, engage with the on-site team, and provide necessary support to ensure successful completion.

The meeting successfully provided a comprehensive assessment of the ADB FIT grant project. Through collaborative engagement, key progress indicators were reviewed, challenges were addressed, and necessary support mechanisms were established. The commitment of all stakeholders to maintaining quality, efficiency, and adherence to project timelines remains strong, ensuring the project’s successful completion.

HR PROGRAM/MILESTONE

In Year 2024, the Human Resource Department continued to play a pivotal role in partnering with management to drive the company’s overall success. Through targeted initiatives and measurable achievements, the HR Department not only supported organizational growth but also boosted productivity across the organization.

During the year, HR aligned its objectives and initiatives to deliver significant value, positively impacting employees’ growth journeys within the Bank. By consistently delivering tangible results, the HR Department remained at the forefront in demonstrating the Bank’s commitment to fostering a positive workplace culture and enhancing employee satisfaction.

While there are areas for further growth, HR remains fully committed to making meaningful strides in advancing the Bank’s strategic goals of enhancing organizational efficiency and productivity. By prioritizing key areas such as talent acquisition, training and development, performance management, and employee engagement, the HR Department is strategically positioned to drive the company’s continued success in the year ahead.

SUMMARY OF KEY
HR ACCOMPLISHMENTS IN 2024



1.Recruitment and Talent Acquisition
The HR team successfully streamlined the recruitment process, resulting in faster and higher-quality hires that directly supported the Bank’s growth objectives. This year, HR onboarded over 50 young talents, contributing to a dynamic and capable workforce. These efforts reflect our commitment to attracting the next generation of banking professionals, who bring fresh perspectives and energy to the organization.

Additionally, the Bank strengthened its partnership with universities across Pampanga, offering meaningful internship opportunities that introduce students to the banking industry. These programs support the development of future talent while also reflecting the Bank’s commitment to a positive and balanced work environment.

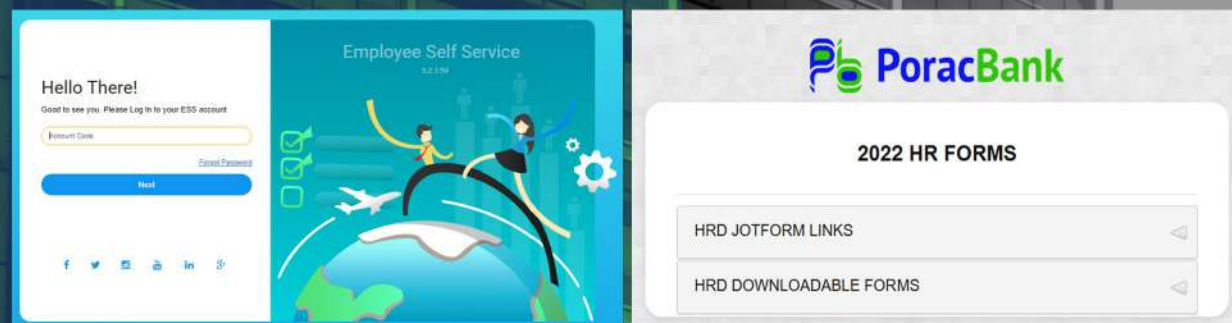


2. Employee Training and Development
HR placed a strong emphasis on employee development by facilitating 30 targeted training sessions, seminars, and webinars throughout the year. These initiatives enhanced employees’ skills and knowledge, resulting in improved performance and job satisfaction. Additionally, HR continued to refine and enhance job shadowing opportunities, preparing employees for higher roles as potential successors. This approach underscores our commitment to fostering career growth and ensuring that our employees are well-equipped for advancement within the banking industry.



3. Employee Engagement and Satisfaction

In 2024, HR enhanced employee engagement by promoting a culture of excellence and collaboration. The monthly recognition program for Field Deposit Collectors and Branch Managers/Sales Officers introduced measurable performance metrics, emphasizing outstanding contributions and reinforcing the Bank's commitment to a workplace driven by accountability and excellence. While long-standing traditions such as the Christmas party, team-building sessions, and the bowling competition continued to bring employees together, the Bank also introduced forward-thinking programs to inspire growth and recognition. These initiatives not only strengthened camaraderie but also aligned with strategic goals to enhance engagement and performance. This year's efforts successfully balanced honoring beloved traditions with driving programs that empower employees to thrive personally and professionally.



4. Optimizing HR Technology and Systems

In alignment with technological advancements, HR implemented key upgrades to its infrastructure, including maximizing the use of tools such as JotForm for online forms and fully rolling out the Human Resource Information System (HRIS). The introduction of a self-service portal empowered employees to manage work-related information, such as leave filing, reducing administrative tasks and increasing efficiency. These advancements allowed HR to focus on strategic initiatives that drive organizational growth.



5. Legal Compliance and Policy Updates

HR ensured full compliance with all regulatory requirements and made necessary updates to company policies, ensuring they align with current legal standards and best practices.



6. Employee Well-Being and Work-Life Balance

Recognizing the importance of work-life balance, HR implemented initiatives aimed at creating an inclusive and supportive workplace. With a workforce predominantly composed of young professionals, Porac Bank prioritized fostering an environment where employees can thrive both personally and professionally.



7. Driving Organizational Change

HR played a pivotal role in supporting organizational changes, particularly during a major transformation in 2024. With the guidance of management, HR led the creation of job descriptions for newly established positions and the amendment of the Bank's organizational structure. These updates were critical in defining roles and responsibilities, which fostered a cohesive and efficient workflow across the organization.

Looking ahead, the HR Department does only provide support function but remains as a strategic partner of management towards attaining the company's overarching business objectives.

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 2024 with 89 male employees out of 184 total employees, which represents 48.37% of the total population.

Female Statistic: The bank concluded the year 2024 with 95 female employees out of 184 total employees, which represents 51.63% 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 of such transactions.

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

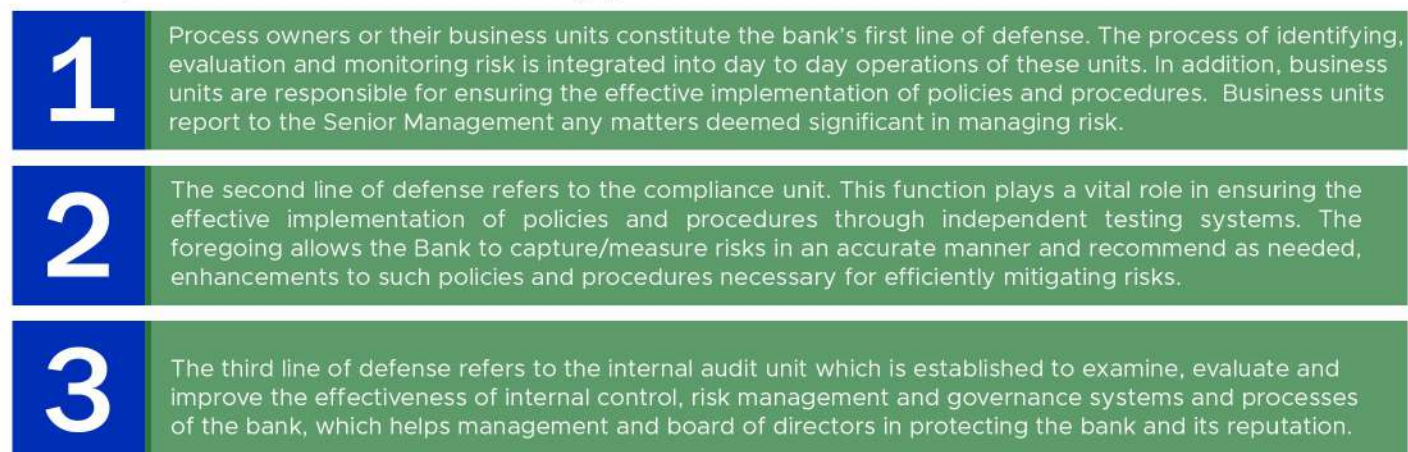
Since the dissolution of the Risk Oversight Committee, the functions of the same were assumed by the Board of Directors which encompasses monitoring and managing of credit, operational, liquidity, interest, legal and reputational risks, among others.

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

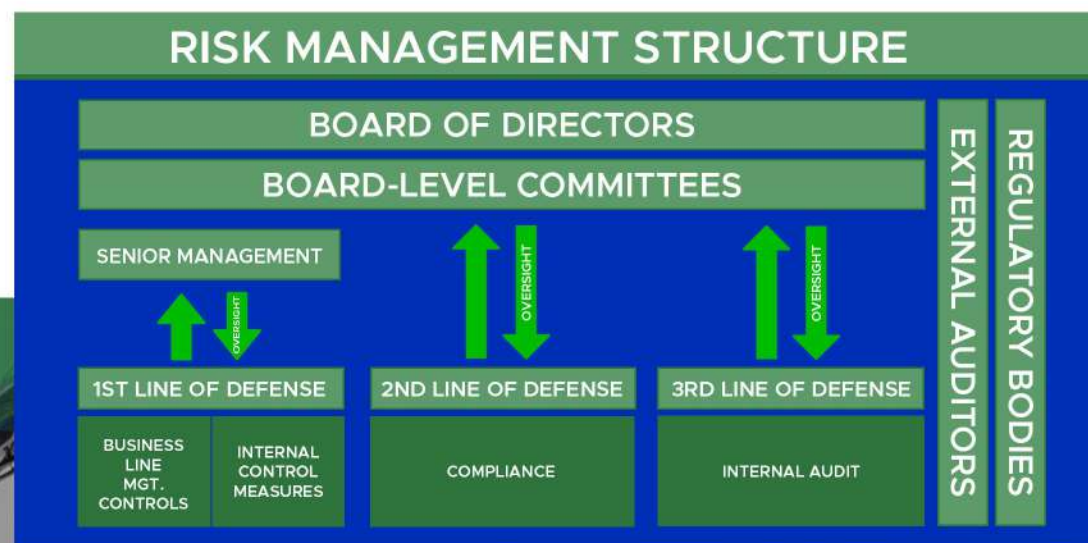
The bank adopts a three-line defense model in managing risks as follows:



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.

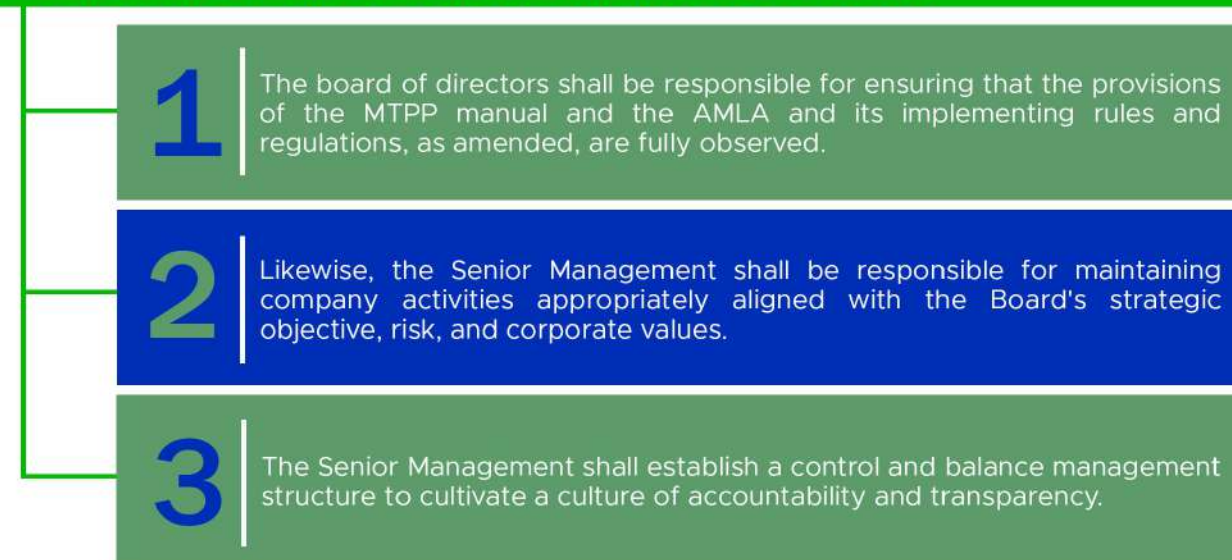
Role of Regulators. The Regulators provide guidance on supervisory expectations for sound corporate governance, perform comprehensive evaluation of the bank's overall corporate governance policies and practices and evaluate implementation.



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 regulations.

BOARD AND SENIOR MANAGEMENT OVERSIGHT



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 2024

- 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.
- 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.
- Provided guidelines in formulating clear parameters for the bank's institutional risk assessment.

PORAC BANK BOARD OF DIRECTORS



BENJAMIN C. DIZON, M.D., 47
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, 52
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, 51
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, 51
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, 46
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, 74
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, 56
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, 46
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.

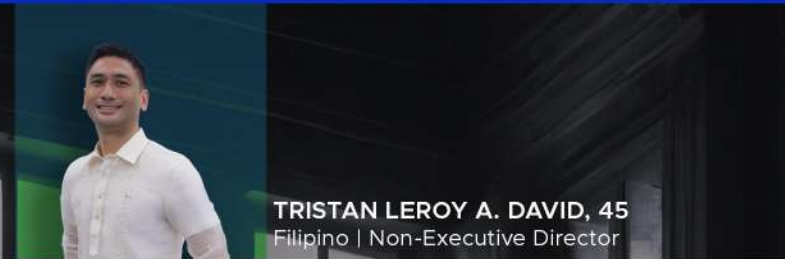
	No. of Meetings Attended	Total No. of Meetings	%Rating	% to Voting Total Shares*	Shares Held	
Dr. Benjamin D. Dizon	14	14	100%	1.48%	44,800	Direct
Lourdes Connie C. Tayag	14	14	100%	2.39%	72,384	Direct
Wilfred Joseph T. David	14	14	100%	1.55%	46,900	Direct
Alma D. Limjoco	13	14	92.86%	8.88%	268,492	Direct
Raul B. De Mesa	11	14	78.57%	0.00%	1	Direct
Anna Claudine T. David	14	14	100%	2.55%	77,005	Direct
Marites C. Limjoco	14	14	100%	4.79%	144,768	Direct
Mary Valerie Joy V. David	13	14	92.86%	3.35%	101,348	Direct
Mark Primo T. David	14	14	100%	1.55%	46,879	Direct
Charles Vincent D. Sarmiento	14	14	100%	1.50%	45,465	Direct
Tristan Leroy A. David	14	14	100%	2.55%	77,144	Direct

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



ANNA CLAUDINE T. DAVID, 51
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.



TRISTAN LEROY A. DAVID, 45
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, 45
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 S and L Memorial Chapels.



RAUL B. DE MESA, 81
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 Nacional 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.

PORAC BANK SENIOR MANAGEMENT



LOURDES CONNIE C. TAYAG, 52
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.



NAPOLEON TEDD D. LIMJOCO, 46
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 positons 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.



FRANCEL PIA D. PENA, 44
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.



WILFRED JOSEPH T. DAVID, 51
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.



JEREMY M. SUN, 48
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.



EMILY L. GUANZON, 54
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, 57
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, 60
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, 31
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, 29
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.



VERONICA M. ESPAÑOL, 26
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.



KATRINA MAE J. ARANAS, 26
Filipino | Chief Lending Officer

She earned her degree in Accountancy from Angeles University Foundation in 2020. She joined Porac Bank that same year as a Credit Analyst, and steadily progressed to Assistant Loan Officer before being appointed as Loan Officer in 2024. Her growth reflects her dedication and strong foundation in credit and lending operations.



PAUL JOHN P. JARANILLA, 32
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.



ZOREN G. CAPITULO, 31
Filipino | Financial Planning & Investment Head

He earned his degree in Accountancy from the University of the Assumption in 2015 and passed the CPA licensure examination in the same year. He joined Porac Bank in 2017 as a Senior Auditor and was appointed as Independent Credit Reviewer in 2019. On August 2, 2024, he was promoted to Financial Planning and Investment Head, bringing with him a strong background in audit, credit review, and financial analysis.



ANGEL NATHANAELLE M. PINPIN, 40
Filipino | Branch Sales Head

She earned her Bachelor of Science degree in Applied Economics from De La Salle University in 2004. She began her banking career at Porac Bank in 2007 as a Credit Analyst, a position she held for two years. She then joined Bank of Commerce, where she gained a decade of valuable experience in branch operations, sales, and client relationship management. On August 12, 2024, she returned to Porac Bank and assumed the role of Branch Sales Head.



KHATE O. GADDI, 26
Filipino | Branch Operations Head

She earned her Bachelor of Science in Agricultural Business from Pampanga State University in 2019. She later completed her Master of Business Administration at Don Honorio Ventura State University in 2024. Her journey with Porac Bank began in 2018 as an On-the-Job Trainee. After graduating, she officially joined the bank as a Teller at the Magalang Branch. In 2021, she became a Branch Service Associate, and in 2022, she was promoted to Branch Operations Officer. In February 2024, she was appointed Branch Manager of the Magalang Branch. By December 2, 2024, she took on a bigger role as the Bank's Branch Operations Head.

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.
- 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.
- Fostered the development of the bank's core banking infrastructure to remain competitive in the digital banking space.
- Offered strategic direction and oversight in enhancing the bank's electronic channels.
- Provided guidelines in formulating clear parameters for the bank's institutional risk assessment.

	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

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%

Nomination 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.

	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

Credit

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 2024.
- 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 2024.
- Reviewed and approved several programs for employee engagement and well-being.

	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%

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	48	50	96.00%
Wilfred Joseph T. David	47	50	94.00%
Napoleon Tedd D. Limjoco	47	50	94.00%
Francel Pia D. Peña	50	50	100%

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. During their regular meeting every January prior to the annual stockholders meeting held every second Saturday of February, the Nominations Committee shall endorse the election of new set of directors or reelection of the incumbent set of directors based on the result of their validation and assessment and shall refer such recommendation to the board for confirmation and final approval. At the annual stockholders' meeting, the Chairman of the Board shall formally present to the stockholders the list of director nominees duly endorsed by the Board of Directors, for election by the majority of stockholders."

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.

The Nominations Committee is also responsible in the selection and appointment of senior management including the President/CEO and other heads of units as required by the BSP. In selecting Key Officers, the Committee through the recommendation of the HR Department selects key officers based on the succession planning program for senior management and the result of the fit and proper standards which takes into account the qualification criteria as well as integrity, technical expertise, and experience of a candidate for Board approval.

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:

- 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.
- 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.
- developing structures and procedures to ensure the appropriate system for risk management, internal compliance, audit, and control.
- developing structures and procedures to ensure a strong and appropriate capital fund for business and risk operations.
- monitoring and assessment of management performance in the implementation of Board-approved policies and budgets.
- 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;
- 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.
- reviewing on a regular and continuing basis the succession plan for the position of Chairman of the Executive Committee and the President.
- observing and ensuring compliance with the Director's Code of Conduct.
- 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.

The Nominations Committee is mandated to monitor and facilitate the continuing education of the board of directors and management as well as those of appointed successors. During their meeting every November, the Nominations Committee reviews and deliberates on updates to the Continuing Education Program, encouraging directors and successors for an active participation in relevant seminars and training sessions.

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

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.

Based on its Charter, the Compensation Committee is mandated to conduct periodic review, oversight and endorsement for proposed amendment(s)/ enhancement(s) in the Compensation and Benefits Program for Bank Executives with the rank of Vice President and higher, subject to final approval of the board. During their annual meeting, the Compensation Committee validates and deliberates on the proposed salary adjustment for senior management/Executive Officers based on the established guidelines and criteria for salary adjustment and endorses such proposal to the board for final approval.

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

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.

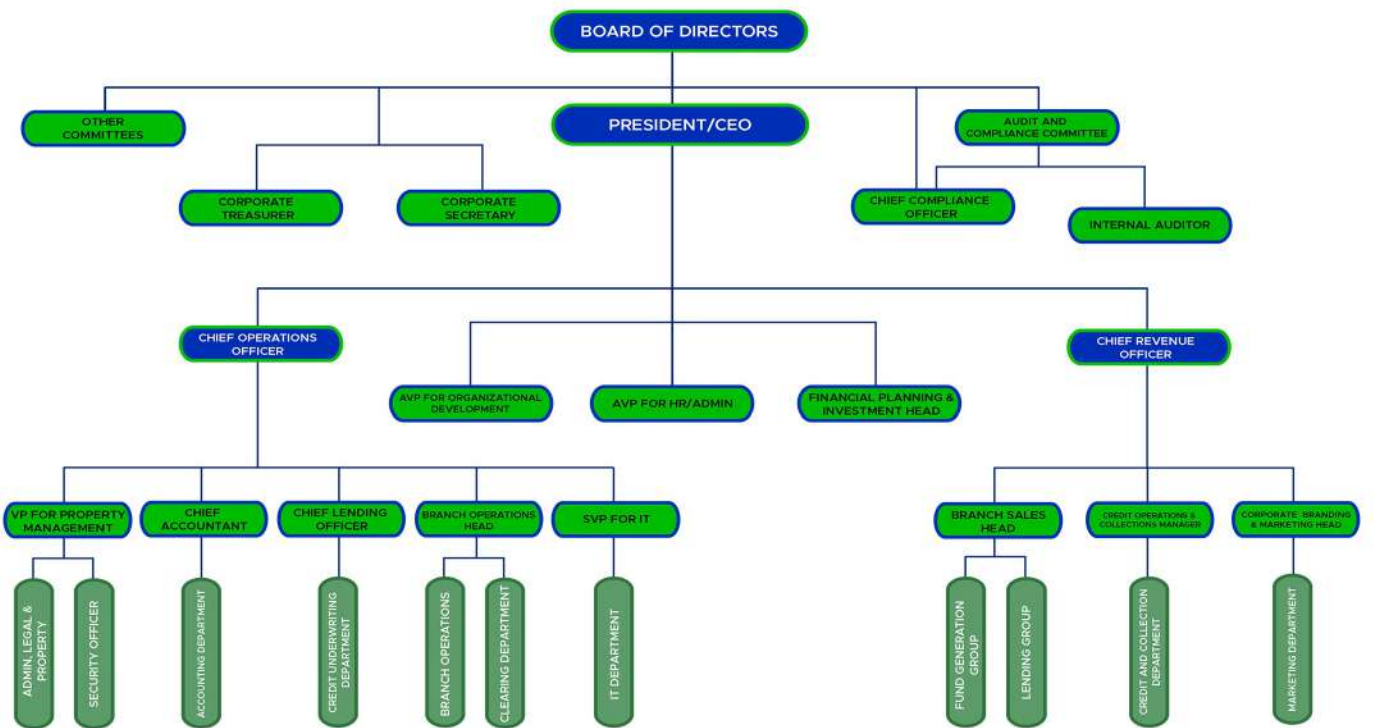
DIVIDEND POLICY

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 2024, the Bank declared both cash and stock dividends based on its subscribed capital. A cash dividend equivalent to **3.50%** of the subscribed capital was approved, amounting to **P10,581,063.50**. In addition, a **stock dividend equivalent to 24.81%** of the subscribed capital was declared, totaling **P75,000,000.00**.

The record date for both dividends was set as **January 30, 2024**, establishing shareholder eligibility. The distribution date for both the cash and stock dividends was **February 8, 2024**.



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		P9,736,043.79	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 P161,051.00 (April 2024), P513,143.00 (February 2024), P117,897.40 (January 2024) and P62,768.59 (March 2024), 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 30-June 2034, respectively. All of which are subject to a 10% annual escalation.
Total Exposure			P9,736,043.79	

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.

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



#WEAREREADYFOR 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

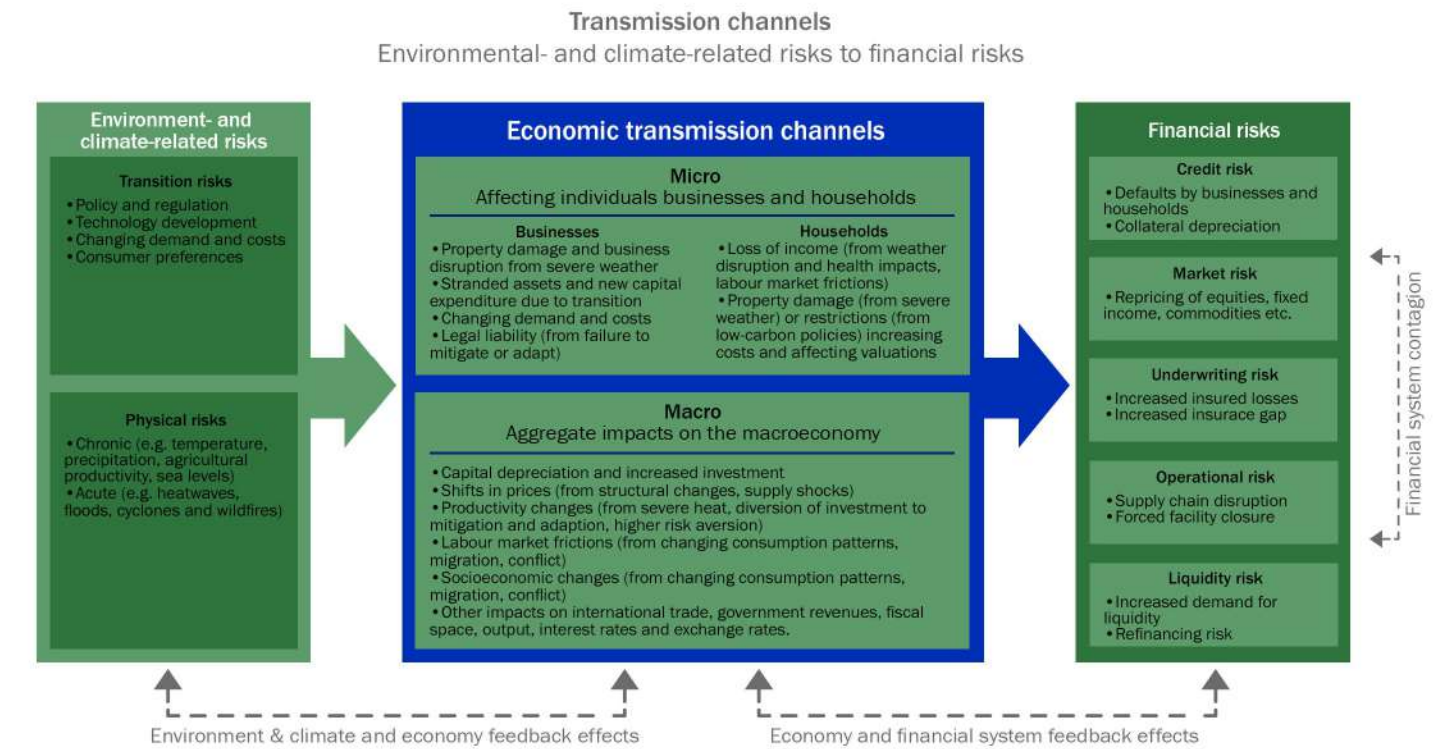
In identifying the Risk Appetite and Strategy of the bank on its E&S Risk, a working Committee, duly approved by the Board, has been established to conduct an environmental and social risk assessment as well as project site assessment to determine the Bank's current exposure with E&S risk associated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

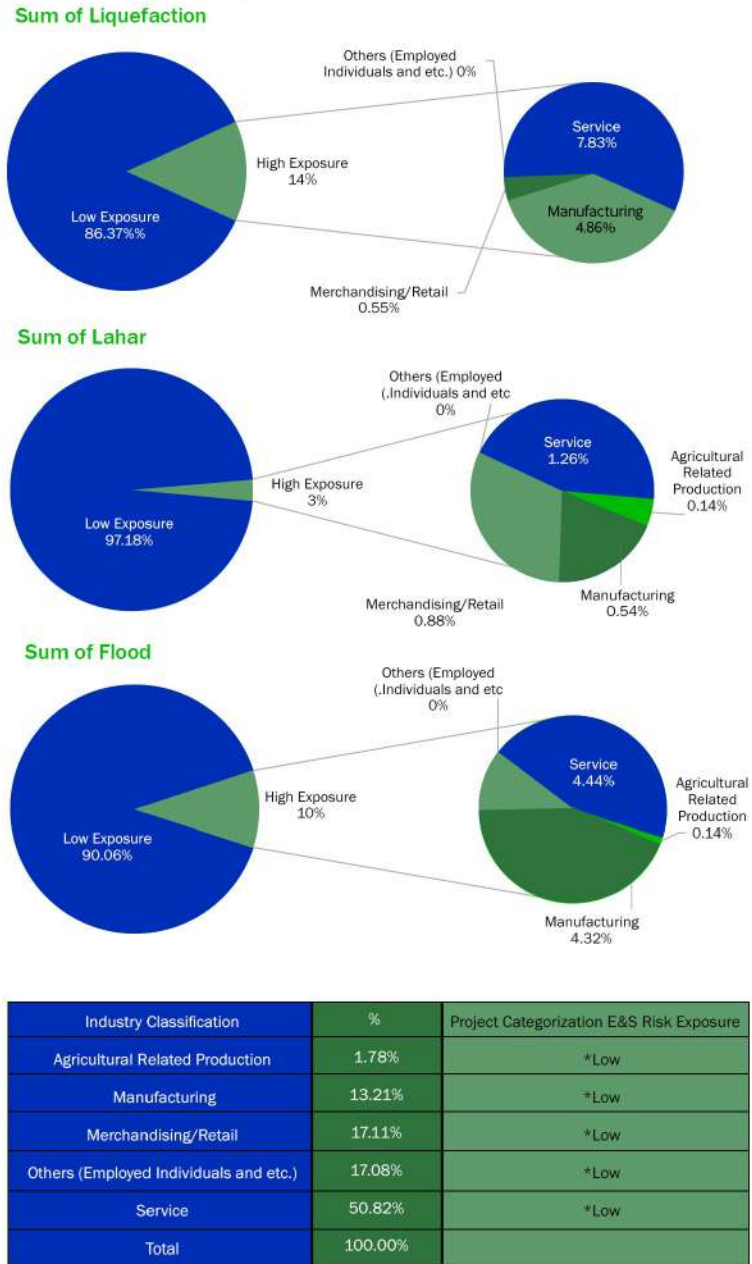
*IMPACT OF E&S RISK TO THE BANK



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 hazards as follows



*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 ESRS of Porac Bank, at a minimum, covers the following

- 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

Championing Sustainability: Sharing Our ESRMS Journey



In a strong affirmation of our commitment to sustainability, the Bank was honored to participate in the writeshop titled “Developing ESRMS Systems for Rural Banks”, held last April 24 to 26, 2024 in Tagaytay City. The event was spearheaded by the Confederation of Southern Tagalog Rural Bankers and supported by the Rural Bankers Association of the Philippines (RBAP), under the leadership of President Jose Paolo Palileo.

The writeshop gathered representatives from rural banks across the region to deepen their understanding and adoption of Environmental and Social Risk Management Systems (ESRMS)—a critical framework in promoting sustainable finance and responsible banking practices.

Our Bank was privileged to be invited to share its ongoing ESRMS journey—highlighting the steps we’ve taken to integrate environmental and social considerations into our risk management, lending, and operational strategies. Representing the Bank were our AVP for Organizational Development and Head of Financial Planning, who provided a detailed account of how the ESRMS was crafted, aligned with regulatory expectations and the Bank’s mission to support inclusive and sustainable growth.

They were joined by Ms. Concepcion Garcia, Program Consultant of the Rural Bankers Research and Development Foundation, Inc. (RBRDFI) and former Bangko Sentral ng Pilipinas Director, who served as one of the lead resource persons for the two-day workshop. Her expertise and guidance enriched the collaborative writeshop, where participants developed practical ESRMS tools and implementation strategies tailored to rural bank settings.

Our participation in this important initiative reflects our proactive stance on sustainable banking and our dedication to sharing best practices with the wider rural banking community. We believe that a well-implemented ESRMS not only mitigates risks but also empowers banks to create lasting value for communities, the environment, and future generations.

This milestone is a testament to our belief that sustainability is not just a regulatory requirement—but a shared responsibility and a strategic imperative for rural banks moving forward.

Sustainability Initiatives Update: Continuing Our Commitment to Reforestation and Climate Action



In line with our corporate commitment to combat global warming, mitigate climate change, and protect the ecosystem, the Bank continues to strengthen its environmental advocacy through our sustained partnership with ARAW-ACI. Now on its second year, this partnership reflects our deepening engagement in community-based environmental action.

As part of our long-term reforestation program, we conducted a site visit to Sitio Target, Sapangbato to monitor the progress of the trees planted during our September 2022 tree planting activity. It was a meaningful experience to witness firsthand the growth and thriving condition of the trees—an encouraging sign of the positive impact of our collective efforts.

This initiative reaffirms our belief that consistent and community-driven actions are essential in the fight against climate change. We are proud of the progress we’ve made and remain steadfast in our efforts to create a greener and more resilient future for the communities we serve.

KWENTONG MALASAKIT

CSR ACTIVITY



The great gift of Easter is hope! Porac Bank joined the nation in commemorating Resurrection Sunday by demonstrating love, bringing joy and providing hope to 200 destitute children in cooperation with the Lingap Ministry of Our Lady of Fatima Parish in Hensonville, Angeles City. This CSR activity is another advocacy and manifestation of the true “Malasakit” and altruistic endeavor of the Bank that resonated well not only with the beneficiaries but with the local community. #WeArePoracBank #2024CSRActivity #Malasakit



Empowering OUR PEOPLE



BUILDING PARTNERSHIP



HAU JOB FAIR

On November 4, Porac Bank joined other institutions invited by Holy Angel University for its Annual Job Fair which is an avenue given to its graduating students and alumni for placement and possible employment. **#WeArePoracBank #HAUJobFair**



CCA JOB FAIR

Porac Bank actively joined other HR practitioners and recruiters during the Job Fair organized by the City College of Angeles, a worthwhile opportunity for job seekers and potential candidates to connect with prospective employers. **#WeArePoracBank #JobFairAtCCA**



RBAP ANNUAL NATIONAL CONVENTION

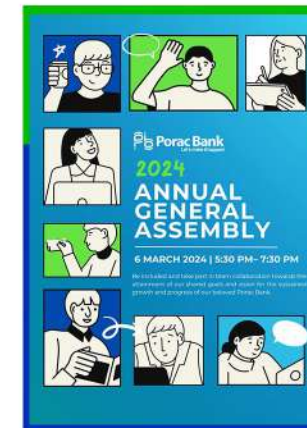
The senior management team attended RBAP's 71st Annual National Convention and General Membership Meeting at the Manila Hotel on November 12-13, 2024. Their participation in this national gathering provided opportunity for the Bank to build a stronger relationship and share best practices with fellow rural bankers. **#WeArePoracBank #RBAPAnnualConvention**

MALASAKIT IN THE WORKPLACE



Hereunder is a roadmap of the various events and activities organized and executed by the HR Department in Year 2024.

2024 ACTIVITIES



ANNUAL GENERAL ASSEMBLY

It was an enriching and worthwhile online gathering as our Bank President reported the Bank's current financial standing and blueprint for continued growth and we were also apprised of the major projects in the pipeline and the strategic initiatives we will take as a Team. It was even a purposeful time as we got some valuable tips and medical advice from our Board Chairman and Company Physician on how to manage stress and improve our mental health. We say cheers to our past gains and achievements as we count on each and everyone's impactful contribution for the attainment of our goals and targets and aspire for more significant milestones. **#WeArePoracBank #AnnualGeneralAssembly**



ANNUAL BOWLING COMPETITION

PB's 1st Annual Bowling Competition was a huge success! All the players showed exuberance and were in high spirits as they had strikes, spares and gutter ball. Everybody had fun taking a roll and knocking down the pins. Team Alfred dominated the lanes while Team Thaye was not far behind. Team Wacks came close third while Team Clare joyously played their game. It was indeed an enjoyable event with surprise cash prize for all the players who were treated to a filling buffet lunch after the game. **#WeArePoracBank #BowlingCompetition #ThankYouPBManagement**



ANNUAL STRATEGIC PLANNING

The senior management team and core officers conducted a 2-day Strategic Planning at Oasis Hotel last November 21-22, 2024 to define the vision, set the direction and craft strategic goals and objectives for the Bank's roadmap to growth and success for Year 2025. **#WeArePoracBank #ThinkTankInSession #CollectiveVision**



NEON CHRISTMAS PARTY 2024

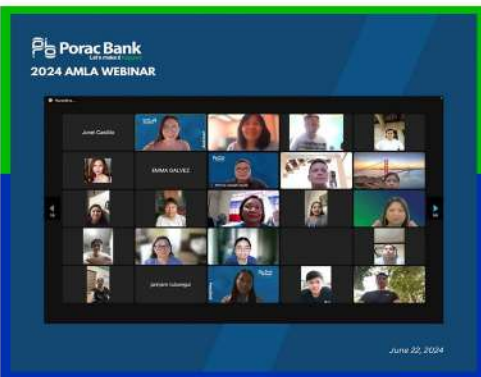
Neon Night 2024 was a total vibe! Last Friday (December 06, 2024), the Porac Bankers lit up the night with bold colors, epic energy, and memories that will shine forever. Here's to glowing brighter and making waves in the year ahead! **#NeonNight #PoracBankers #PBYEP**



HIGH IMPACT SELLING WORKSHOP

Conducted by Toni Villena, this workshop provided Branch Managers (BMs), Sales Officers (SOs), and Field Deposit Collector (FDC) Area Heads with essential sales techniques to strengthen client relationships and drive business growth. The training emphasized persuasive communication, trust-building, and tailored financial solutions, equipping participants with the skills to better serve clients and contribute to the bank's success.

HR TRAININGS



AMLA TRAINING

We had a great 88% attendance for this year's AMLA training conducted by our regular Resource Speaker Emma Galvez of Landbank. Today was another opportunity for everyone to keep abreast and gain insights on the emerging policies and regulations governing anti money laundering.



BSP TRAINING KNOW YOUR MONEY

Designed for Branch Operations Officers (BOOs) and Tellers, this training focused on identifying security features of Philippine currency and detecting unfit or counterfeit banknotes. By enhancing their accuracy and vigilance in cash handling, the session reinforced their responsibility in safeguarding the integrity of financial transactions and maintaining client trust.



FDC CAPACITY BUILDING WORKSHOP

It was an engaging and productive day for the Field Deposit Collectors who eagerly interacted and actively participated during the training and capacity-building workshop held last August 7, 2024 at Plaridel Branch Training Room. Indeed, these highlydriven and dedicated gentlemen play a pivotal role and are the trailblazers in the Bank's quest for growth and expansion. **#WeArePoracBank #FieldDepositCollectors #GrowthMindset**



CCLRB RB 101 TRAINING

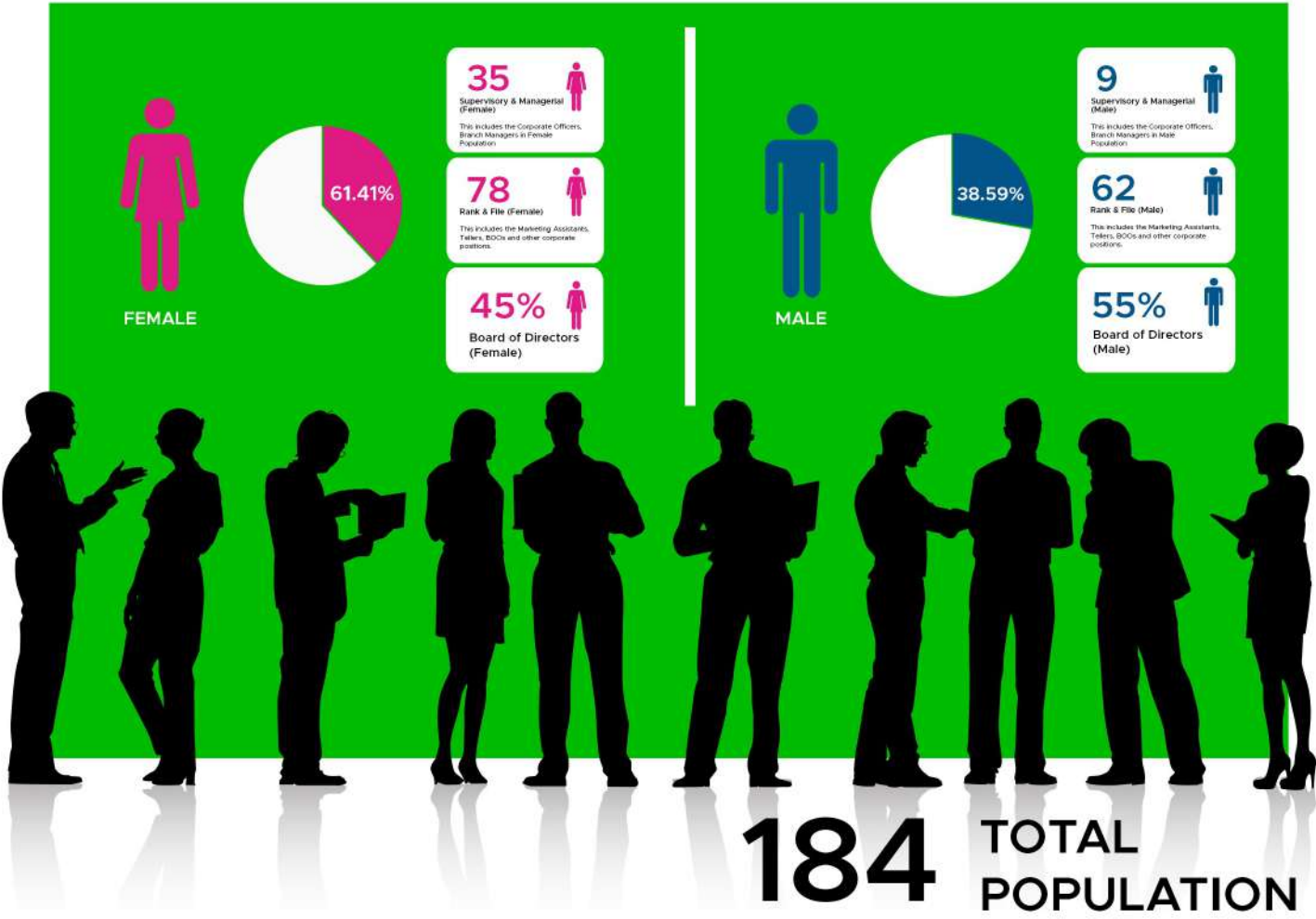
This training provided employees with a deeper understanding of the banking industry, focusing on the role of the Bangko Sentral ng Pilipinas (BSP) and the various financial institutions operating within the system. Participants explored rural banking operations, financial products, and regulatory frameworks, strengthening their expertise and reinforcing the significance of their role in financial inclusion and economic development.

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

1 NO POVERTY

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.

14 LIFE BELOW WATER

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.

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

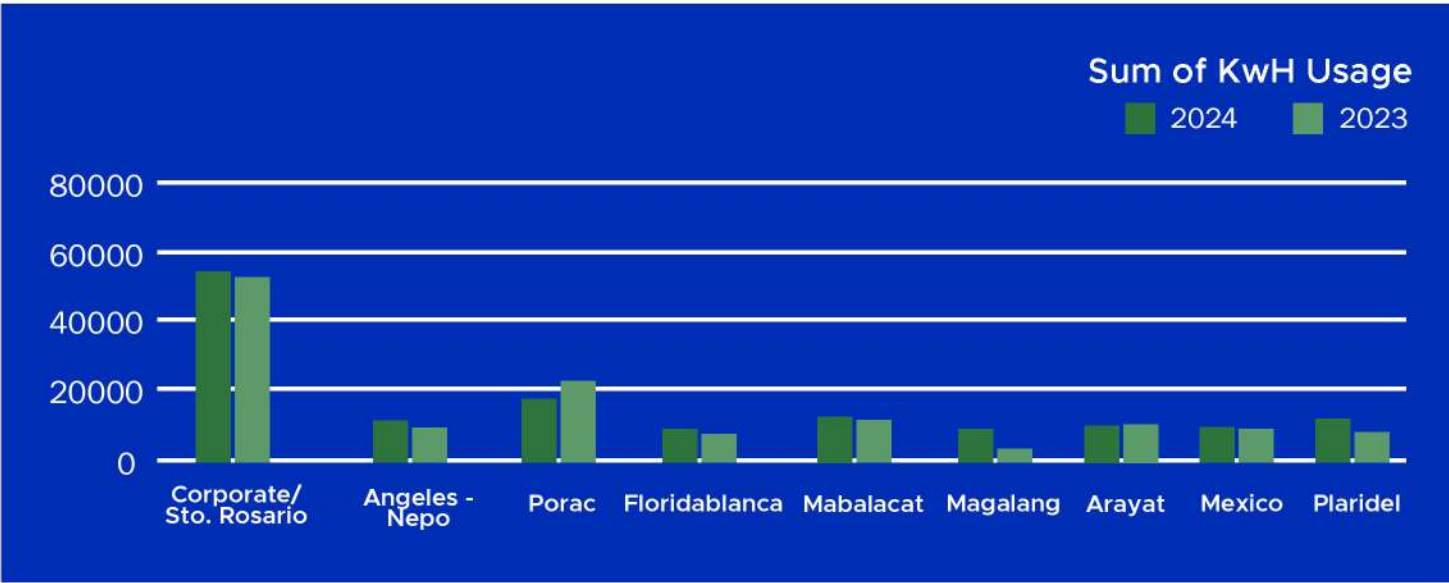
We pioneered the launching of the "Sustainability and Energy Savings (SES) Loan" - an additional loan product intended to finance the cost of Solar PV system installation in the house or commercial establishment owned or occupied by our borrowers. With this, we aim to support economic growth and provide lasting benefit for both our clients and society while reducing pressure to the environment.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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



Just as we invest in our people to drive excellence within the Bank, we also recognize our responsibility to uplift the communities we serve. In 2024, we conducted financial literacy programs, sustainability initiatives, and charitable activities to build a more sustainable and inclusive banking system. Our commitment to responsible banking practices and enriching the communities we serve ensures that we deliver value to our stockholders while also positively impacting society as a whole.

FINANCIAL LITERACY SEMINAR

Elementary and High School Student of Dominican School Sta. Rita Pampanga



Porac Bank remains committed to empowering the younger generation with essential financial knowledge to help them build a secure and responsible future.

CONSUMER PROTECTION

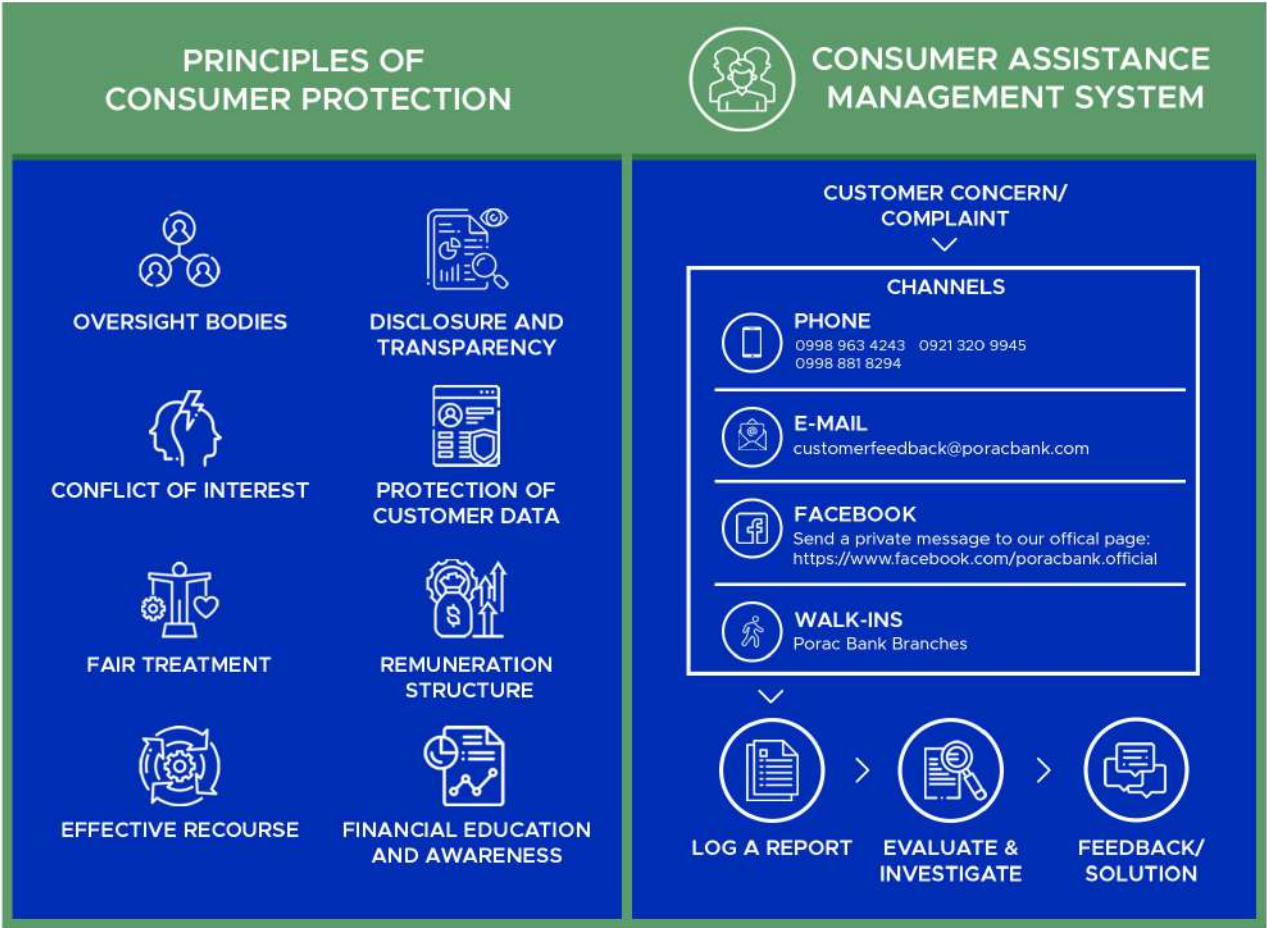
Porac Bank fully supports the policy of the State to protect the interest of the consumers, promote their welfare, and establish standards of conduct for the banking industry. It is one with the Bangko Sentral ng Pilipinas (BSP) in providing disclosure and transparency, protection of client information, 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 2024, 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.



PRODUCTS & SERVICES

OTHER SERVICES



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.



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.



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.



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 advancements.



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.



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!



ATM/POS MACHINES

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



EASY CASH LOAN

Unsecured borrowings of as much as P200, 000.00 for eligible regular Marketing Assistant depositor of 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.



DEPOSIT PICK-UP FACILITY

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



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.



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.



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.



INTER-BRANCH FACILITY

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



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, 2024 and 2023



RURAL BANK OF PORAC (PAMPANGA), INC.
Priser Building Sto. Rosario St., Cor. Flora Ave.,
Barangay Sto. Rosario, Angeles City, Pampanga


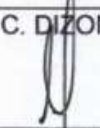

**STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR
ANNUAL INCOME TAX RETURN**

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, 2024. 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, 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, 2024 and the accompanying Annual Income Tax Return are in accordance with the books and records of **RURAL BANK OF PORAC (PAMPANGA), INC.** are 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. The **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 of the Board:	BENJAMIN C. DIZON
Signature	
Chief Executive Officer:	LOURDES CONNIE C. TAYAG
Signature	
Chief Financial Officer:	ANNA CLAUDINE T. DAVID

Signed this 29th day of April 2025.

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 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, 2024 and 2023, 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 Bank's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

MARVIN A. MALLARI, CPA, the independent auditor appointed by the stockholders, has examined the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature
Chairman of the Board:

BENJAMIN C. DIZON

Signature
Chief Executive Officer:

LOURDES CONNIE C. TAYAG

Signature
Chief Financial Officer:

ANNA CLAUDINE T. DAVID

Signed this 29th day of April 2025.



Marvin A. Mallari
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
RURAL BANK OF PORAC (PAMPANGA), INC.
Priser Building Sto. Rosario St., Cor. Flora Ave.,
Barangay Sto. Rosario, Angeles City, Pampanga

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSA). 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 Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 Philippine Financial Reporting Standard 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 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.

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

Auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 PSA, my 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 Company'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 Company'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 Company 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 are identified during my 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.

Other Matter

The prior period financial statements of the Bank were audited by another auditor whose unqualified opinion was issued on March 21, 2024.

Report on Other Legal and Regulatory Requirements

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 is presented on Note 28 of the notes to financial statement and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standard. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


MARVIN A. MALLARI

CPA Certificate No. 134436

TIN No. 402-059-135-000

PTR No. 1521085, 01.07.2025 City of San Fdo., Pampanga

BOA Accreditation No. 5590, Expiring May 2025

CDA/CEA Accreditation No. 1546, Expiring January 2026

BIR Accreditation No. 04-006085-001-2024, Expiring February 2027

BSP Accreditation No. 134436-BSP Group C, Expiring April 2027

March 27, 2025

San Juan City of San Fernando, Pampanga



Marvin A. Mallari
Certified Public Accountant

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

**The Board of Directors
RURAL BANK OF PORAC (PAMPANGA), INC.
Priser Building Sto. Rosario St., Cor. Flora Ave.,
Barangay Sto. Rosario, Angeles City, Pampanga**

I have audited the accompanying financial statements of Rural Bank of Porac (Pampanga), Inc. as of and for the year ended December 31, 2024, on which I have rendered the attached report dated March 27, 2025.

In compliance with Revised Securities Regulation Code (SRC) Rule 68, I am stating that said Bank has a total number of twenty (20) stockholders owning one hundred (100) 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.

MARVIN A. MALLARI

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March 27, 2025

San Juan City of San Fernando, Pampanga

045.404.7255

0917.652.1122

laccountmallari@yahoo.com

San Juan, City of San Fernando,
Pampanga



Marvin A. Mallari
Certified Public Accountant

**STATEMENT OF REPRESENTATION
TO THE SECURITIES AND EXCHANGE COMMISSION**

In connection with my examination on the financial statements Rural Bank of Porac (Pampanga), Inc. for the year ended December 31, 2024 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 to 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 engaged in public practice, I make these representations in my individual capacity.

MARVIN A. MALLARI

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Pampanga



Marvin A. Mallari
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT FOR SUPPLEMENTARY INFORMATION

To the Stockholders and Board of Directors
RURAL BANK OF PORAC (PAMPANGA), INC.
Priser Building Sto. Rosario St., Cor. Flora Ave.,
Barangay Sto. Rosario, Angeles City, 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, 2024 on which I issued my report thereon dated March 27, 2025. 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, 2024 and no material exceptions were noted.

MARVIN A. MALLARI

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March 27, 2025

San Juan City of San Fernando, Pampanga

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0917.652.1122
lacountmallari@yahoo.com

San Juan, City of San Fernando,
Pampanga



Marvin A. Mallari
Certified Public Accountant

CERTIFICATION

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

In connection with my audit of the 2024 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 28, 2025, and had finished the audit on March 27, 2025.
- 2.) That the Audited Financial Statements 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 27, 2025.
- 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 risk and classification.
- 7.) That I have no findings related to corporate governance issues, except for those which are summarized in my Letter of Comment in the 2024 Annual Audit Report dated March 27, 2025.

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0917.652.1122
lacountmallari@yahoo.com

San Juan, City of San Fernando,
Pampanga

- 8.) That I have **none to report** regarding termination and resignation as external auditor
- 9.) That I have **none to 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.




MARVIN A. MALLARI

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TIN No. 402-059-135-000
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March 27, 2025
San Juan City of San Fernando, Pampanga

SUBSCRIBED AND SWORN TO BEFORE ME this APR 14 2025 at City of San Fernando, Pampanga

Doc. No. 149
Page No. 31
Book No. 104
Series of 2025


CARLOTA DELA CRUZ-MANALO
Notary Public
Notarial Commission 28-24
Until December 31, 2025
IBP No. 485423/ 12-19-2024 / Pampanga
PTR No. PAM-0747844 / 01-02-2025 / Pampanga
ROA 37808
MCLE VIII-0003702 / 09-08-23
2nd Floor Jomafer BLDG., Dolorosa,
City of San Fernando, Pampanga



Marvin A. Mallari
Certified Public Accountant

CERTIFICATION

**The Shareholders and the Board of Directors
RURAL BANK OF PORAC (PAMPANGA), INC.
Priser Building Sto. Rosario St., Cor. Flora Ave.,
Barangay Sto. Rosario, Angeles City, 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.




MARVIN A. MALLARI

CPA Certificate No. 134436
TIN No. 402-059-135-000
PTR No. 1521085, 01.07.2025 City San Fdo., Pampanga
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March 27, 2025
San Juan City of San Fernando, Pampanga

SUBSCRIBED AND SWORN to before me this APR 14 2025 at City of San Fernando, Pampanga

Doc No.: 149
Page No.: 31
Book No.: 104
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PTR No. PAM-0747844 / 01-02-2025 / Pampanga
ROA 37808
MCLE VIII-0003702 / 09-08-23
2nd Floor Jomafer BLDG., Dolorosa,
City of San Fernando, Pampanga
San Juan, City of San Fernando,
Pampanga

045.404.7255
0917.652.1122
laccountmallari@yahoo.com



Marvin A. Mallari
Certified Public Accountant

CERTIFICATION

The Shareholders and the Board of Directors
RURAL BANK OF PORAC (PAMPANGA), INC.
Priser Building Sto. Rosario St., Cor. Flora Ave.,
Barangay Sto. Rosario, Angeles City, Pampanga

This is to certify that there are **NO** matters to report concerning fraud, dishonesty, or breach of law, except from those summarized in the Letter of Comment dated March 27, 2025, identified during the 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.

MARVIN A. MALLARI

CPA Certificate No. 134436
TIN No. 402-059-135-000
PTR No. 1521085, 01.07.2025 City San Fdo., Pampanga
BOA Accreditation No. 5590, Expiring May 2025
CDA CEA Accreditation No. 1546, Expiring January 2026
BIR Accreditation No. 04-006085-001-2024, Expiring February 2027
BSP Accreditation No. 134436-BSP Group C, Expiring April 2027

March 27, 2025
San Juan, City of San Fernando, Pampanga

SUBSCRIBED AND SWORN to before me this APR 14 2025 at City of San Fernando, Pampanga

Doc No.: 149
Page No: 3
Book No.: 106
Series of 2025

CARLOTA DELA CRUZ-MANALO

Notary Public
Notarial Commission 28-24
Until December 31, 2025
IBP No. 485423/ 12-19-2024 / Pampanga
PTR No. PAM-0747844 / 01-02-2025 / Pampanga
ROA 37808
MCLE VIII-0003702 / 09-08-23
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Marvin A. Mallari
Certified Public Accountant

The Director
Financial Supervision Department IV
6th Floor, Multi-storey building
Mabini Street, Malate, Manila 1004

RE: LETTER OF COMMENTS
2024 ANNUAL FINANCIAL AUDIT OF RURAL BANK OF PORAC (PAMPANGA), INC.

Gentlemen:

In compliance Section 174 and Appendix 55 of the Manual of Regulation for Banks (MORB), attached herewith are our findings based on the results of our audit of the financial statements of Rural Bank of Porac (Pampanga), Inc. as at and for the year ended December 31, 2024 and 2023, along with the recommendations for corrective actions and the Management's plan of action or response.

Very truly yours,

MARVIN A. MALLARI

CPA Certificate No. 134436
TIN No. 402-059-135-000
PTR No. 1521085, 01.07.2025 City San Fdo., Pampanga
BOA Accreditation No. 5590, Expiring May 2025
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March 27, 2025
San Juan, City of San Fernando, Pampanga

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San Juan, City of San Fernando,
Pampanga

RURAL BANK OF PORAC (PAMPANGA), INC.
LETTER OF COMMENT
December 31, 2024

I. EXECUTIVE SUMMARY

	Particulars	Amount	Management Plan of Action or Response	Timetable
1.	Dormant Accounts			
2.	Examination of ROPA			

II. DETAILED DISCUSSION

1. Dormant Accounts

Discussion

Upon our review and analysis, we have identified number of dormant accounts at the head office, with the most recent transactions dating back to 2014 or earlier.

Recommendation

Section 272 of the **Manual of Regulations for Banks (MORB)**, known as the 'Unclaimed Balances Act', mandates the transfer of unclaimed balances, including various forms of deposits and securities, to the liability account "Due to the Treasurer of the Philippines." These balances, along with their interest, must be reported to the Treasurer as per the Unclaimed Balances Act (Act No. 3936, as amended). This transfer continues until the funds are handed over to the Treasurer upon court order for escheatment to the Government of the Republic of the Philippines. Consequently, these unclaimed deposit liabilities are no longer subject to reserve requirements' for deposit liabilities.

Therefore, we recommend the following adjustment:

Proposed Adjusting Entry:

Dormant
Due to Treasury of the Philippines
To properly recognized the account

Management Response

2. Real and Other Properties Acquired

Discussion

During the audit examination and review of the ROPA schedule, it was observed that 15 ROPA items have a holding period of 5 years.

Recommendation

Banks are required to adhere to the disposal provisions outlined in Section 52 of R.A. No. 8791, which stipulate that foreclosed properties must be disposed of within five (5) years from the date of acquisition. The bank must dispose of or sell the asset acquired within five years from the date it is consolidated under the bank's name.

Management Response

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

	As at December 31	
	2024	2023
ASSETS		
Cash and Other Cash Items (Note 6.1)	₱ 27,485,384	₱ 26,686,474
Due from BSP (Note 6.2)	17,561,152	22,302,937
Due from Other Banks (Note 6.2)	301,521,928	256,066,670
Debt Securities Measured at Amortized Cost (Note 7)	1,050,290,614	792,310,480
Loans & Receivable, Net (Note 8)	1,044,432,093	1,112,811,212
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)	57,459,580	47,704,573
Investment Property, Net (Note 10)	34,155,628	29,955,658
Right of Use Assets (Note 11)	39,160,781	47,919,618
Deferred Tax Asset (Note 23)	3,591,885	3,442,580
Other Assets, Net (Note 12)	8,818,543	9,090,106
Retirement Benefit Asset (Note 19)	18,076,514	16,723,516
TOTAL ASSETS	2,602,554,102	2,365,013,824
LIABILITIES & SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposit Liabilities (Note 13)	2,080,573,953	1,866,770,659
Accrued Interest, Taxes and Other Expenses (Note 14)	11,640,664	15,896,381
Other Liabilities (Note 15)	132,397,260	64,600,645
TOTAL LIABILITIES	2,224,611,877	1,947,267,685
SHAREHOLDERS' EQUITY		
Ordinary Share Capital	302,316,100	302,316,100
Retained Earnings - Free	77,888,864	119,785,736
Retained Earnings - Reserve for healthcare fund (Note 16)	7,022,194	7,022,194
Cumulative remeasurement gains (losses) on defined benefit plan	(9,284,933)	(11,377,891)
TOTAL SHAREHOLDERS' EQUITY	377,942,225	417,746,139
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	₱ 2,602,554,102	₱ 2,365,013,824
BOOK VALUE PER SHARE	₱ 125	₱ 138

See accompanying Notes to Financial Statements.

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

	For the Year Ended December 31,	
	2024	2023
INTEREST INCOME		
Loans & Receivables	₱ 137,839,961	₱ 131,774,443
Due from Other Banks	5,605,227	5,734,700
Debt Securities Measured at Amortized Cost	42,072,087	31,938,425
TOTAL INTEREST INCOME	185,517,275	169,447,568
INTEREST EXPENSE		
Deposit Liabilities	9,088,101	8,209,501
Bills Payable	-	-
TOTAL INTEREST EXPENSE	9,088,101	8,209,501
NET INTEREST INCOME	176,429,174	161,238,067
PROVISION FOR CREDIT LOSSES	597,219	218,784
NET INTEREST INCOME AFTER PROVISION	175,831,955	161,019,283
OTHER INCOME (Note 17)	25,996,727	20,609,936
TOTAL INCOME BEFORE OPERATING EXPENSES	201,828,682	181,629,219
OTHER OPERATING EXPENSE		
Compensation & Fringe Benefits (Note 18)	74,712,044	62,901,530
Other Operating Expenses (Note 20)	50,836,025	49,557,905
Depreciation & Amortization (Note 21)	19,708,893	16,483,537
Taxes & Licenses (Note 27)	6,315,726	6,775,797
TOTAL OTHER OPERATING EXPENSE	151,572,688	135,718,769
NET INCOME BEFORE INCOME TAX	50,255,994	45,910,450
INCOME TAX EXPENSE (BENEFIT) (Note 23)	2,966,109	3,390,995
NET INCOME AFTER INCOME TAX	47,289,885	42,519,455
Items that will not be reclassified to profit or loss in subsequent period		
Remeasurement gains/(losses) on defined benefit plans	2,092,958	-
TOTAL COMPREHENSIVE INCOME	₱ 49,382,843	₱ 42,519,455
EARNINGS PER SHARE	₱ 16	₱ 14

See accompanying Notes to Financial Statements.

RURAL BANK OF PORAC (PAMPANGA), INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Income Tax	P 50,255,994	P 45,910,450
Adjustments for:		
Depreciation & amortization	19,708,893	16,483,538
Provision for credit losses	597,219	218,784
Non-cash adjustments on FFE	448,765	(13,335)
Gain on sale of investment properties	(13,851,467)	(9,126,363)
Interest income	(185,517,275)	(169,447,568)
Interest expense	9,088,101	8,209,501
Changes in working capital:		
Loans and other receivables	67,781,900	92,403,309
Other assets	271,563	(2,911,047)
Right Use of Asset	(1,257,112)	-
Deposits liabilities	213,803,294	(38,513,790)
Other liabilities	(65,338)	668,388
Accrued interest and other liabilities	(4,255,717)	(115,402)
Interest received	185,517,275	169,447,568
Interest paid	(9,088,101)	(8,209,501)
Income tax paid	(3,115,414)	(5,514,252)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	330,322,580	99,490,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase/(Decrease) in:		
Investment properties	(6,040,408)	4,414,046
Additions to bank premises, FFE	(18,056,278)	(15,274,318)
Acquisition of debt securities measured at amortized cost	(257,980,134)	(135,260,205)
Proceeds from sale of Investment properties	13,851,467	9,126,363
Retirement benefit asset	(1,352,998)	(3,147,367)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(269,578,351)	(140,141,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of cash dividends to stockholders	(10,581,064)	-
Net charges to surplus/Prior period adjustments	(1,512,735)	(61,690,592)
Payments of lease liabilities	(7,138,047)	(5,034,483)
Proceeds from issuance of shares	-	50,385,600
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(19,231,846)	(16,339,475)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	41,512,383	(56,990,676)
CASH AND CASH EQUIVALENTS, BEGINNING	305,056,081	362,046,757
CASH AND CASH EQUIVALENTS, ENDING	P 346,568,464	P 305,056,081

(See accompanying Notes to Financial Statements)

RURAL BANK OF PORAC (PAMPANGA), INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2024 and 2023

	ORDINARY SHARE CAPITAL	RETAINED EARNINGS - FREE	RETAINED EARNINGS - RESERVE FOR HEALTHCARE FUND	CUMULATIVE LOSSES (GAINS) DEFINED BENEFIT COST (OCI)	Total
Balance at January 1, 2024	P 302,316,100	P 119,785,736	P 7,022,194	P (11,377,891)	P 417,746,139
Total comprehensive income for the year	-	47,289,885	-	2,092,958	49,382,843
Provisions and Adjustments	-	(3,605,693)	-	-	(3,605,693)
Cash dividend declared	-	(10,581,064)	-	-	(10,581,064)
Stock dividend declared	-	(75,000,000)	-	-	(75,000,000)
Balance at December 31, 2024	P 302,316,100	P 77,888,864	P 7,022,194	P (9,284,933)	P 377,942,225
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)
Balance at December 31, 2023	P 302,316,100	P 119,785,736	P 7,022,194	P (11,377,891)	P 417,746,139

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, 2024

	Submitted Report	Audited Report	Discrepancy	Reason for Discrepancy
Cash and Other Cash Items	27,485,384	27,485,384	-	
Due from Bangko Sentral ng Pilipinas	17,561,152	17,561,152	-	
Due from Other Banks	301,521,928	301,521,928	-	
Debt Securities Measured at Amortized Cost	1,040,028,004	1,050,290,614	(10,262,610)	FS presentation, Net of AIR
Loans and Receivables, Net	1,020,617,326	1,020,617,326	-	
Sales Contract Receivable	18,210,617	18,310,365	(99,748)	FS presentation, Net of AIR
Accrued Interest Income	16,919,619	5,504,402	11,415,217	AIR of Debt Securities, SCR and Time Deposits
Bank Premises, Furniture, Fixtures, and Equipment, Net	57,459,580	57,459,580	-	
Right of Use Assets	-	39,160,781	(39,160,781)	FS presentation
Investment Properties	34,155,628	34,155,628	-	
Deferred Tax Asset	12,526,197	3,591,885	8,934,312	See Adjusting entry 3, net of DTL
Other Assets, Net	46,614,842	8,818,543	37,796,299	FS presentation, net of AIR, ACL, ROUA, See Adjusting entry 2
Retirement Benefits Assets	16,723,516	18,076,514	(1,352,998)	See Adjusting entry 4
Total Assets	2,609,823,793	2,602,554,102	7,269,691	Net effect of adjustments
Deposit Liabilities	2,080,573,953	2,080,573,953	-	
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	2,877,908	11,640,664	(8,762,756)	FS presentation reported in accrued expenses
Income Tax Payable	-	-	-	FS presentation reported in Accrued Interest, Taxes &
Accrued Expenses	8,762,756	-	8,762,756	Other Expenses
Deferred tax liability	9,083,617	-	9,083,617	FS presentation
Other Liabilities	131,713,354	132,397,260	(683,906)	FS presentation included the Special Time Deposit and Due to Treasury of the Philippines

RURAL BANK OF PORAC (PAMPANGA), INC.
COMPARATIVE FINANCIAL HIGHLIGHTS
As of December 31, 2024 and 2023

	2024	2023	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	₱ 211,514,002	₱ 190,057,504	₱ 21,456,498
TOTAL EXPENSES	164,224,117	147,538,049	16,686,068
NET INCOME	47,289,885	42,519,455	4,770,430
EARNINGS PER SHARE			
Ordinary Shares	15.64	14.06	1.58
RETURN ON AVERAGE EQUITY	11.89%	10.51%	1.38%
RETURN ON AVERAGE ASSETS	1.90%	1.79%	0.11%
NET INTEREST MARGIN	7.68%	7.35%	0.33%
AT YEAR END			
TOTAL ASSETS	2,602,554,102	2,365,013,824	237,540,278
LOANS AND RECEIVABLES (NET)	1,044,432,093	1,112,811,212	(68,379,119)
LIQUID ASSETS	1,396,859,078	1,097,366,561	299,492,517
FIXED ASSETS	57,459,580	47,704,573	9,755,007
DEPOSIT LIABILITIES & DUE TO BSP	2,080,573,953	1,866,770,659	213,803,294
OTHER LIABILITIES	132,397,260	64,600,645	67,796,615
EQUITY ACCOUNTS	377,942,225	417,746,139	(39,803,914)
BOOK VALUE PER SHARE			
Ordinary Shares	125.02	138.18	-13.16
CAPITAL ADEQUACY RATIO	21.02%	24.66%	(3.64%)
PAST DUE RATIO	16.03%	14.15%	1.88%
RATIO OF LIQUID ASSETS OVER DEPOSIT LIABILITIES & DUE TO BSP	67.14%	58.78%	8.36%
RATIO OF LIQUID ASSETS OVER DEPOSIT LIABILITIES			
OTHER LIABILITIES	63.12%	56.82%	6.30%
DEBT TO EQUITY RATIO	5.89:1	4.66:1	1.23:1
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	15.20%	11.42%	3.78%

(See accompanying Notes to Financial Statements)

RURAL BANK OF PORAC (PAMPANGA), INC.
LIST OF ADJUSTING ENTRIES
DECEMBER 31, 2024

No	Particulars	Debit	Credit
Proposed Adjusting Journal Entry (PAJE)			
1.	Miscellaneous income ADB FIT Grant To adjust Income Tax Expense for the year	P 2,627,170	P 2,627,170
2.	Prepaid Income Tax Income Tax Expense To adjust Income Tax Expense for the year	311,623	311,623
3.	Deferred Tax Assets Income Tax Benefits To record DTA on provision for credit losses	149,305	149,305
4.	Retirement Benefit Asset Retirement Expense Cumulative remeasurement gain on retirement benefit plans Retained earnings To record retirement asset based on PAS 19R for the year 2024.	1,352,998 744,150	2,092,958 4,190

Total Liabilities	2,233,695,494	2,224,611,877	9,083,617	Net effect of adjustments
Capital Stock	302,316,100	302,316,100	-	
Retained Earnings	85,190,090	84,911,058	279,032	See Adjusting entries 2, 3 & 4
Cumulative remeasurement gains (losses)	(11,377,891)	(9,284,933)	(2,092,958)	See Adjusting entry 4
Total Shareholders' Equity	376,128,299	377,942,225	(1,813,926)	Net effect of adjustments
Total Liabilities & Shareholders' Equity	2,609,823,793	2,602,554,102	7,269,691	Net effect of adjustments
Total Gross Income	211,514,002	213,606,960	(2,092,958)	See Adjusting entry 4
Total Expenses	160,513,858	161,258,008	(744,150)	See Adjusting entry 4
Net Income Before Tax	51,000,144	52,348,952	(1,348,808)	Net effect of adjustments
Income Tax Expense (Benefit)	3,427,037	2,966,109	460,928	See Adjusting entries 2 & 3
Net Income After Tax	P 47,573,107	P 49,382,843	P (1,809,736)	Net effect of adjustments

RURAL BANK OF PORAC

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

1. CORPORATE INFORMATION

Rural Bank of Porac (Pampanga), Inc. 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, 2024 were authorized for issue by its Board of Directors on March 27, 2025.

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 ("P") 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, Classification of Liabilities as Current or Non-current– The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, Making Materiality Judgements, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, Definition of Accounting Estimates – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that 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. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, Deferred Tax Related Assets and Liabilities from a Single Transaction – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2024 and have not been applied in preparing the financial statements, are summarized below:

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

- 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 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. 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, 2024 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 7. 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	life of asset or remaining useful life of the building/term of lease whichever is shorter
Transportation equipment	3 - 5 years
Furniture and fixtures	6 months to 5 years
Information Technology Equipment	6 months to 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 was recognized for the asset in prior years. A reversal for impairment loss is credited to current operations.

Investment Properties

Investment Properties based of 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 in 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	3 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 6 months - 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 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 or 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

Bank as a Lessee

For any new contracts entered into on or after January 1, 2020, the Bank considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations which are whether:

- a. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.
- b. the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- c. the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Recognition and Initial Measurement

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

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

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

Subsequent Measurement

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

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

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

Finance Lease - PFRS 16 provides that at the commencement date, a lessee shall recognize a right of use asset and a lease liability. This simply means that a lessee is required to initially recognize a right of use asset for the right to use the underlying asset over the lease term and a lease liability for the obligation to make payments. All leases shall be accounted for by the lessee as finance lease under the new lease standard.

The Bank adopted PFRS 16 which has no material impact to its financial statements. Its leases are classified under short-term and low-value asset which continues to be reported under PAS 17 as of December 31, 2024 and 2023, respectively.

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

Current tax

Current tax assets and current tax liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided, using the statement of financial position liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward of unused excess MCIT over RCIT and unused NOLCO can be utilized.

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

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Current income tax and deferred income tax relating to items recognized directly in equity is recognized in OCI, and not in profit or loss.

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 consists 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 total number of ordinary shares outstanding during the year.

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:

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.

Determination of Functional currency

PAS 21, the effects of Changes in Foreign Exchange Rates requires 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:

- b.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);
- b.2 The currency in which funds from financing activities are generated; and
- b.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.

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.

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 as 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 st restructuring	Substandard	25%	2 or 3 *
61-90 days	Doubtful	50%	3 **
91 days and over/ 2 nd restructuring	Loss	100%	3

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

** Section 304 (Accounts consider non-performing) provides that doubtful accounts are considered as non-performing hence, shall be classified under stage 3 notwithstanding the number of missed amortizations.

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, 2024 and 2023:

2024				
	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 61,202,558	P -	P -	P 61,202,558
Financial institutions	-	295,045,186	119,925,395	414,970,581
Government	-	24,037,894	930,365,219	954,403,113
Education	-	-	-	-
Construction	7,737,123	-	-	7,737,123
Real Estate Activities	626,347,812	-	-	626,347,812
Agriculture, Forestry, And Fishing	43,111,176	-	-	43,111,176
Household Consumption	41,361,344	-	-	41,361,344

Transportation and Storage	11,486,941	-	-	11,486,941
Education	982,507	-	-	982,507
Manufacturing	95,865,319	-	-	95,865,319
Mining and Quarrying	4,332,514	-	-	4,332,514
Accommodation and food service activities	133,547,215	-	-	133,547,215
Human Health and Social work activities	28,187,984	-	-	28,187,984
Other service activities	20,543,176	-	-	20,543,176
Water supply, Sewerage, Waste management and Remediation Activities	2,634,170	-	-	2,634,170
Total	P 1,077,339,839	P 319,083,080	P 1,050,290,614	P 2,446,713,533

* Amount is gross of ACL and net of unamortized discounts

** Amount includes AIR and is net of unamortized premium and discounts

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	-	-	P51,227,857
Agriculture, forestry and fishing	45,072,777	-	-	45,072,777
Financial institutions	-	250,652,690	56,923,393	307,576,083
Government	-	27,716,917	735,387,087	763,104,004
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
Total	P1,151,161,670	P278,369,607	P792,310,480	P2,221,841,757

* Amount is gross of ACL and net of unamortized discounts

** Amount includes AIR and is 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, 2024 and 2023:

2024					
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	P 17,561,152	P -	P -	P -	P 17,561,152
Due from other banks	301,521,928	-	-	-	301,521,928
Loans Receivable*	904,221,835	38,802,369	131,643,568	2,672,067	1,077,339,839
Sales Contract Receivable**	10,904,304	9,179,156	-	-	20,083,460
Other receivables:					
Accounts receivable**	3,405,578	-	-	-	3,405,578
Accrued Interest Receivable***	16,919,618	-	-	-	16,919,618
Debt Securities Measured at Amortized Cost****	1,040,028,004	-	-	-	1,040,028,004
Total	P 2,294,562,419	P47,981,525	P 131,643,568	P2,672,067	P 2,476,859,579

* Amount is gross of ACL and net of unamortized discounts

** Amount is gross of ACL

*** Consists of AIR from loans, SCR, TD and HTM

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

2023					
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Due from BSP	P 22,302,937	P -	P -	P -	P 22,302,937
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**	4,170,135	-	-	-	4,170,135
Accrued Interest Receivable***	14,990,380	-	-	-	14,990,380
Debt Securities Measured at Amortized Cost****	785,283,231	-	-	-	785,283,231
Total	P 2,083,631,980	P 114,178,672	P 53,450,593	P 1,743,260	P 2,253,004,505

* Amount is gross of ACL and net of unamortized discounts

** Amount is gross of ACL

*** Consists of AIR from loans, SCR, TD and HTM

**** 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, 2024 and 2023.

2024					
at Amortized Cost	31 to 60 days	61 to 90 days	91 to 180 days	181 days and up	Total
Past Due Performing	P11,443,360	P1,771,565	P-	P-	P13,214,925
Past Due Non-Performing	17,024,610	8,970,964	18,457,669	5,009,552	49,462,794
Items In Litigation	2,672,067	-	-	-	2,672,067
	P31,140,037	P10,742,529	P18,457,669	P5,009,552	P65,349,786

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	6,686,917	2,296,172	24,420,649	8,567,092	41,971,370
Items In Litigation	-	-	-	1,660,108	1,660,108
	P16,011,765	P2,298,361	P24,420,649	P10,227,200	P52,957,975

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 interest rates ranging from 6% to 28% and 5.875% to 28% for year 2024 and 2023, 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 3.00% on its time deposits.

However, the Bank earns 2.625% to 8.625% from its investment in bonds and treasury bills and ranging from 0.0625% to 6.00% 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:

2024						
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Liabilities						
Deposit liabilities	P1,624,346,395	P139,882,001	P155,282,043	P157,462,781	P3,600,733	P2,080,573,953
Other Liabilities:	-	-	-	-	-	-
Accrued expenses	8,762,756	-	-	-	-	8,762,756
Accrued interest payable	2,877,908	-	-	-	-	2,877,908
Accounts payable	1,736,109	-	-	-	-	1,736,109

Total Financial Liabilities	1,637,723,168	139,882,001	155,282,043	157,462,781	3,600,733	2,093,950,726
Financial Assets						
Cash and other cash items	27,485,384					27,485,384
Due from BSP	17,561,152	-	-	-	-	17,561,152
Due from other banks	301,521,928	-	-	-	-	301,521,928
Loans and receivable*	109,836	1,120,793	10,567,818	48,106,415	993,170,033	1,053,074,895
Sales Contract Receivable**	446,108	-	-	1,350,914	16,413,595	18,210,617
Accounts receivable**	-	2,752,837	-	-	-	2,752,837
Accrued Interest Receivable***	16,919,618	-	-	-	-	16,919,618
Debt Securities Measured at Amortized Cost****	-	7,752,015	27,955,581	45,564,141	958,756,267	1,040,028,004
Total Financial Assets	364,044,026	11,625,645	38,523,399	95,021,470	1,968,339,895	2,477,554,435
Liquidity Position (Gap)	P1,273,679,142	P128,256,356	P116,758,644	P62,441,311	P(1,964,739,162)	P(383,603,709)
2023						
	On demand	Due within 1 month	1 to 3 months	3 to 12 months	Beyond 1 year	Total
Financial Liabilities						
Deposit Liabilities	P1,491,618,687	P 67,061,636	P 95,065,618	P 207,956,758	P5,067,960	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	1,873,272	-	-	-	-	1,873,272
Total Financial Liabilities	1,509,388,340	67,061,636	95,065,618	207,956,758	5,067,960	1,884,540,312
Financial Assets						
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***	14,990,380	-	-	-	-	14,990,380
Debt Securities Measured at Amortized Cost****	-	11,452,848	21,341,352	57,230,667	695,258,364	785,283,231
Total Financial Assets	320,921,458	15,571,404	25,814,327	87,474,640	1,801,892,998	2,251,674,827
Liquidity Position (Gap)	P1,188,466,882	P 51,490,232	P 69,251,291	P120,482,118	P(1,796,825,038)	P(367,134,515)

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

** Amount is net of ACL

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

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

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.

On March 26, 2020, the Monetary Board in its Resolution No. 427.B issues the Memorandum No. M-2020-020 reducing the MLR from twenty percent (20%) to sixteen percent (16%) to address the increasing liquidity risk exposure of the Banks arising from higher demands for funds by depositors, borrowers or both brought by the COVID-19 outbreak the implementation of community quarantine until December 31, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the reducing of MLR of stand-alone thrift, rural, and cooperative banks until the end of December 31, 2024.

Minimum Liquidity Ratio (MLR) as of December 31, 2024

PART 1. MINIMUM LIQUIDITY RATIO (MLR)

A. Stock of Liquid Assets	P 1,267,256,468
B. Qualifying Liabilities	1,811,973,551
Minimum Liquidity Ratio	69.94%

PART II. STOCK OF LIQUID ASSETS

Cash on Hand	27,485,384
Bank Reserves in the BSP	17,561,152
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP	920,688,004
Deposits in Other Banks	301,521,928
	P 1,267,256,468

PART III. QUALIFYING LIABILITIES

A. Qualifying Liabilities	
1 Retail current and regular savings deposits with outstanding balance per account of P500,000 and below (807,751,141 *50%)	P 403,875,570
2. Obligations arising from operational expenses	8,762,756
3. Total on Balance Sheet Liabilities	2,224,611,877
4. Deduct: Sum of A1 to A2	412,638,326
B. Other on-balance sheet liabilities (Item A.3 less A.4)	1,811,973,551
C. Irrevocable obligations under off-balance sheet items	-
D. Total (Sum of Adjusted Amount of Item A(1), A(2), B and C)	P 1,811,973,551

The amount of liquid assets reported in the Comparative Financial Highlights differs from the amount disclosed in Note 5 – Financial Risk Objectives and Policies.

The Comparative Financial Highlights include all liquid assets, including debt securities from both government and private financial institutions. Meanwhile, the Stock of Liquid Assets under Note 5 excludes debt securities from private institutions, and AIR from investments for liquidity ratio reporting.

This difference explains the variance between the two amounts.

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:

	2024		2023	
6.1. Cash and Other Cash items				
Cash on Hand and in Vault	P	27,485,384	P	26,686,474
Total cash and other cash items	P	27,485,384	P	26,686,474
6.2. Due from BSP and other Banks				
Due from Bangko Sentral ng Pilipinas	P	17,561,152	P	22,302,937
Due from Other Banks		301,521,928		256,066,670
Total due from BSP and other banks	P	319,083,080	P	278,369,607
Total Cash and Cash Equivalent	P	346,568,464	P	305,056,081

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	2024		%	2023		%
AllBank (A Thrift Bank), Inc.	P	149,992	0.05%	P	-	0.00%
Asia United Bank		106,513,001	35.33%		86,387,310	33.74%
Banco De Oro		114,099,055	37.84%		92,790,221	36.24%
Bank of Commerce		2,749,533	0.91%		2,898,777	1.13%
Bank of the Philippine Island		4,717,349	1.56%		5,271,140	2.06%
Chinabank		33,994,767	11.27%		31,695,063	12.38%
Development Bank of the Philippines		394,103	0.13%		165,384	0.06%
Eastwest Bank		796,591	0.26%		2,368,875	0.93%
Landbank of the Philippines		6,082,639	2.02%		5,248,596	2.05%
Maybank		2,670,461	0.89%		2,803,984	1.10%
Metrobank		1,421,592	0.47%		437,400	0.17%
Philippine National Bank		812,540	0.27%		721,993	0.28%
Rizal Commercial Banking Corporation		3,162,573	1.05%		3,308,870	1.29%
Security Bank		228,411	0.08%		210,486	0.08%

Union Bank	2,054,331	0.68%	1,083,700	0.42%
United Coconut Planters Bank	21,674,990	7.19%	20,674,871	8.07%
Total	P 301,521,928	100.00%	P 256,066,670	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 P100 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, 2024, the Bank's SBL was registered at P 94,485,556 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 the December 31, 2024, the Bank's accounts with Asia United Bank (AUB) and Banco De Oro (BDO) exceeded the prescribed allowable limit. The account with AUB is used for the Bank's clearing operations and is therefore exempt from the Single Borrower's Limit (SBL) in accordance with regulatory provisions.

Meanwhile, the excess exposure in the Bank's account with BDO is aligned with the Bank's approved investment and fund management policy and is consistent with Section 362 Item G of the Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB), which outlines exclusions from the SBL. This temporary excess is supported by the Bank's plan to bring the exposure back within acceptable limits, taking into consideration the Bank's strategy to take advantage of favorable market conditions. The Bank's due diligence confirms that BDO maintains strong financial stability, further mitigating any associated risks.

Cash in bank represents current account in local bank, savings account, and time deposits. They earn interests ranging from 0.0625% to 6.00% and .0625% to 6.25% for years 2024 and 2023, respectively.

Due from other banks generally earns interest at prevailing bank deposit rates. Total interest income from bank accounts and short-term cash deposits amounted P 5,605,227 and P 5,734,700 in 2024 and 2023, 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 2024 and 2023 which are not available for use by Bank.

7. DEBT SECURITIES MEASURED AT AMORTIZED COST

This account is consisting of:

	2024		2023	
Investment in HTM Financial Asset- Government	P	1,032,955,073	P	781,055,111
Add: Unamortized Premium		15,399,046		9,163,565
Accrued Interest Receivable		10,262,610		7,027,249
Total		1,058,616,729		797,245,925
Less: Unamortized Discount		(8,326,115)		(4,935,445)
Total	P	1,050,290,614	P	792,310,480

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 2.625% to 8.625% in 2024, and 2.375% to 8.125% in 2023. The interest income on these accounts amounted to ₱42,072,087 and ₱31,938,425 for 2024 and 2023, 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:

	2024	%	2023	%
Current Loans	₱ 910,254,918	83.97%	₱ 994,011,927	85.85%
Past Due Loans - Performing	39,090,881	3.61%	108,316,481	9.36%
Past Due Loans - Non-Performing	131,952,075	12.17%	53,772,270	4.64%
Items in Litigation	2,678,783	0.25%	1,751,610	0.15%
Total	1,083,976,657	100%	1,157,852,288	100%
Less: Unearned Income and Discounts	6,636,818		6,690,618	
Total, net of discount	1,077,339,839		1,151,161,670	
Less: Allow for Credit Losses				
Specific	24,264,944		25,416,066	
General	32,457,569		36,348,345	
Total	1,020,617,326		1,089,397,259	
Add: Accrued interest Receivable, net	5,504,402		6,262,237	
Add: Sales contract receivable, net	18,310,365		17,151,716	
Total Carrying Amount	₱ 1,044,432,093		₱ 1,112,811,212	

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 6% to 28% and 5.875% to 28% in 2024 and 2023, respectively. Total earned interest amounts to ₱137,839,961 and ₱131,774,443 for 2024 and 2023, 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 ₱56,722,513 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 clean

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:

	2024	2023
Performing	₱ 10,904,304	₱ 12,667,146
Non- performing	9,179,156	6,362,336
Total	20,083,460	19,029,482
Add: Accrued Interest Receivable	99,748	69,578
Total	20,183,208	19,099,060
Less: Allowance for Credit Losses	1,872,843	1,947,344
Sales Contract Receivable-net	₱ 18,310,365	₱ 17,151,716

Net Book Value	₱ 26,701,903	₱ 10,261,174	₱ 4,119,604	₱ 4,967,296	₱ 45,176,755	₱ 10,586,493	₱ 9,699,906	₱ 23,063,447	₱ 108,441,501
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Accumulated Depreciation and Amortization

Balance at beginning of year	-	-	₱ 15,947,604	₱ 6,227,940	₱ 42,310,144	₱ 10,083,930	₱ 8,399,011	₱ 21,334,939	₱ 100,970,781
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Depreciation and amortization	-	-	-	₱ 340,236	₱ 2,879,946	₱ 502,563	₱ 1,300,895	₱ 1,728,508	₱ 7,484,055
Adjustment	-	-	-	-	(₱ 13,335)	-	-	-	(₱ 13,335)

Balance at end of year	₱ 14,429,930	₱ 25,208,778	₱ 8,117,604	₱ 6,887,885	₱ 46,329,940	₱ 10,838,445	₱ 10,602,129	₱ 26,779,649	₱ 140,871,756
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Cost	₱ 14,429,930	₱ 25,208,778	₱ 8,117,604	₱ 6,887,885	₱ 46,329,940	₱ 10,838,445	₱ 10,602,129	₱ 26,779,649	₱ 140,871,756
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Balance at beginning of year	₱ 14,429,930	₱ 25,208,778	₱ 8,117,604	₱ 6,887,885	₱ 46,329,940	₱ 10,838,445	₱ 10,602,129	₱ 26,779,649	₱ 140,871,756
Adjustment	₱ 12,271,973	-	-	₱ 50,000	₱ 1,421,471	₱ 382,495	₱ 363,400	₱ 785,000	₱ 5,274,318
Depreciation and amortization	-	-	-	₱ 295,567	₱ 343,345	₱ 233,535	₱ 1,106,088	₱ 1,528,299	₱ 7,852,506
Balance at end of year	₱ 26,701,903	₱ 25,208,778	₱ 8,117,604	₱ 7,281,230	₱ 47,751,411	₱ 11,454,475	₱ 12,067,617	₱ 28,062,648	₱ 153,996,570

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
December 31, 2024								
Cost	₱ 26,701,903	₱ 32,847,262	₱ 6,737,885	₱ 52,684,250	₱ 12,477,205	₱ 12,898,529	₱ 29,855,318	₱ 174,202,352
Accumulated Depreciation and Amortization	-	₱ 15,743,166	₱ 5,310,864	₱ 48,716,087	₱ 11,567,757	₱ 10,811,027	₱ 24,593,871	₱ 116,742,772
Net carrying amount	₱ 26,701,903	₱ 17,104,096	₱ 1,427,021	₱ 3,968,163	₱ 909,448	₱ 2,087,502	₱ 5,261,447	₱ 57,459,580
December 31, 2023								
Cost	₱ 26,701,903	₱ 25,208,778	₱ 6,737,885	₱ 47,746,390	₱ 11,220,940	₱ 10,965,529	₱ 27,564,649	₱ 156,146,074
Accumulated Depreciation and Amortization	-	₱ 14,947,604	₱ 4,967,296	₱ 45,176,755	₱ 10,586,493	₱ 9,699,906	₱ 23,063,447	₱ 108,441,501
Net carrying amount	₱ 26,701,903	₱ 10,261,174	₱ 1,770,589	₱ 2,569,635	₱ 634,447	₱ 1,265,623	₱ 4,501,202	₱ 47,704,573

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2024 and 2023 is shown below:

	Land	Building	Building Improvement	Furniture, Fixtures and Equipment	IT equipment	Transportation Equipment	Leasehold Improvement	Total
Cost								
Balance at beginning of year	₱ 26,701,903	₱ 25,208,778	₱ 6,737,885	₱ 47,746,390	₱ 11,220,940	₱ 10,965,529	₱ 27,564,649	₱ 156,146,074
Additions	-	₱ 7,638,484	-	₱ 4,937,860	₱ 1,256,265	₱ 1,933,000	₱ 2,290,669	₱ 18,056,278
Balance at end of year	₱ 26,701,903	₱ 32,847,262	₱ 6,737,885	₱ 52,684,250	₱ 12,477,205	₱ 12,898,529	₱ 29,855,318	₱ 174,202,352

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:

	2024	2023
Land	P 22,131,760	P 15,247,131
Building	16,622,431	19,898,020
Total	38,754,191	35,145,151
Less: Accumulated Depreciation	4,598,554	5,189,484
Net Amount	34,155,637	29,955,667
Less: Allowance for Credit Losses	9	9
Net Carrying Amount	P 34,155,628	P 29,955,658

A reconciliation of the carrying amounts of the Bank's investment property at the beginning and end of 2024 and 2023 is shown in below:

	2024	2023
Balance at beginning of year net of accumulated depreciation and Impairment loss	P 29,955,657	P 36,280,825
Additions	17,114,036	3,799,853
Disposal	(11,253,533)	(11,118,637)
Depreciation	(1,840,437)	(1,911,121)
Other Adjustments	179,905	2,904,738
Balance at end of year net of accumulated depreciation and Impairment loss	P 34,155,628	P 29,955,658

As of December 31, 2024 and 2023, 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, 2024 and 2023, the movements of right-of-use assets follow:

	Building
Cost	
At January 31, 2023	P79,867,058
Deductions	(3,074,859)
At December 31, 2023	76,792,199
Deductions	(3,485,062)
At December 31, 2024	P73,307,137

Depreciation of these accounts amounting to P7,852,506 and P7,484,055 in 2024 and 2023, 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 P57,459,580 net of accumulated depreciation, as of December 31, 2024 is 15.20% 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, 2024 and 2023 are impaired or its carrying amount cannot be recovered.

Depreciation	
At January 1, 2023	₱24,859,079
Depreciation	7,088,361
Disposals	(3,074,859)
At December 31, 2023	28,872,581
Depreciation	10,015,949
Disposals	(4,742,174)
At December 31, 2024	₱34,146,356
Net Book Value	
December 31, 2023	₱47,919,618
December 31, 2024	₱39,160,781

12. OTHER ASSETS

This account consists of:

	2024	2023
Financial Assets		
Accounts Receivables	₱ 3,405,578	₱ 4,170,135
Accrued Interest Receivable	1,052,858	1,631,316
Non-Financial Assets		
Stationery & Supplies Unissued	1,794,137	1,630,472
PLDT 350 Shares	3,500	3,500
Prepaid Income Tax	461,997	167,398
Prepaid rent and other prepayments	2,674,214	2,061,026
Petty Cash Fund	79,000	79,000
Total	9,471,284	9,742,847
Less: Allowance for Credit Losses	652,741	652,741
Net Other Assets	₱ 8,818,543	₱ 9,090,106

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:

	2024	%	2023	%
Time Deposit	₱ 466,064,877	22%	₱ 387,081,651	21%
Savings	1,345,274,968	65%	1,219,261,031	65%
Demand Deposit	269,234,108	13%	260,427,977	14%
Total Deposit Liabilities	₱ 2,080,573,953	100%	₱ 1,866,770,659	100%

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. Total deposits for the year increased by ₱ 213,803,294 or 11.45% over the figures of 2023.

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%. On October 25, 2024, the Monetary Board in its Resolution No.1027 approved a

reduction in the reserve requirement (RR) ratios of deposits and deposit substitute liabilities of banks and non-bank financial institution with quasi-banking functions (NBQBs) decreasing the reserve requirement to zero percent (0%) for rural and coop banks. The amount is in the form of deposit with Bangko Sentral ng Pilipinas which has a balance of ₱ 17,561,152 as at December 31, 2024 which is higher than the required reserves for rural banks.

For the years 2024 and 2023, 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 3.00% for the years 2024 and 2023.

Interest expense on deposit liabilities charged to profit or loss in 2024 and 2023 amounted to ₱ 9,088,101 and ₱ 8,209,501, respectively.

14. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

	2024	2023
Accrued Other Expenses Payable	₱ 8,762,756	₱ 13,654,067
Accrued Interest Payable	2,877,908	2,242,314
Total	₱ 11,640,664	₱ 15,896,381

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31, 2024 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:

	2024	2023
Accounts Payable	₱ 1,736,109	₱ 1,873,273
Withholding Tax Payable	355,115	328,108
Dividends Payable	75,000,000	-
Premium Payable	484,689	439,870
Special Guarantee Fund LOI 1242	19,976	19,976
Due to the Treasurer of the Philippines	663,930	663,930
Lease Liability	54,137,441	61,275,488
Total	₱ 132,397,260	₱ 64,600,645

The above liabilities are settled either by cash or check payments. As at December 31, 2024 and 2023, 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. 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, if any.

Authorized ordinary share capital as of December 31, 2024 amounted to ₱350,000,000 or 3,500,000 shares with a par value of ₱100 each. Total subscribed ordinary shares amounted to ₱302,316,100 and paid-up ordinary shares amounted to ₱302,316,100 as of December 31, 2024.

Under BSP Circular No. 1151: Amendments to the Minimum Capitalization of Rural Banks, Rural Banks with head office and up to five branches regardless of location are required to comply with the minimum capital of ₱ 50 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, 2024, the Bank is compliant with the minimum capital requirement.

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

	2024		2023	
	Shares	Amount	Shares	Amount
Share Capital – ₱100 par value, 3,500,000 authorized shares				
Ordinary Shares at the beginning of the year	3,023,161	₱ 302,316,100	2,519,305	₱ 251,930,500
Issuance of shares of stocks from settlement of subscriptions receivable			503,856	50,385,600
Ordinary Shares at the end of the year	3,023,161	302,316,100	3,023,161	302,316,100
Subscribed				
Subscription receivable				
TOTAL	3,023,161	₱ 302,316,100	3,023,161	₱ 302,316,100

The reconciliation of surplus during the period is as follows:

Retained Earnings - Free

	2024		2023	
Balance, Beginning	₱	119,785,736	₱	138,956,872
Net Income (Loss)		47,289,885		42,519,455
Provision and Adjustments		(3,605,693)		(2,486,923)
Dividends Declared		(85,581,064)		(59,203,668)
Balance, Ending	₱	77,888,864	₱	119,785,736

Retained Earnings - Reserve

	2024		2023	
Balance, Beginning		₱7,022,194		₱7,022,194
Transfer from/(to)		-		-
Balance, Ending		₱7,022,194		₱7,022,194

* In 2024, the Bank declared stock dividends totaling ₱75 million, which are currently recorded under Dividends Payable. The issuance is intended to support an increase in capitalization and is pending approval by the Securities and Exchange Commission (SEC).

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, 2024 and 2023, as adjusted, is shown in the table below:

	2024	2023
Tier 1 capital	₱ 356,273,826	₱ 397,580,043
CET 1 capital	356,273,826	397,580,043
Tier 2 capital	15,477,261	21,217,058
Total qualifying capital	₱ 371,751,087	₱ 418,797,101
Risk weighted assets	₱1,768,529,033	₱ 1,698,217,222
Tier 1 capital ratio	20.15%	23.41%
CET 1 capital ratio	20.15%	23.41%
Tier 2 capital ratio	0.88%	1.25%
Total CAR	21.02%	24.66%

The Bank's Total Qualifying Capital as at December 31, 2024 and 2023 was computed as follows:

A. Calculation of Qualifying Capital

A.1 Tier 1 Capital

Core Tier 1 Capital

Paid-Up Capital - Ordinary	P 302,316,100	P 302,316,100
Retained Earnings	75,626,125	115,430,039

Deductions from Core Tier 1 Capital

Defined benefit pension fund assets (liabilities)	18,076,514	16,723,516
Deferred Tax Asset, Net of Deferred Tax Liability	3,591,885	3,442,580

Total Tier 1 Capital	356,273,826	397,580,043
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A.2 Tier 2 Capital

Upper Tier 2 Capital

General Loan Loss Provision	15,477,261	21,217,058
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Total Upper Tier 2 Capital	15,477,261	21,217,058
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Total Qualifying Capital	P 371,751,087	P 418,797,101
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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, 2024 and 2023, the Bank was in compliance with CAR requirement.

17. OTHER INCOME

This account consists of:

	2024	2023
Fees and Commission Income	P 8,726,963	P 11,807,418
Gains on sale of ROPA	13,851,467	9,126,363
Gain (Loss) on Sale - Investment in HTM - Government Securities	-	(936,123)
Recovery on charged off assets	112,184	-
ADB FIT Grant	2,627,170	-
Miscellaneous income	678,943	612,278
Total	P 25,996,727	P 20,609,936

18. COMPENSATION AND BENEFITS

This account consists of:

	2024	2023
Salaries and Wages	P 49,490,015	P 38,129,276
Staff Benefits	12,320,743	13,803,497
Medical, Dental, and Hospitalization	1,521,079	1,877,095
Directors and Committee Members' Fee	3,565,000	2,880,000

Bank's Contribution to Retirement Fund	1,709,434	658,754
SSS / Pag-Ibig Premium Contribution	6,105,773	5,552,908
Total	P 74,712,044	P 62,901,530

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, 2024. 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:

	2024	2023
Present value of defined benefit obligation	P 38,698,050	P 38,311,277
Fair value of plan assets	(61,985,467)	(59,285,059)
Asset ceiling	5,210,903	4,250,266
Net defined benefit liability (asset)	P (18,076,514)	P (16,723,516)

The movement in the defined benefit obligation is shown below:

	2024	2023
Present value of defined benefit obligation, beginning	P 38,311,277	P 27,022,110
Interest expense	2,344,650	1,950,996
Current service cost	2,740,432	2,096,929
Benefit paid from Plan assets	(723,785)	(65,238)
Actuarial (gains) losses- changes in financial assumptions	33,008	3,769,485
Actuarial (gains) losses- changes in demographic assumptions	(1,887,751)	2,876,087
Actuarial (gains) losses- experience	(2,119,781)	660,908
Present value of defined benefit obligation, ending	P 38,698,050	P 38,311,277

The movement in the plan assets is shown below:

	2024	2023
Fair value of plan assets, beginning	P 59,285,059	P 53,326,040
Interest income	3,635,764	3,985,186
Contributions	969,473	3,806,121
Benefit paid from plan assets	(723,785)	(65,238)
Remeasurement gain (loss) - return on plan assets	(1,181,044)	(1,767,050)
	P 61,985,467	P 59,285,059

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

	2024	2023
Current service cost	P 2,740,432	P 2,096,929
Interest cost, net of interest income from plan assets	(1,030,998)	(1,438,175)
	P 1,709,434	P 658,754

The defined benefit cost recognized in the other comprehensive income:

	2024	2023
Accumulated comprehensive income, beginning	P 11,377,891	P 6,905,170
Actuarial (gains) losses- DBO	(3,974,524)	7,306,480
Remeasurement (gain) loss- plan assets	1,181,044	1,767,050
Remeasurement (gain) loss- changes in the effect of the asset ceiling	700,522	(4,600,809)
Defined benefit cost in OCI- Expense (Income)	(2,092,958)	4,472,721
Accumulated comprehensive income, ending	P 9,284,933	P 11,377,891

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

	2024	2023
Discount rate	6.11%	6.12%
Salary increase rate	7.00%	7.00%

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

	2024	2023
Beginning Net defined liability (Asset)	P (16,723,517)	P (18,048,870)
Defined benefit cost recognized in P&L	1,709,434	658,754
Defined benefit cost recognized in OCI	(2,092,958)	4,472,721
Contributions	(969,473)	(3,806,122)
Closing Net defined liability (asset)	P (18,076,514)	P (16,723,517)

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

	2024	2023
a. 1. Decrease in DBO due to 100 bps increase in discount rate	(3,096,228) ; (8.0%)	(3,450,647) ; (9.0%)
2. Increase in DBO due to 100 bps decrease in discount rate	3,534,943 ; 9.1%	3,997,855 ; 10.4%
b. 1. Increase in DBO due to 100bps increase in salary increase rate	3,468,855 ; 9.0%	3,918,108 ; 10.2%
2. Decrease in DBO due to 100bps decrease in salary increase rate	(3,099,243) ; (8.0%)	(3,454,288) ; (9.0%)
c. Increase in DBO, no attrition rates	12,880,801 ; 33.3%	11,171,129 ; 29.2%
Allocation of plan assets	2024	2023
Cash and cash equivalents	91.15%	92.12%
Loans	8.85%	7.88%

20. OTHER OPERATING EXPENSES

This account consists of:

	2024	2023
Management and Other Professional Fees	P 1,462,385	P 728,038
Fees and Commissions Expense	3,152,290	416,459
Supervision Fees	345,158	507,379
Litigation and Asset Acquired	629,335	1,043,889
Stationery and Supplies	1,476,181	1,418,476
Travelling	331,391	214,545
Documentary Stamps	65,932	-

Rental	18,000	18,000
Membership Fees and Dues	142,151	195,625
Representation and Entertainment	822,214	966,462
Publicity and Advertisement	859,305	844,713
Donation	132,320	140,209
Fines and Penalties	-	532,462
Security and Messengerial Services	3,761,256	3,225,493
Power, Light, and Water	2,086,263	2,220,290
Postage, Telephone, and Telegram	1,124,334	1,043,847
Fuel and Lubrication	1,139,007	1,398,710
Repair and Maintenance	2,534,868	1,456,334
Insurance expense - PDIC	4,010,172	3,834,274
Insurance expense - Others	2,152,896	2,153,333
Miscellaneous	18,968,349	19,519,370
Information Technology Expense	1,244,936	751,931
Interest Expense - Right Use of Asset	4,377,282	6,928,066
Total	P 50,836,025	P 49,557,905

We noted several significant movements in the Company's other operating expenses for the year ended December 31, 2024, as compared to the prior year. These changes are summarized and explained as follows:

Professional fees increased by 100.87% from P728,038.00 in 2023 to P1,462,385.00 in 2024. The increase was mainly attributable to payments for IT consultation services and an increase in the legal retainer fee of the Company's external counsel.

Fees and commissions expenses recorded a substantial increase of 656.93%, amounting to P3,152,290 in 2024 from P416,459.00 in the prior year. This was due to a one-time significant payment made in relation to the implementation of the Company's new core banking system.

Fines and penalties, which amounted to P532,462.00 in 2023, were no longer incurred in 2024, resulting in a 100% decrease. The prior year's balance pertained to penalties imposed for non-compliance with mandatory agri-agra requirements, which did not recur in the current year.

Travel-related expenses increased by 54.46%, from P214,545.00 in 2023 to P331,391 in 2024. This was primarily due to more frequent travel by managers and sales officers to engage prospective clients, as well as the acquisition of new service vehicles and associated costs such as Autosweep RFID tags.

Repairs and maintenance expenses rose by 74.06% to P2,534,868 in 2024 from P1,456,334.00 in 2023. The increase is mainly attributed to the renovation of the Company's corporate office and branches, along with the ongoing maintenance of its fleet of service vehicles.

Information technology expenses amounted to P1,244,936 in 2024, reflecting a 65.57% increase from P751,931.00 in the prior year. The increase was primarily driven by expenditures related to the revamp of the Company's corporate website, payment for IT risk assessments, and procurement of additional mobile phones, laptops, and related IT supplies for field operations.

Documentary stamp tax expense amounted to P65,932, primarily resulting from the pre-termination of time deposit accounts held with other banks.

Finally, the provision for loan losses increased by 172.97%, from P218,784 in 2023 to P597,219 in 2024. The rise is attributable to the increase in the outstanding balance of non-performing accounts under the Sales Contract Receivables (SCR) portfolio.

These variances are consistent with the Company's strategic initiatives and operational requirements during the year under audit.

21. DEPRECIATION AND AMORTIZATION EXPENSE

This account consists of:

	2024	2023
Depreciation Expense – Furniture and Fixtures	P 3,539,332	P 2,879,946
Depreciation Expense - Building	1,139,130	1,072,143
Depreciation Expense - Leasehold Improvements	1,528,299	1,728,508
Depreciation Expense – Transportation Equipment	1,106,088	1,300,895
Depreciation Expense – Information Technology	539,657	502,563
Depreciation Expense – ROPA Building	1,840,438	1,911,121
Depreciation Expense - Right of Use Asset	10,015,949	7,088,361
Total	P 19,708,893	P 16,483,537

22. LONG-TERM LEASE

Bank as a lessee

December 31, 2024	MINIMUM LEASE PAYMENTS					TOTAL
	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	6-7 YEARS		
Lease Payments	P 11,603,711	P 24,932,269	P 27,813,754	P 2,622,356	P	66,972,090
Finance Charges	3,789,621	5,871,066	2,988,809	185,153		12,834,649
Net Present Value	P 7,814,090	P 19,061,203	P 24,824,945	P 2,437,203	P	54,137,441

December 31, 2023	MINIMUM LEASE PAYMENTS					TOTAL
	WITHIN 1 YEAR	2-3 YEARS	4-5 YEARS	6-7 YEARS		
Lease Payments	P 21,009,838	P 24,433,551	P 29,635,359	P 2,884,591	P	77,963,339
Finance Charges	7,196,469	6,062,809	3,224,902	203,671		16,687,851
Net Present Value	P 13,813,369	P 18,370,742	P 26,410,457	P 2,680,920	P	61,275,488

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:

	2024
Current	P3,115,414
Deferred	(149,305)
Tax Expense reported in Statement of Comprehensive Income	P2,966,109

The current and deferred tax is computed as follows:

Current Tax

	2024
Statutory income tax	P 12,563,999
Income tax effects of:	
Interest income subject to final tax	(11,919,329)
Interest Income from HGC	(406,799)
ADB FIT Grant	(656,793)
Lease payments	(3,193,110)
Interest expense	2,979,832
Non-Deductible Interest Expense and Depreciation	3,598,308
Provision for credit losses	149,305
Current tax expense	P 3,115,414

Computation of Income Tax:

	2024
Net Income before tax per books	P 50,255,994
Add: Non-deductible Expenses/Taxable Other Income	
Provision for Credit Losses	597,219
Non-deductible Interest Expense and Depreciation	14,393,231
Interest expense	11,919,329
Total	77,165,773

Less: Non-taxable Income and Income Subjected to Final Tax	
Interest Income Subject to Final Tax	47,677,314
Interest Income under HGC	1,627,194
ADB FIT Grant	2,627,170
Lease payments	12,772,441
Net Taxable Income	12,461,654
Tax Rate	25%
Normal Corporate Income Tax	P 3,115,414
Minimum Corporate Income Tax**	1,699,467
Income Tax Due	3,115,414
Less: Tax payments for the previous quarters	3,577,411
Income Tax Still Due/(Overpayment)	P (461,997)

**Below is the computation of Minimum Corporate Income Tax (MCIT) for the years ended December 31, 2024 and 2023.

	2024
Revenue	P 185,517,275
Cost of Revenue	76,236,146
Gross Income	109,281,129
Add: Other Income	25,996,727
Less: Interest Income Subjected to Final Tax	(47,677,314)
Less: Interest Income under HGC	(1,627,194)
Less: Income ADB FIT Grant	(2,627,170)
Total Gross Income	84,973,372
MCIT Rate	2.0%
Minimum Corporate Income Tax	P 1,699,467

An analysis of deferred tax assets

As at December 31, 2024 and 2023, net deferred tax assets are as follows:

	2024	2023
Deferred Tax Asset - Beginning	P12,526,198	P12,471,501
Provision for Credit Losses	149,304	54,696
Lease Liability	-	-
Used DTA from accounts written-off	-	-
	12,675,502	12,526,197
Deferred Tax Liability - Beginning	9,083,617	9,083,617
Right of Use Asset	-	-
	9,083,617	9,083,617
Net Deferred Tax Assets	P3,591,885	P3,442,580

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:

	2024	2023
Short-term employee benefits	P 17,106,119	P 15,276,780
Total	P 17,106,119	P 15,276,780

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, 2024, 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, 2024. 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 less5%
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 (P2.00) on each two hundred pesos (P 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 (P1.50) on each two hundred pesos (P 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, 2024, follow:

Taxes and Licenses

a. Local	
Business Permit	P 735,661
Others	787,678
b. National	
Percentage Tax	4,785,887
Annual Registration - BIR	6,500
Total-Taxes and Licenses	P 6,315,726

Withholding taxes in 2024 are categorized into:

Paid:	
Final withholding tax on interest expense	P 1,667,976
Withholding taxes on compensation and benefits	852,450
Expanded withholding tax	1,296,371
	P 3,816,797

Tax Assessments and Cases

As at December 31, 2024, 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 2024:

Sale of Services

The Bank's taxable sale of services amounted to P211,514,002 and income subject to final income tax and are exempt from tax amounted to P50,304,484 for the year ended December 31, 2024.

Cost of Services

		2024
Details of the Bank's tax-deductible cost of services accounts are as follows:		
Direct Charges - Salaries and wages	P	74,712,044
Direct Charges - Insurance (PDIC)		4,010,172
Direct Charges - Supervision Fee		345,158
Direct Charges - Interest Expense		
Interest expense		9,088,101
Less: Limit (interest income subj. to final tax)		(11,919,329)
Total	P	76,236,146

Itemized Deductions

		2024
Miscellaneous	P	18,968,075
Insurance expense OTHERS		2,152,896
Security and Messengerial Services		3,761,256
Postage, Telephone, and Telegram		1,124,334
Power, Light, and Water		2,086,263
Publicity and Advertisement		859,305
Fuel and Lubrication		1,139,007
Repair and Maintenance		2,534,868
Fees and Commissions Expense		3,152,290
Stationery and Supplies		1,476,181
Litigation and Asset Acquired		629,335
Rental		12,790,441
Representation and Entertainment		822,214
Information Technology Expense		1,244,936
Management and Other Professional Fees		1,462,385
Membership Fees and Dues		142,151
Travelling		331,391
Donation		132,320
Documentary Stamps		65,932
Periodicals and Magazines		274
Taxes and licenses		6,315,726
Depreciation		9,692,944
Total	P	70,884,524
Total Deductible Expense	P	146,376,520
Expense Reported in Audited Financial Statements		160,513,858
Difference*	P	(14,137,338)
*Reconciliation of Difference:		
Provision for credit losses	P	597,219
Non-deductible Interest Expense and Depreciation		14,393,231
Interest Limit		11,919,329
Lease Payments		(12,772,441)
	P	14,137,338

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:

	2024	2023
A. Return on average equity (ROE)	11.89%	10.51%
B. Return on average assets (ROA)	1.90%	1.79%
C. Net interest margin	7.68%	7.35%
D. Debt to Equity Ratio	5.89:1	4.66:1

The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2024 and 2023 was computed as follows:

Return on average equity (ROE)

Formula: ROE = Net Income after Tax / Average Capital

	2024	2023
Net Income	P 47,289,885	P 42,519,455
Average Equity		
2024	377,942,225	
2023	417,746,139	
2023		417,746,139
2022		391,004,397
Total	795,688,364	808,750,536
Average Equity	P 397,844,182	P 404,375,268
Return on Average Equity	11.89%	10.51%

Return on average assets (ROA)

Formula: ROA = Net Income after Tax / Average of Total Assets

	2024	2023
Net Income	P 47,289,885	P 42,519,455
Average Assets		
2024	2,602,554,102	
2023	2,365,013,824	
2023		2,365,013,824
2022		2,383,335,930
Total	4,967,567,926	4,748,349,754
Average Assets	P 2,483,783,963	P 2,374,174,877
Return on Average Assets	1.90%	1.79%

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

	2024	2023
Net Interest Income	P 176,429,174	P 161,238,067
Average Interest Earnings Assets		
2024	2,413,805,787	
2023	2,183,491,299	
2023		2,183,491,299
2022		2,203,703,790
Total	4,597,297,086	4,387,195,089
Average Interest Earnings Assets	P 2,298,648,543	P 2,193,597,545
Net Interest Margin	7.68%	7.35%

Debt to Equity Ratio

Formula: Debt to Equity Ratio = Total Liabilities / Total Equity

	2024	2023
Total Liabilities	P 2,224,611,877	P 1,947,267,685
Total Equity	P 377,942,225	P 417,746,139
Debt to Equity Ratio	5.89:1	4.66:1

Capital Instruments

As of December 31, 2024 and 2025, the Bank share capital consist of:

	Shares*	Amount
Share Capital - P100 par value		
Authorized	3,500,000	P350,000,000
Issued and outstanding		
Balance at the beginning and end of the year	3,023,161	P302,316,100

*Absolute number of shares

There are no capital instruments issued by the Bank in 2024 and 2023.

Significant credit exposures as to industry/economic sector

As of December 31, 2024 and 2023, 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:

	2024	%	2023	%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycle	P 61,202,558	5.68%	P 51,227,857	4.45%
Construction	7,737,123	0.72%	12,731,300	1.11%
Real Estate Activities	626,347,812	58.14%	603,276,648	52.41%
Agriculture, Forestry, And Fishing	43,111,176	4.00%	45,072,777	3.92%
Household Consumption	41,361,344	3.84%	32,121,855	2.79%
Transportation and Storage	11,486,941	1.07%	13,455,905	1.17%
Education	982,507	0.09%	1,718,890	0.15%
Manufacturing	95,865,319	8.90%	105,752,080	9.19%
Mining and Quarrying	4,332,514	0.40%	6,247,166	0.54%

Accommodation and food service activities	133,547,215	12.39%	208,138,177	18.08%
Human Health and Social work activities	28,187,984	2.62%	46,569,944	4.05%
Other service activities	20,543,176	1.91%	24,849,071	2.16%
Water supply, Sewerage, Waste management and Remediation Activities	2,634,170	0.24%	-	0.00%
	P 1,077,339,839	100.00%	P 1,151,161,670	100.00%

As to Concentration of Credits to Certain Industry/Economic Sector:

	2024	%	2023	%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycle	P 61,202,558	17.19%	P 51,227,857	12.88%
Construction	7,737,123	2.17%	12,731,300	3.20%
Real Estate Activities	626,347,812	175.90%	603,276,648	151.74%
Agriculture, Forestry, And Fishing	43,111,176	12.11%	45,072,777	11.34%
Household Consumption	41,361,344	11.62%	32,121,855	8.08%
Transportation and Storage	11,486,941	3.23%	13,455,905	3.38%
Education	982,507	0.28%	1,718,890	0.43%
Manufacturing	95,865,319	26.92%	105,752,080	26.60%
Mining and Quarrying	4,332,514	1.22%	6,247,166	1.57%
Accommodation and food service activities	133,547,215	37.50%	208,138,177	52.35%
Human Health and Social work activities	28,187,984	7.92%	46,569,944	11.71%
Other service activities	20,543,176	5.77%	24,849,071	6.25%
Water supply, Sewerage, Waste management and Remediation Activities	2,634,170	0.74%	-	0.00%
	P 1,077,339,839		P 1,151,161,670	

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, 2024, 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. The Bank's credit exposure to the real estate sector was 58.14%. Nonetheless, concentration limits are closely monitored, and regular loan stress testing is conducted for credit sectors that surpass the regulatory thresholds.

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, 2024 and 2023:

Classification of loans: (Amount is gross of ACL and net of unamortized discounts)

As to Maturity:

	2024	%	2023	%
Due within one (1) year	P 37,020,423	3.44%	P 15,568,116	1.80%
Due beyond one (1) year	1,040,319,416	96.56%	1,135,593,554	98.20%
Total Loan Portfolio	P 1,077,339,839	100.00%	P 1,151,161,670	100.00%

As to Security:

	2024	%	2023	%
Unsecured	P 21,309,378	1.98%	P 14,073,512	0.72%
Secured by real estate mortgage	1,054,561,545	97.89%	1,134,585,470	98.99%
Secured by other type of securities	1,468,916	0.14%	2,502,688	0.30%
Total Loan Portfolio	P 1,077,339,839	100.00%	P 1,151,161,670	100.00%

As to Type of Security:

	2024	%	2023	%
REM	P 1,054,561,545	99.86%	P 1,134,585,470	99.78%
Chattel	292,226	0.03%	387,531	0.03%
Hold-out	1,176,690	0.11%	2,115,157	0.19%
Total Loan Portfolio	P 1,056,030,461	100.00%	P 1,137,088,158	100.00%

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, 2024 and 2023, (Amount is net of unamortized discount)

Loan Portfolio per Product Line - December 31, 2024	Performing	Non-Performing	Total
Agrarian Reform and Other Agricultural Reform Loans			
Agrarian Reform Loans	P -	P 6	P 6
Other Agricultural Credit Loans	22,506,175	21,390,870	43,897,045
Microenterprise Loans			
Microfinance Loans	-	40	40
Other Microenterprise Loans	12,115,605	145,687	12,261,292
Small and Medium Enterprises Loans			
Small Enterprises	106,216,576	5,612,808	111,829,384
Medium Enterprises	180,217,457	31,624,520	211,841,977
Loans to Individuals for Housing Purposes	161,373,102	11,838,317	173,211,419
Loans to Private Corporation for Non-Financial Purposes	221,055,176	62,000,000	283,055,176
Loans to Individuals for Personal Purposes	40,759,902	601,442	41,361,344
Loans to Individuals for Other Purposes	198,780,211	1,101,945	199,882,156
Total	P 943,024,204	P 134,315,635	P 1,077,339,839

Loan Portfolio per Product Line - December 31, 2023	Performing	Non-Performing	Total
Agrarian Reform and Other Agricultural Reform Loans			
Agrarian Reform Loans	P -	P 6	P 6
Other Agricultural Credit Loans	42,564,593	1,835,235	44,399,827
Microfinance Loans			
Microfinance Loans	-	40	40
Other Microenterprise Loans	12,670,793	467,902	13,138,695
Small and Medium Enterprises Loans			
Small Enterprises	71,408,501	3,976,804	75,385,305
Medium Enterprises	215,812,088	4,705,868	220,517,956
Loans to Individuals for Housing Purposes	159,295,136	17,504,125	176,799,261

Loans to Private Corporation for Non-Financial Purposes	379,194,019	21,438,587	400,632,606
Loans to Individuals for Personal Purposes	31,332,299	789,557	32,121,856
Loans to Individuals for Other Purposes	183,690,388	4,475,729	188,166,117
Total	P 1,095,967,817	P 55,193,853	P 1,151,161,670

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, 2024 and 2023, the Bank is in compliance with the regulatory requirements.

Below are the selected ratios relative to the Banks' DOSRI and Related Party loan accounts.

2024	DOSRI Loans	Related Party Loans Inclusive of DOSRI
A.1. Outstanding Balance	P 5,749,022	P 10,311,016
A.2. Total Loan Portfolio	1,077,339,839	1,077,339,839
B. Percentage of DOSRI/Related Party to Total Loan Portfolio (A.1./A.2.)	0.53%	0.96%
C. Percentage of unsecured DOSRI/RP to Total DOSRI/RP Loans		
Unsecured	-	-
Total DOSRI/RP Loan	5,749,022	10,311,016
	0.00%	0.00%
D. Percentage of Past Due DOSRI/RP to Total DOSRI/RP Loans		
Past Due	-	-
Total DOSRI/RP Loan	5,749,022	10,311,016
	0.00%	0.00%
E. Percentage of Non-Performing DOSRI/RP to Total DOSRI/RP Loans		
Non-Performing	-	-
Total DOSRI/RP Loan	5,749,022	10,311,016
	0.00%	0.00%

Loan amount is net of unamortized discounts.

2023	DOSRI Loans	Related Party Loans Inclusive of DOSRI
A.1. Outstanding Balance	P 6,327,632	P 19,561,323
A.2. Total Loan Portfolio	1,151,161,670	1,151,161,670
B. Percentage of DOSRI/Related Party to Total Loan Portfolio (A.1./A.2.)	0.55%	1.70%
C. Percentage of unsecured DOSRI/RP to Total DOSRI/RP Loans		
Unsecured	-	-
Total DOSRI/RP Loan	6,327,632	19,561,323
	0.00%	0.00%
D. Percentage of Past Due DOSRI/RP to Total DOSRI/RP Loans		
Past Due	-	-
Total DOSRI/RP Loan	6,327,632	19,561,323
	0.00%	0.00%
E. Percentage of Non-Performing DOSRI/RP to Total DOSRI/RP Loans		
Non-Performing	-	-
Total DOSRI/RP Loan	6,327,632	19,561,323
	0.00%	0.00%

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 P100M and P12.5M per family group of each DOS, respectively. As of December 31, 2024 and 2023, The Bank is in compliant with the maximum aggregate amount and sub-limit that was set by the Bank.

Other Related Party:

2024

Name of Related Party	Amount of Transaction	Amount Paid	Outstanding Balance
Priser Trading Corporation	P9,736,044	P9,736,044	P-
B and H Fuel Bar	-	-	-
Total	P9,736,044	P9,736,044	P-

2023

Name of Related Party	Amount of Transaction	Amount Paid	Outstanding Balance
Priser Trading Corporation	P8,892,631	P8,892,631	P-
B and H Fuel Bar	-	-	-
Total	P8,892,631	P8,892,631	P-

Aggregate amount of secured liabilities and assets pledged as security

As of December 31, 2024 and 2023, 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 ₱2,678,783 and ₱1,751,610 as at December 31, 2024 and 2023, 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.) As of December 31, 2024 and 2023, the Bank's contingent accounts amounted to 747 and 767, respectively.

OUR BRANCHES



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MEXICO BRANCH

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