1. Corporate Policy

a. Bank's Vision and Mission Statements

- **Vision**

The bank envisions being a progressive, reliable bank providing personalized, fast, efficient services, responsive to the emerging needs of the community.

- **Mission**

  - To develop, improve, and expand customer relations and bank services;
  - To generate funds from various sources to support, expand, and diversify services;
  - To optimize the use of assets to sustain and enhance growth;
  - To provide and encourage a professional and harmonious relationship among staff, customers and the public for the common good.
  - To develop, establish, and maintain a functional human resource development/management program;
  - To promote and foster shared values and vision.

- **Core Values**

  - Honesty and integrity- the heart of our core values
  - Fairness - resolving conflict situations
  - Professionalism
  - Dedication in giving the best quality service at all times
  - Vigilance in protecting the client's confidential information
  - Prudence and foresight in protecting and safeguarding the bank assets

b. Introduction of the Bank's Brand

Imus Rural Bank, Inc., as the first rural bank in Imus, Cavite and among the oldest existing rural banks in the country, has stood the test of time, bringing products and services that cater to residents not only of Cavite but of other neighboring cities and provinces.

The Bank was founded in 1953 by a group of professionals and businessmen who shared the same vision. The Bank started as a one- unit bank in Imus town proper, later establishing 3 more branches in the Province of Cavite: Imus Public Market (1982), Molino, Bacoor (1996), and Salawag, Dasmariñas (2016).

In line with the Bank's strategic plan to expand its network, the Bank opened its BLUs in Mauban, Quezon (2017), Balayan, Batangas (2018), and Candelaria branch-lite (2019).

Following a change of plans and a strategic decision, the management decided to close our Candelaria Branchlite and relocate the Balayan BLUs to a more progressive and promising site. This relocation aligns our vision for continued growth and improved service delivery.

c. Business model of the bank

The Bank operates on a customer-centric and sustainability-driven business model designed to deliver accessible, reliable, and secure financial services to individuals and small businesses. It generates revenue primarily through interest income earned from loans, credit lines, and other lending products offered to retail and business client; fees for services rendered; and investment income earned from the responsible investment of bank assets in government and low-risk financial instruments. The bank aims to maintain a balance between offering competitive interest rates for customers and ensuring profitability through risk management and efficient operations.

The core offerings include:

- Savings and Current Accounts
- Personal and Business Loans (Real Estate Loans, Agri-Agra Loans, SME loans, Auto Loans, Market Business Loans, Farmer's Loans)
- Deposit Services (Special Savings Deposit, US Dollar Deposits)

The Bank focuses on financial inclusion, ensuring that even underbanked and underserved communities have access to essential banking services. Operational efficiency and strong customer relationships are key pillars of the bank's model, enabling it to deliver consistent value while maintaining trust and transparency.

2. Financial Summary/Financial Highlights

	2024	2023
Profitability		
Total Net Interest Income	78,914,629.00	75,234,794.00
Total Non-Interest Income	5,035,564.00	6,555,473.00
Total Non-Interest Expense	50,543,866.00	47,818,594.00
Pre-provision profit	26,319,963.00	30,694,996.00
Allowance for credit losses	32,175,398.00	30,073,593.00
Net Income	20,704,740.00	21,611,989.00
Selected Balance Sheet Data		
Liquid Assets	419,414,708.00	397,766,154.00
Gross Loans	561,927,886.00	516,879,200.00
Total Assets	1,296,189,728.00	1,279,652,159.00
Deposits	1,046,397,961.00	1,037,545,378.00
Total Equity	244,101,908.00	235,231,507.00
Selected Ratios		
Return on equity	8.64%	9.63%
Return on assets	1.61%	1.65%
Capital adequacy ratio	25.21%	25.63%
Others		
Cash dividends declared	9,995,020.00	-
Headcount	58	58
Officers	29	26
Staff	29	32

3. Financial Condition and Result of Operation

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

The year 2024 marked a period of both resilience and strategic progress for the Bank. Throughout the year, the Bank remained focused on strengthening its core banking operations, expanding customer reach, enhancing service delivery through operational efficiency, thus maintaining a strong financial position.

Financial Results:

- Net Income: Net income for the year stood at ₱20,704,740.00, reflecting stability despite economic challenges.
- Capital Adequacy: The Bank maintained a strong capital position, with a Capital Adequacy Ratio (CAR) of 25.21%, well above regulatory requirement
- Liquidity: The Bank sustained a healthy liquidity position, ensuring uninterrupted service delivery and operational stability.

Looking ahead, the Bank remains committed to sustainable growth, financial inclusion, and innovation. Strategic priorities for the upcoming year include further enhancement of digital services, and deepening client relationships.

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

Throughout the year 2024, the Bank undertook several key initiatives and experienced developments that had a significant impact on its operations. These activities were aligned with our strategic goals and contributed to operational growth, resilience, and service improvement.

Key highlights include:

- Social Media Customer Support Integration
  - The Bank partnered with a third- party provider sometime in October 2024 to integrate customer service via Facebook and handled over 800 queries via social channel.
- Branch-lite Temporary Closure
  - Balayan Branch-lite was temporarily closed to relocate to a more progressive and strategically positioned site.

c. Major strategic initiatives of the bank and the banking group, as applicable

During the year, the Bank maintained a strategic focus on strengthening core business income by deepening customer relationships, expanding lending and deposit portfolios, and optimizing asset quality. As a result, the Bank achieved 6.19% net interest margin, contributing significantly to overall profitability despite market challenges.

As part of our gradual shift toward improved digital services, the bank has begun engaging with customers through social media platforms. By building a presence on social media, we are taking steps to connect to a wider audience, while promoting transparency and customer service in a modern, convenient way.

We also focused on staff training and development to enhance operational efficiency.

d. Challenges, opportunities, and responses during the year, if any

This year, the Bank encountered a unique set of challenges including intensified competition from larger banks and digital banks, rising operational cost due to inflation, economic instability posed challenges to lending activities, and increased expectation from customers for fast, tech-driven services. With limited resources and technology infrastructure, it was a challenge for the bank to keep pace with evolving digital trends and customer preferences.

However, these challenges also presented valuable opportunities. The bank's strong local presence and community relationships gave it a competitive edge in trust and familiarity, especially among small business owners and informal workers. The growth in demand for accessible, personalized financial services created space to offer savings and loan products. In response, the Bank enhanced staff training to improve customer service and strengthened its credit risk assessment processes.

4. Risk Management Framework Adopted

a. Overall risk management culture and philosophy

The Bank recognizes that risk management is an activity critical to its success. It is committed to ensure consistent adherence to best practices and standards and to apply prudence and accountability in its risk-taking activities. The Bank exposes itself to a myriad of risks as its Loan Portfolio expands. Such risks are mainly exposure to market, credit and liquidity risks. Consequently, the Bank has adopted the appropriate risk management structures, policies, and processes to address each type of risk. The key risk processes involve identifying, measuring, monitoring and controlling risks.

The following key features support the Bank's approach to risk management:

- *The Board of Directors* – The Board of Directors exercises oversight on all risk - related functions of the Bank based on a top - down structure. The BOD has the ultimate responsibility for approving and periodically reviewing the risk strategies and significant policies of the Bank. It adopts policies and guidelines to govern the safe and prudent functioning of the Bank with the end in view of effectively managing all risks in its activities. The policies to be formulated include, but not limited to, lending, investing, fund sourcing, liquidity management, personnel administration, and internal control.
- *Senior Management* – Senior management is responsible for the implementation of the strategies on risk control and makes adjustments to overall business strategy. They also ensure compliance with laws and regulations and systems to measure and monitor performance.
- *Board Credit Committee* –A board level committee responsible to oversee the credit risk - taking activities, quality and profitability of the credit portfolio, and credit evaluation process. All credit proposals beyond the credit approving limit of the Credit Committee pass through this committee for final approval. This committee also endorses credit proposals beyond its approving limit to the BOD for final approval.
- *Asset-Liability Management Committee* – A management level committee responsible for the overall management of the Bank's liquidity risks. It monitors the Bank's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels.
- *Compliance Unit* – This unit is responsible for reviewing any legal or regulatory matters that could have a significant impact on the Bank's financial statements and compliance with laws and regulations. It reviews

the effectiveness and adequacy of the system for monitoring compliance with laws and regulations. The Compliance Officer reports to the Board through the Audit Committee.

- *Internal Audit* – Internal Audit provides an independent assessment of the Bank's management and the effectiveness of existing internal control systems through adherence testing of processes and controls across the organization. The IA audits risk management processes throughout the Bank. It employs a risk - based audit approach that examines both the adequacy of the procedures and the Bank's compliance with the procedures. It discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

b. Risk appetite and strategy

The Board of Directors is responsible for defining the bank's level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks throughout the bank.
The risk management policy includes:

- A comprehensive risk management approach;
- Detailed structure limits, guidelines and other parameters used to govern risk taking;
- A clear delineation of lines of responsibilities for managing risk;
- An adequate system for measuring risk, and
- Effective internal controls and a comprehensive risk - reporting process. The board of directors ensure that a robust internal reporting system is in place that shall enable each employee to contribute to the appreciation of the bank's overall risk exposures.

The Bank does not engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Bank is exposed to are described below.

Market Risk – The Bank is exposed to market risk through its use of financial instruments more specifically to interest rate risk and certain other price risk which resulted from its operating, investing and financing activities.

Interest Rate Risk – the bank follows a prudent policy on managing its resources and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.
As a result of these, the Bank's exposure to interest rate fluctuations, and other market risks, is significantly managed.

The Bank maintains most of its deposit base on a short-term basis. Rates on special savings account are usually priced according to the amount deposited.

Foreign Currency Risk – except for small USD Savings Deposits, the Bank has no exposure to foreign currency risk as transactions are denominated in Philippine peso, its functional currency.

Credit Risk – Credit risk refers to the potential loss of the Bank's earnings arising from the inability to adequately review and analyze requests for credit to determine likelihood of repayment. This includes the failure to manage the risk such that a loss is incurred if the borrower does not fulfil its financial obligations in a timely manner. Managing credit risk involves defining the principles and parameters governing credit activities at various levels, i.e. strategic level, portfolio level down to individual transaction or account level.

The following tools, among others, are used to identifying, assessing and managing credit risk:

- Established credit policies, asset allocations and concentration limits, collateral acceptance criteria, target market and clearly defined approving authorities;
- Defined documentation policies of approved credit lines;
- Independence of credit control and monitoring functions from the credit risk-taking function;
- Periodic monitoring of individual account performance;
- Regular review of the adequacy of valuation reserves;
- Active loan portfolio management to determine the quality of the loan portfolio. Including risks associated with particular industry sectors, loan size and maturity; monitoring portfolio growth, collection performance and delinquency trends, trend of non-performing loans, concentration risk, other performance indicators; and,
- Close monitoring of remedial accounts.
- Having a credit risk scoring system which measures the likelihood of a client's encountering repayment problems.

Credit Concentration –The Bank believes that good diversification across economic sectors and classification of borrowers will lessen this risk. Excessive concentration of lending poses undue risk on the Bank's asset quality.

The credit review auditor reviews the Bank's loan portfolio regularly and reports monthly, in line with its policy of avoiding significant concentration to specific industry or group of borrowers. To maintain the quality of its loan portfolio, the Bank enforces a stringent policy on credit evaluation.

Credit Quality – Loan classification is an integral part of the Bank's management of credit risk. On a regular basis, loans are reviewed classified and rated based on internal and external factors that affect their performance. Loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions.
The carrying amount of financial assets recognized in the financial statements, represents the Bank's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Collateral – Quality of collateral is one of the considerations in the granting of loans as this is an alternative way of collecting from the borrower in case of default. Collateral is valued according to existing credit policies, with the appraisal report as basis of the computed loan value.

As part of the Bank's risk control, a central unit is charged to handle collateral documentation wherein standard documents are used. Any deviation from these pro-forma documents are subject to Board of Directors and Legal Officer's approval prior to use and acceptance.

The Bank normally grants loans to borrowers at 60% (for land) and 40% (for improvements) of the latest appraised value of the borrowers' collateral. Any excess over these values requires Board approval. Non-risk assets are back-to-back loans granted against deposits.

Other Exposures to Credit Risk – The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in cash and cash equivalents are cash in banks and short-term deposits which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5million for every depositor per banking institution. Short-term investments are in the nature of Treasury Bills.

There is no significant credit risk relating to HTM financial assets that are generally guaranteed by the Philippine government. Other placements are with well established corporate issuers, i.e., top 500 corporations.

Liquidity Risk – Liquidity risk is the risk that funds available may not be adequate to meet the credit demands of the Bank's customers, sudden withdrawals of deposits and repayment of deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality and by maintaining a loan portfolio with evenly-spaced maturities and cash flows. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when these arise.

The main responsibility of daily asset/liability management lies with the Treasury Unit. Liquidity risk management is monitored through Asset-Liability Management Committee. The Bank's principal source of liquidity is comprised of cash and other cash items, due from BSP and due from other banks and regular amortization payments on loans.

A liquidity risk measurement tool to determine any future liquidity structural imbalances is in place to be able to formulate strategies to mitigate liquidity risk and address funding needs.

Liquidity is being monitored and controlled thru maturities of assets and liabilities over time bands as reflected in the liquidity gap report. This report is prepared to provide senior management and the Board timely appreciation of the Bank's liquidity position.

The ALCO and Treasury are responsible for the daily implementation and monitoring of relevant variables affecting IRBI's liquidity position. ALCO reviews the Bank's assets and liabilities position on a regular basis and, in coordination with the Treasury, recommend measures to promote diversification of its assets/ liabilities according to source to minimize liquidity risks resulting from concentration in funding sources.

IRBI formulated a liquidity contingency funding plan using extreme scenarios of adverse liquidity which evaluates the Bank's ability to withstand these prolonged scenarios and to ensure that it has sufficient liquidity at all times. The contingency plan focuses on the IRBI's strategy for coordinating managerial action during crises and includes procedures for making up cash flow shortfalls in adverse situations. The plan details the amount of available funds of the Bank (such as Due from Banks, HTM) and the scenarios under which it could use them.

Although the Bank pursues what it believes to be a prudent policy in managing liquidity risk, a maturity gap does, from time to time, exist between the Bank's assets and liabilities. In part this comes about as a result of the Bank's policy to seek higher yielding assets, a policy which will generally lead to the average maturity of its financial assets exceeding that of its liabilities.

The Bank does liquidity gap analysis using the Liquidity Gap Report (LGR). It is a risk measurement tool used in identifying the current liquidity position to determine the ability to meet future funding needs. It breaks down balance sheet items according to estimated maturities of assets and liabilities in order to determine any future structural imbalances such as long-term assets growing fast than long-term liabilities.

IRBI has established guidelines for liquidity risk limit setting to enable it to properly and prudently manage and control liquidity risk consistent with the nature and complexity of its business activities, overall level of risk and its risk appetite (15% of the total deposit liabilities).

c. Bank-wide risk governance and risk management process

The Bank's risk management framework aims to ensure that there is an efficient and effective process in place to manage risk. It is committed to ensure consistent adherence to best practices and standards and to apply prudence and accountability in its risk-taking activities.

AML Governance and Culture – In accordance with the laws of the country and the guidelines set by the Bangko Sentral ng Pilipinas as well as the best practices of other countries towards the proper implementation of an AML/CFT policy; the Bank hereby adopts a policy program that incorporates the following features:

- The Compliance Officer together with the Internal Audit unit are the key entities responsible in preventing, detecting and reporting potential money laundering and suspicious financial activities of clients as well as monitoring customer and counterparty transactions in compliance with the Anti-Money Laundering Law, its implementing rules and regulations and those of the BSP particularly Circular letters 706 & 950.
- The Board of Directors is primarily responsible for ensuring that the Bank possesses a comprehensive and effective AML/CFT compliance program and oversight framework. The BOD also ensures that the Bank's senior management is fully capable and enabled, qualified, and properly motivated to manage the program's compliance risk arising from the Bank's business activities in line with its AML/CFT policy. Furthermore, the senior management is responsible for communicating and reinforcing the bank's AML/CFT culture that is a must for the proper and strict implementation of the bank's AML/CFT policy program in accordance with national and international best practices.
- Conscientious observance of strict Customer Due Diligence (CDD), "Know Your Customer (KYC) and profiling practices as the first line of defense against money laundering and terrorism financing. Those identified as potential high risk customers must undergo an Enhanced Due Diligence (EDO) without violating their rights. These bank activities will be undertaken as a continuing pursuit. Anonymous accounts, accounts under fictitious names, and all other similar accounts are absolutely prohibited.
- Proper monitoring and identification of financial transactions and activities that may appear suspicious and not above board.
- Sufficient screening in the recruitment process which will ensure that only qualified personnel without any criminal record are employed in sensitive banking functions.
- Adoption of rigorous, regular, extensive and up to date training regimen for all front line employees in keeping with the objective of fully identifying the parties with whom the Bank is doing business with and thus ensure that all transactions are proper and in accordance with this policy.
- Good maintenance of records keeping of customer's identification and transaction documents for the required period within the bank's premises in compliance with existing rules and regulations.

- Creation of an independent unit to conduct periodic review of the different units of the Bank regarding it compliance with the provisions of the law, BSP rules and regulations and with this policy program.
- Regular updating of the Bank's AML/CFT policy program at least once a year to incorporate changes in the AML/CFT policies and procedures, the latest trends in money laundering and terrorism financing typologies and the most recent pertinent regulatory issuances.
- Recognition that due diligence must keep pace with the evolving schemes adopted by money launderers and terrorist organizations since adequate deterrence AML/CFT can only be brought about if it is observed and practiced as a continuing activity.

This policy program covers all its branches and branch-lite units.

5. Corporate Governance

It refers to the framework of rules, system and processes by which business are directed and controlled. The Bank recognizes that effective corporate governance practices are essential in achieving and maintaining public trust and confidence in the banking system. These are critical to the proper functioning of the banking sector and economy as a whole.

The Bank sticks with its Core Values of good governance:

- Honesty and integrity- the heart of our core values
- Fairness - reporting conflict of interest situations
- Maintain professional decorum
- Excellence in giving the best quality service at all times
- Protect the client's confidential information
- Protect and safeguard the bank assets

a. Overall corporate governance structure and practices

The Board acknowledges that to continue to be successful in the long term, the bank must be led by an active board, with appropriate skills, experience, independence and knowledge of the activities of the bank.

The Bank is headed by an effective board which collectively is responsible for the long term success of the bank.

The Board of Directors is composed of 9 members. The Board is supported in its governance functions by five (5) specialized oversight committees on Audit, Asset/Liability Management, Credit, Nominations, and Human Resource Compensation and Remuneration. All the committees report regularly to the BOD on their activities as follows:

a. *Audit Committee* – provides oversight of the Bank's Financial Reporting and Control and oversees the work of internal and external audit functions; it monitors and evaluates the adequacy and effectiveness of the internal control system.
b. *Asset/Liability Committee* – provides oversight of senior management's activities in managing liquidity, market risks, evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Also consider investments and operational risk.

c. *Credit Committee* – recommend changes in policy, procedures and underwriting guidelines to the BOD. Grant sound loans while protecting the overall financial stability of the bank.
d. *Nominations Committee* – provides assessment of Board effectiveness as well as qualifications/disqualifications of members of BOD as well as those of the nominees. It reviews and evaluates all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board.
e. *HR Compensation and Remuneration Committee* – provides oversight of remuneration of Senior Management and other key personnel thus ensuring that compensation is consistent with the Bank's culture, objectives, strategy, and control environment as reflected in the formulation of compensation policy.

b. Selection process for the board and senior management

The Board acknowledges that the Members along with the Senior Management have proper skills, experience and dedication for the growth of the bank.

To ensure diversity, the Board shall continue to consider age, educational background, business and professional experience in banking or related industry and competence.

The Directors and senior management are expected to remain fit and proper for their positions the entire duration of their terms. They should possess the proper business judgment, unquestioned integrity, and the ability to make decisions objectively and independently. The Directors recognize that their membership in the board carries grave and serious duties and responsibilities as it demands from them their complete devotion to safeguard the bank's resources and to enhance its stockholders' investment. They are also cognizant of the importance of observing and promoting good governance.

c. Board's overall responsibility

The Board of Directors, composed of nine (9) members, is mainly responsible for determining the Bank's mission and vision. The Board meets the obligation of accountability to their shareholders and take into account the interests of other recognized stakeholders. It approves and oversees the strategic objectives and corporate values that are communicated throughout the banking organization. It sets and enforces clear lines of responsibility and accountability throughout the organization,, consistent with prudent board policy, transparent and at an arm's length basis.

d. Description of the major role and contribution of the Chairman of the Board

The Chairman of the Board provides leadership in the board. He is responsible for the efficient functioning including maintaining a relationship of trust with the members of the Board. He decides on all matters to be included in the agenda and presides at the meetings of stockholders and Board of Directors.

- Ensure active participation and sufficiently deep professional involvement of all members of the Board of Directors.
- Encourage and actively solicit views and opinions of other members of the Board prior to arriving at a decision.
- Ensures that all members of the Board are given sufficient information and time to enable them to study carefully and responsibly issues that come up to the board.

- Allows for, and even encourages, the expression of independent views that may be different from those proposed by top management.

e. Board composition

Name of Directors	Type of Directorship	No. of years served as director	No. of shares held	Percentage of shares Held
Crisostomo, Jose Jr. P.	Executive	29	17,665	1.77%
Villanueva, Susan Pearl D.	Executive	21	7,878	0.79%
Topacio, Sandra B.	Executive	15	9,857	0.99%
Saulog, Alejandro B.	Non-Executive	39	8,145	0.81%
Tirona, Oscar F.	Non-Executive	37	37,479	3.75%
Benedicto, Katherine R.	Non-Executive	6	14,154	1.42%
*Abelardo, Nelson S.	Non-Executive	20 yrs & 5 months	3,781	0.38%
Ugalde, Maria Bernadette S.	Independent	4	1,892	0.19%
Tirona, Gerardo Ma. Ramon D.	Non-Executive	2	9,410	0.94%
Dominguez, Ruben V.	Independent	7 months	2,958	0.30%

*Change of family group representative

f. Board Qualification

Name of Directors	Relevant qualifications/experiences	Current directorship/officership in other companies	Age	Nationality
Crisostomo, Jose Jr. P.	Bachelor of Laws BS Business Economics	Partner JCrisostomo Law Office; President, Joyas Phils., Inc.	68	Filipino
Villanueva, Susan Pearl D.	Bachelor of Laws Bachelor of Arts History Post Graduate- Master of Laws	Senior Partner Cruz, Marcelo &Tenefrancia Law Office Director-First Community Bank, Inc. Director- Villanueva Holdings, Inc.	58	Filipino
Topacio, Sandra B.	BSBA - Banking & Finance		62	Filipino
Saulog, Alejandro Jr. B.	Bachelor of Laws BSC - Commerce	Senior Partner Saulog & De Leon Law Office President/Director MSSL Realty and Dev. Inc.	66	Filipino
Tirona, Oscar F.	BS- Mechanical Engineering Professional Mechanical Engr.	Chairman/President of several real estate corp.	93	Filipino

	Asian Institute of Management- Management Course De La Salle University – Professional Studies			
Benedicto, Katherine R.	BS- Nursing BSBM- Entrepreneurship	Administrator – KRB Maternity, Adult & Child Clinic	42	Filipino
*Abelardo, Nelson S.	Doctor of Medicine Post Graduate – Internal Medicine Specialty; Cardiology Specialty; P&G Studies in Cardiology	Chairman – Manila Doctors Hospital Dept. of Cardiology Staff Cardiologist Asian Hospital & Medical Center Asst. Medical Director – Manila Doctors Hospital Medical Director- GX International Pharmaceutical	73	Filipino
Ugalde, Maria Bernadette S.	Doctor of Medicine Post Graduate-Fellowship	Owner-IPM Multi-Specialty Clinic	56	Filipino
Tirona, Gerardo Ma. Ramon D.	AB Psychology Masters in Business Management	Vice President/Head of Marketing Department-Sun Life Grepa Financial, Inc.	58	Filipino
Dominguez, Ruben V.	AB Political Science Bachelor of Laws	Vice President/Director-RASC Holdings Phils. Inc.	62	FIlipino

*Change of family group representative

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

Board Level Committees	Membership	Function
Credit Committee	Chairperson: Crisostomo, Jose, Jr. P. Members: Benedicto, Katherine R. Tirona, Oscar F. Topacio, Sandra B.	Approves credit transactions up to its approval limit as delegated by the BOD, including credit exceptions. Approves the sale of ROPA up to its delegated limit. Reviews, deliberates, and endorses to the BOD credit proposals and ROPA sales beyond its delegated limit. Recommends changes in policy, procedures and underwriting guidelines to the BOD. Grant sound loans protecting the overall financial stability of the bank.
Audit Committee	Chairperson: Ugalde, Maria Bernadette S.	Provides oversight of the bank's financial reporting and control, as

	Members: Dominguez, Ruben V. Saulog, Alejandro, Jr. B. Tirona, Gerardo Ma. Ramon D.	well as the internal and external audit functions. Responsible for monitoring and evaluating the adequacy and effectiveness of the internal control system. Reviews governance, risk management, and controls
Asset and Liability Committee (ALCO)	Chairperson: Crisostomo, Jose, Jr. P. Members: De Los Santos, Susan Z. (COO) Tirona, Gerardo Ma. Ramon D. Topacio, Sandra B. Villanueva, Susan Pearl D.	Sets police and standards for liquidity, interest, market, and investment risk identification and analysis, measurement, monitoring and control. Provides oversight of senior management's activities in managing liquidity, market risks, evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Also consider investments and operational risks.
Personnel Committee	Chairperson: Tirona, Gerardo Ma. Ramon D. Members: Benedicto, Katherine R. Crisostomo, Jose Jr. P. Topacio, Sandra B.	Formulates and reviews job descriptions, performance standards and evaluation forms, conduct hiring of staff. Responsible with respect to designing, approving, evaluating and administering compensations, polices and programs of the bank.
Nomination Committee	Chairperson: Dominguez, Ruben V. Members: Saulog, Alejandro Jr. B. Ugalde, Maria Bernadette S.	Provides assessment of Board's effectiveness and directs the process of election of Board members. It reviews and evaluates all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board.

h. Directors' attendance at board committee meetings

Name of Directors	Board Number of Meetings		Credit Committee Number of Meetings		Audit Committee Number of Meetings		Personnel Committee Number of Meetings		ALCO Number of Meetings	
	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%
*Abelardo, Nelson S.	8/12	67%					4/4	100%		
Benedicto, Katherine R.	26/27	96%	23/24	96%			6/6	100%		
Crisostomo, Jose Jr. P.	27/27	100%	24/24	100%			6/6	100%	4/4	100%
**Dominguez, Ruben V.	14/14	100%			4/4	100%				
Saulog, Alejandro Jr. B.	26/27	96%			9/9	100%				
Tirona, Gerardo Ma. Ramon D.	24/27	88%			7/9	78%			4/4	100%
Tirona, Oscar F.	23/27	85%								
Topacio, Sandra B.	27/27	100%	24/24	100%			6/6	100%	4/4	100%
Ugalde, Maria Bernadette S.	26/27	96%			9/9	100%				
Villanueva, Susan Pearl D.	21/27	77%							4/4	100%
Total Number of Meetings Held During the Year	27		24		10		7		4	

*Change of family group representative

**Joined the organization in June 2025

i. List of executive officers/senior management

Name	Position	Relevant qualifications/experience	Age	Nationality
Crisostomo, Jose Jr. P.	Chairman	Bachelor of Laws BS Business Economics	68	Filipino
Villanueva, Susan Pearl D.	Vice President	Bachelor of Laws Bachelor of Arts History Post Graduate- Master of Laws	58	Filipino
Topacio, Sandra B.	Treasurer	BSBA – Banking & Finance	62	Filipino
Sauler, Enrique K.	Corporate Secretary	BS- Computer Science	39	Filipino
Matro, Maria Consuelo G.	Compliance Officer	BSC- Accounting	59	Filipino
De Guzman, Roberto T.	Manager	BSC- Accounting	55	Filipino

j. Performance Assessment Program

- The Board of Directors undertakes a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
- Individual evaluation of directors aims to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties). The Chairman acts on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of the board, identifying individual and collective development needs and, where appropriate, proposing new members be appointed to the board.
- The Chairman conducts annual performance evaluations of the other executive directors, in relation to their role as members of the Board and reports this to the Corporate Governance Committee. A summary of the agreed outcome will be reported to the Board.
- The Chairman determines the individual and collective development needs of the Board as a result of the performance evaluations set out above, and put appropriate development programs in place.
- Senior Management is assessed in their individual capacity and all officers and employees of the bank on a regular basis. The results of the assessment are documented and evaluated for the effectiveness of their functions.

k. Orientation and Education Program

- A newly appointed director is required to attend a special seminar on corporate governance to be conducted by a duly recognized private or government institution duly accredited by the Bangko Sentral ng Pilipinas within six (6) months after appointment, subject to exceptions as provided herein.
- The Board of Directors and key officers of the Bank also attend, at least once a year, a program on corporate governance conducted by training providers that are duly accredited by the SEC or BSP.
- The Bank shall also implements an appropriate communication and professional training and development program for officers and employees as well as a succession plan for senior management.
- The Compliance Office and Human Resource Office will collaborate regarding compliance training and education programs for various corporate business functions designed to ensure that all officials and

employees have the awareness of legal requirements that are relevant to their work at a level appropriate to their jobs and that all employees have the awareness of bank policies, procedures and standards of conduct.

l. Retirement and Succession Policy

The Board is responsible for ensuring and adopting an effective succession planning programs for Directors to ensure growth and a continued increase in the shareholders' value.

On the retirement age of directors, however, the Board recognizes the fact that chronological age is not the main factor in determining effectiveness of the director in discharging its duties and responsibilities. Rather, the Board will lose valuable wisdom from the senior directors. By law, once directors are elected by shareholders, they could not be removed because of age. Hence, the Board decided to hold in abeyance the implementation of the retirement age policy for directors.

Fundamental consideration is their continued compliance with the fit and proper requirement to fulfill the role of directors. Further, the Bank gives importance to the expertise and experiences of the senior directors and the valuable wisdom they can impart to the Board. This is especially significant in view of the largely personal and direct dealings of the Bank with its clients, who, by large, are known members of the community. The continued presence of the senior directors provides a real sense of stability and security for the members of the community for them to continue transacting with Imus Rural Bank in the face of the growing competition from larger, more aggressive banks and the difficult times brought about by several factors, including the pandemic. The directors should continue to be mentally and physically fit to discharge their duties and responsibilities. They should have the time to and make the effort to regularly attend Board meetings, actively participating in the discussions by sharing his/her knowledge and insights. They should be able to attend and adequately prepare for committee meetings where they are members.

For independent directors, under applicable regulations, they may only serve as such for a maximum period of nine (9) years, after which, they shall be perpetually barred from serving as independent director in the Bank.

The retirement policy of the bank states that the rank-and-file employees have a compulsory retirement age at 55 years of age while for senior officers it is 60. However, IRBI may extend the services of individual employees and officers on a case-to-case basis in meritorious service where the interests of the Bank are properly served.

As far as executive or working directors, the bank has, until now, no prescribed retirement age. But the members of the BOD are considering setting a policy on this matter taking into consideration the current practice in the banking industry.

The Board shall ensure that IRBI has in place an appropriate and updated succession plan for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations.

In the event of death, illness or other incapacity of a director, or if the director is removed under Section 7 of Article IV by stockholders holding 2/3 of the subscribed stock, or otherwise ceases to be a director, Section 6 Article IV of the by-laws shall apply, whereby, the remaining directors may elect the replacement for the balance of the unexpired term.

In case of death, illness, absence or other incapacity of the President, or should for any reason the office of the President becomes vacant, the Vice President shall exercise all the powers, authority, and duties of the President until such time as the board of directors elect the new President to serve the unexpired term.

In case the position of Vice President, Treasurer and Corporate Secretary becomes vacant, Section 6 Article IV of the by-laws shall apply, whereby, the remaining directors may elect the replacement for the balance of the unexpired term. In the absence or incapacity of Corporate Secretary, the board may designate an Assistant Corporate Secretary who shall exercise all the powers, authority, and duties of the Corporate Secretary.

In anticipation of the temporary absence or incapacity of senior officers, the heads of the different offices and branches are to designate appropriate employees within the branch or office who are to take over the duties of the officers who are absent or incapacitated. In this regard, appropriate cross training shall be regularly conducted among officers so as to allow them to competently assume the duties and responsibilities of other officers.

m. Remuneration policy

The Bank is committed to maintaining transparent and fair practices in the remuneration and succession planning of its directors. The remuneration policy is designed to attract, retain, and motivate qualified individuals, ensuring that compensation is aligned with the responsibilities of the role, individual performance, and the long-term interests of the Bank and its stakeholders. It balances fixed pay with performance-based components, in line with regulatory guidelines and industry best practices.

The levels of remuneration of IRBI shall be sufficient to attract and retain experienced and professional directors and officers needed to run the Company successfully. A proportion of executive directors' remuneration may be structured to link rewards to corporate and individual performance. The Bank's Personnel Committee shall monitor and review the remuneration and other incentives policy including plans, processes, and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended. A Human Resources consultant was recently engaged to conduct a study on the compensation levels of the Bank's personnel, with an end to bringing the Bank to or near parity with comparable establishments in Cavite, as well as in Metro Manila.

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

Executive Directors – executive directors are not compensated as directors of the Bank. As officers of the Bank they receive salaries, bonuses and other standard bank benefits, as approved by BSP, in accordance with the performance management philosophy of the Bank based on meritocracy or pay for performance. The Bank allows travel (except foreign travel) for its officers for official or business reasons. All travel expenses are shouldered by the Bank, including the travel allowance/per diem subject to policy guidelines and approval by the President.

Non-Executive Directors - The Bank By-Laws provide that each director shall be entitled to receive from the Bank, reasonable honoraria (fees and other compensation for his services as director for actual attendance and/or participation in meetings, conferences or other official Bank functions. The Board of directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the director. In no case shall the total yearly compensation of directors exceed 10% of net income before tax of the Bank during the preceding year.

ii. Remuneration Policy for Senior Management

The total compensation program of the director is competitive and linked to the bank's overall compensation philosophy. The compensation system and policy applicable to the Board of Directors of IRBI are established in the By-laws. The Bank aims to provide the Board of Directors and its officers with a compensation package that is reasonable and comparable to what is paid by other companies taking into account the bank's position against peers in the industry and other market considerations. Generally, officers' salaries are determined with reference to the salary scale corresponding to the position and rank. Annual salary review is conducted and all increases are performance based. The Bank grants bonuses inclusive of 13th month pay required by the law. The Bank also grants a performance bonus (non-guaranteed) based on the bank's performance overall market conditions and individual performance of the recipients and does not merely stem from the circumstances prevailing in the market. The members of the Board of Directors receive compensation (fees, bonuses and allowances) based on their banking or finance experience and their attendance in meetings of the Board and the committees where they are members or by reason of any other advisory duties they may perform for the institution, other than those inherent in their capacity as directors. The Board of Directors sees to it that the remuneration policy is regularly reviewed to ensure that it is commensurate with corporate and individual performance and that the remuneration is consistent with industry while maintaining internal equity at the same time.

n. Policies and Procedures on Related Party Transactions

Imus Rural Bank, Inc. has established policies and procedures on related party transactions. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention or management potential or actual conflicts of interest which arise, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle blower mechanisms, and restitution of losses and other remedies for RPTs.

The Related Party Transactions policy applies to IRBI and intended to ensure that every related party transaction is conducted in a manner that will protect the Company from conflict of interest situations which may arise between IRBI and its Related Parties; and proper review, approval, ratification and disclosure of transactions between IRBI and any of its related party/ies as required in compliance with legal and regulatory requirements. The policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related party transaction and any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of the any related party transaction.

The Bank approved two (2) secured DOSRI loans with an interest rate of 3.50% and 6% amounting to ₱ 150,000 and ₱ 592,800, respectively, which had outstanding balances of ₱ 110,641 and ₱ 570,700, respectively as of December 31, 2024.

o. Self-Assessment Function

i. Internal Audit and Compliance Function

The internal audit function which shall be performed by an Internal Auditor conducts independent and objective internal audit activities designed to add value to and improve the Bank's operations and helps to accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are appropriate, adequate, effective and complied with key functions of internal audit include the following:

- Provide an independent and risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and Management;
- Perform regular and special audit as contained in the annual audit plan and/or based on the bank's risk assessment;
- Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Bank;
- Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals; and whether the operations or programs are being carried out as planned;
- Evaluate specific operations at the request of the Board or Management, as appropriate; and
- Monitors and evaluate governance processes.

The compliance officer remains sufficiently independent of the operations on which she conducts compliance testing and evaluation to enable him/her to perform his/her duties in a manner, which facilitates impartial and effective professional judgments and recommendations. The compliance officer has no operational responsibilities and reports directly to the Audit Committee during its monthly meetings. The report refers to the compliance risk assessment that has taken place during the reporting period, including any changes in the compliance risk profile based on relevant measurements such as performance indicators, summary of any identified breaches and/or deficiencies and the corrective measures recommended to address them, and report on corrective measures already taken.

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

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

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

p. Dividend policy

Shareholders receive dividends as may be decided by the Board of Directors. The decision to declare dividends depends on factors such as the profitability of the bank operations and subject to the requirements of the Bangko Sentral ng Pilipinas. IRBI shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital except:

a. when the Bank is prohibited by regulators or under any loan agreement with any financial institution or creditor to declare dividends without its consent and such consent has not been secured.

b. when such retention is clearly necessary under special circumstances obtaining in the Bank, such as a need for special reserves for possible contingencies.

c. when justified by definite corporate expansion projects or programs approved by the Board.

In a special meeting held on January 09, 2024, the Board of Directors approved the declaration of cash dividends in the amount of ₱ 9,995,020 from the Bank's retained earnings as of December 31, 2023.

q. Corporate Social Responsibility

Every school graduation month, to inspire the young achievers of Imus, the Bank offers cash gifts in the form of a savings deposit account to all the valedictorians of different schools in the Municipality. It also participates in community activities for the youth like basketball tournament.

In light of the severe calamities that affected the region in 2024, the Bank reaffirms its commitment to the welfare of its employees. As part of the Corporate Social Responsibility or CSR, the management immediately provide financial relief to employees whose home or families were severely affected by typhoons and flooding.

r. Consumer Protection Practices

i. Role and Responsibility of the Board and Senior Management

The Board sees to it that there is an avenue for clients to obtain help with regard to perceived shortcomings or deficiencies in the services rendered by the Bank. The Board and Senior Management are responsible for developing the Banks consumer protection strategy and establishing an effective oversight over the Bank's consumer protection programs. The Board approves the consumer assistance policies and procedures, ensures its compliance, and provides adequate resources devoted to consumer assistance. While Senior Management is responsible for the implementation of the consumer protection policies approved by the Board, the latter shall be responsible for monitoring and overseeing the performance of Senior Management in managing the day to day consumer protection activities of the Bank.

ii. Consumer Protection Risk Management System of the Bank

The CPRMS is a means by which the Bank can identify, measure, monitor, and control consumer protection risks inherent in its operations. These include both risks to the financial consumers and the Bank.

To address this risk, the Bank develops and maintains a sound compliance management system that is integrated into the overall risk management strategy of the bank. Ultimately, compliance should be part of the daily routine of management and employees of the Bank.

Compliance management system is commonly comprised of three interdependent elements:

- Board and management oversight - The Board and Senior Management should be responsible for developing and maintaining a sound CPRMS which should be periodically reviewed for its effectiveness, including how findings are reported; whether the audit mechanisms is in place and the quality and timeliness of the information provided is adequate. The Board and Senior Management must also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

- Compliance program – aims to ensure the adherence to the existing policies and procedure, relevant banking laws, rules and regulations of the regulatory bodies to prevent violations.

- Compliance audit - Independent of the compliance function, should review the Bank's consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations.

- Training - The Human Resources Department and respective business units should ensure that all relevant personnel specifically those whose roles and responsibilities have customer interface, receive specific and comprehensive training that reinforces and helps implement written policies and procedures on consumer protection. The training program should be able to address changes in consumer protection laws, rules and regulations, and policies and procedures, and should be provided in a timely manner.

iii. Consumer Assistance Management System

The Bank has a designated Consumer Assistance Officer in every branch and branch-lites to handle the complaints of the Financial Consumers who are dissatisfied with its financial products or services under the direct supervision of Vice President-Operations with defined roles and responsibilities in handling consumer concerns as follows:

- Main Office – Manager for all CASA and administrative related issues, Loans Head for all loans related issues
- Branch Offices – Manager for all CASA and administrative related issues of their respective branch.

Duties and Responsibilities:

- Receive and acknowledge consumer concerns;
- Record concerns in a Register/Database;
- Make an initial review and investigation of concerns;
- Provide official reply to consumer
- Request client feedback
- Prepare and submit report to the Operations Group Head.

6. Corporate Information

a. Organizational Structure

Name	Position
Jose P. Crisostomo, Jr.	President
Alejandro B. Saulog, Jr.	Chairman
Susan Pearl D. Villanueva	Vice- President
Sandra B. Topacio	Treasurer
Enrique K. Sauler, Jr.	Corporate Secretary/IT Officer
Maria Consuelo G. Matro	Compliance Officer
Arlene E. Ramirez	Internal Auditor
Susan Z. Delos Santos	Chief Operating Officer
Allan S. Sarreal	Loans Head
Earvin Noel C. Virata	Accounting Head
Maria Kriztine M. Dayrit	Head Cashier
Roberto T. De Guzman	Manager- Main Office
Daryll John R. Reno	Manager - Market Branch
Katherine D. Benedicto	Manager- Molino Branch
Angelo F. Villafuerte	Manager- Salawag Branch

b. List of major stockholders including nationality, percentage of stockholdings and voting status

Name of Stockholder	Nationality	% of Stockholdings	Voting Status
Oscar F. Tirona	Filipino	3.750%	Voting
Earl Patrick V. Benedicto	Filipino	1.900%	Voting
RASC Holdings Phils, Inc.	Filipino	1.843%	Voting
Jose P. Crisostomo, Jr.	Filipino	1.767%	Voting
Marianne Alexandra V. Benedicto	Filipino	1.509%	Voting
Ma. Cristina D. Tirona	Filipino	1.453%	Voting
Conrado P. Crisostomo	Filipino	1.446%	Voting
Emiliana p. Crisostomo	Filipino	1.435%	Voting
Pilar P. Crisostomo-Hernandez	Filipino	1.435%	Voting

Gloria Juana P. Crisostomo-Pollock	Filipino	1.435%	Voting
Katherine R. Benedicto	Filipino	1.416%	Voting
Eduardo E. Sayoc	Filipino	1.386%	Voting
Eric Jude V. Benedicto	Filipino	1.312%	Voting
Jesus Eugenio D. Villanueva	Filipino	1.143%	Voting
Agerico M. Sayoc	Filipino	1.121%	Voting
Lynne Grace T. Alviola	Filipino	1.065%	Voting
Rene Antonio V. Benedicto	Filipino	1.043%	Voting

c. List and description of products and services offered

Loans	Agricultural/Agrarian, SME, Salary/Consumption, Housing, Vehicle, Business, Doctors, Corporate Loans
Deposit	Savings Deposit Regular, Special Savings, Current Accounts Regular, Savings Deposit with Automatic Transfer Arrangement, Foreign Currency Deposit
Safe deposit box services	

d. Bank Website

The bank website is at www.imusrb.com

e. List of banking units as of Dec. 31, 2024

Bank Office	Location	Contact Number
1. Main Office	Cor. Col. M. Sapinoso& Capt. I. Bella Sts., Poblacion I-C, City of Imus, Cavite	(046) 471-4519 Tel/Fax: (046) 471-0713 (046) 471-3358
2. Market Branch	Imus Public Market, City of Imus, Cavite	(046) 471-4415 Tel/Fax: (046) 471-2160
3. Molino Branch	Molino Road, Molino III, City of Bacoor, Cavite	(046) 517-2638 Tel/Fax: (046) 477-0828
4. Salawag Branch	CJNI Bldg. L1 B1 Sterling Nile, Golden City, Salawag, City of Dasmariñas, Cavite	Tel/Fax: (046) 436-0540
5. Mauban Branch-lite Unit	Plaridel Cor. Quezon Sts., Brgy. Lual (Poblacion), Mauban, Quezon	Tel/Fax: (042) 717-9180

7. Audited Financial Statements (AFS) with Auditor's Opinion

IMUS RURAL BANK, INC.

AUDITED FINANCIAL STATEMENTS
December 31, 2024
(With Comparative Figures as of December 31, 2023)

Corner Col. M. Sapinoso and Capt. I Bella Sts., Poblacion I-C City of Imus, Cavite

IMUS RURAL BANK, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **IMUS RURAL BANK, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

Valdes Abad & Company, CPAs the independent auditor appointed by the members, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ALEJANDRO B. SAULOG, JR.
Chairman of the Board

JOSE P. CRISOSTOMO, JR.
President

SANDRA B. TOPACIO
Treasurer

Signed this 15th day of April, 2025

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants
Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines
Branches: Cebu and Davao
Phone: (632) 8519-2105
Fax: (632) 8819-1468
E-mail: cmegroup@vacocpa.com.ph
BOA/PRC Reg. No. 0314
SEC Accreditation No. 0314-SEC
gmn member
partnering for success

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
IMUS RURAL BANK, INC.
Corner Col. M. Sapinoso and Capt. I
Bella Sts., Poblacion I-C
City of Imus, Cavite

Opinion

We have audited the financial statements of **IMUS RURAL BANK, INC.**, which comprise the statement of financial position as of December 31, 2024 and the related statement of activities, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRS), 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) in response to the COVID-19 pandemic.

Basis for Opinion

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

Other Matter

The financial statements of **IMUS RURAL BANK, INC.** for the year ended December 31, 2023, which are presented for comparative purposes only, were audited by another auditor who expressed an unqualified opinion on these statements in their report dated April 15, 2024.

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 full PFRSs (for large and public interest entities) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
SEC Accreditation No. 0314-SEC, Group A
Issued on November 29, 2022, Valid from 2022-2026 AFS audit
BIR Accreditation No. 08-002126-000-2024
Issued on April 05, 2024, Valid until April 04, 2027
BSP Accreditation No. 0314-BSP, Group B
Issued on September 02, 2022, Valid from 2022-2026 AFS audit

For the firm:

Ma. Corazon M. Enriquez

MA. CORAZON M. ENRIQUEZ
Partner
CPA Registration No. 031628
Valid until December 9, 2025
TIN 123-046-974
PTR No. 10479081MN, Issue Date: January 10, 2025, Makati City
BOA/PRC Reg. No. 0314/P-002
Issued on July 15, 2024, Valid until July 14, 2027
BIR Accreditation No. 08-002126-002-2024
Issued on April 05, 2024, Valid until April 04, 2027
BSP Accreditation No. 31628-BSP, Group B
Issued on September 02, 2022, Valid from 2022-2026 AFS audit

Makati City, Philippines
April 15, 2025

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants

Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines
Branches: Cebu and Davao

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Fax: (632) 8819-1468
E-mail: cmegroup@vacocpa.com.ph
BOA/PRC Reg. No. 0314
SEC Accreditation No. 0314-SEC

CERTIFICATION

The Board of Directors and Stockholders
IMUS RURAL BANK, INC.
Corner Col. M. Sapinoso and Capt. I
Bella Sts., Poblacion I-C
City of Imus, Cavite

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 **IMUS RURAL BANK, INC.**

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

VALDES ABAD & COMPANY, CPAs
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Issued on September 02, 2022, Valid from 2022-2026 AFS audit

Makati City, Philippines
April 15, 2025

SUBSCRIBED AND SWORN to before me this ____________ day of ______ 20__ at Makati City, Philippines, Ma. Corazon M. Enriquez, who exhibited to me her CTC 28849145 issued on January 10, 2025, at Makati City, Philippines.

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Book No. 16
Series of 2025

NOTARY PUBLIC

ATTY. SHERLOCK JUN C. VI

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(Formerly: Valdes Abad & Associates)
certified public accountants
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Fax: (632) 8819-1468
E-mail: cmegroup@vacocpa.com.ph
BOA/PRC Reg. No. 0314
SEC Accreditation No. 0314-SEC
gmn member
partnering for success

CERTIFICATION

The Officer-in-charge
Bangko Sentral ng Pilipinas
Malate, Manila

In connection with our audit of **IMUS RURAL BANK, INC.** and in pursuant to the provision of section 174 of the MORB which requires the submission of annual financial audit of the Bank, we hereby certify the following:

1. That the auditors of **VALDES, ABAD & COMPANY, CPAs** had commenced their engagement to audit the financial statements of **IMUS RURAL BANK, INC.** on January 10, 2025 and had finished the audit on April 15, 2025.

2. That the Financial Reporting and 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 April 15, 2025.

3. That the external auditor, partners, associates, auditor-in-charge of the engagement and the members of our immediate family 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 the external auditor observed a read-only access to the Bangko Sentral's Report of Examination and that the external auditor appropriately considered the contents thereof and maintained its confidentiality.

5. That the external auditor has **none to report** on the following matters under BSP Circular 1040 series of 2019:

    (a) Any material findings 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 assets;
    (c) Any findings to the effect that the consolidated assets of the Bank, going concern basis, are no longer adequate to cover the total claims of creditor;
    (d) Material internal control weaknesses which may lead to financial reporting problems; and

6. That the external auditor complied with the disclosure requirements under Section 174 of the MORB, as amended by Circular No. 1074 series of 2020.

7. That the external auditor has **none to report** on discovery of material breach of laws and BSP rules and regulations such as on capital adequacy and on loans and other risks and classification.

8. That the external auditor has **no report** on findings regarding corporate governance issues;

9. That the external auditor has **no report** regarding termination and resignation as external auditor.

10. That the external auditor has **none to report** with respect to material breach of laws or Bangko Sentral rules and regulations such as but not limited to prescribed capital and liquidity ratios, significant deficiency in allowance for credit losses, material weaknesses in fair value measurement methodology, significant vulnerabilities to money laundering and countering the financing of terrorism; and

11. That the external auditor has **none to report** with respect to material findings on matters of corporate governance that may require urgent action by the BSP, whichever is applicable.

It is however understood that the accountability of the undersigned auditing firm 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.

VALDES ABAD & COMPANY, CPAs
BOA/PRC Reg. No. 0314
Issued on July 15, 2024, Valid until July 14, 2027
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BSP Accreditation No. 0314-BSP, Group B
Issued on September 02, 2022, Valid from 2022-2026 AFS audit

For the firm:

Ma. Corazon M. Enriquez

MA. CORAZON M. ENRIQUEZ
Partner
CPA Registration No. 031628
Valid until December 9, 2025
TIN 123-046-974
PTR No. 10479081MN, Issue Date: January 10, 2025, Makati City
BOA/PRC Reg. No. 0314/P-002
Issued on July 15, 2024, Valid until July 14, 2027
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Issued on September 02, 2022, Valid from 2022-2026 AFS audit

Makati City, Philippines
April 15, 2025

SUBSCRIBED AND SWORN to before me this ____________ day of ______ 202__ at Makati City, Philippines, Ma. Corazon M. Enriquez, who exhibited to me her CTC 28849145 issued on January 10, 2025, at Makati City, Philippines.

Doc. No. 119
Page No. 25
Book No. 1C
Series of 2025

ATTY. ... VILLEGAS

3

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants

Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines
Branches: Cebu and Davao

(632) 8519-2105
Fax: (632) 8819-1468
E-mail: cmegroup@vacocpa.com.ph
BOA/PRC Reg. No. 0314
SEC Accreditation No. 0314-SEC

CERTIFICATION

We hereby certify that the Letter of Comments (LoC) with respect to the audit of **IMUS RURAL BANK, INC.** for the year ended December 31, 2024 was submitted to the Bank's Board of Directors on April 11, 2025.

VALDES ABAD & COMPANY, CPAs
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Makati City, Philippines
April 15, 2025

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SEC Accreditation No. 0314-SEC

April 30, 2025

The Board of Trustees
IMUS RURAL BANK, INC.
Corner Col. M. Sapinoso and Capt. I
Bella Sts., Poblacion I-C,
City of Imus, Cavite

Gentlemen:

We have examined the statements of financial position and comprehensive income of **IMUS RURAL BANK, INC.** for the year ended December 31, 2024 and have issued our opinion thereon dated April 15, 2025.

As part of our examination, we reviewed on a test basis the Bank's accounting procedures and system of internal control. Our examination was conducted primarily to enable us to express an opinion on the financial statements and accordingly, would not disclose all the weaknesses in the system, which may exist.

Our review disclosed certain areas in which we believe more effective internal control or increased efficiency may be achieved. These weaknesses were not of such magnitude that they would significantly affect the fair presentation of the financial statements taken as a whole.

We hope you will view our comments and recommendations as proof of our continuing interest in your Bank.

We wish to thank the officers and staff who in one way or another assisted us and extended their utmost cooperation during our examination.

Very truly yours,

VALDES ABAD & COMPANY, CPAs

By:

Ma. Corazon M. Enriquez

MA. CORAZON M. ENRIQUEZ
Partner

Valdes Abad & Company
(Formerly: Valdes Abad & Associates)
certified public accountants
CJV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines
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Management Letter

In the course of our examination, we have noted certain deficiencies that affect the accounting procedures and system of internal control of the Bank.

The deficiencies, in which more effective control can be achieved. are the following:

1. Delay in recording accrued interest receivable – loans and receivables
2. All vouchers and its attachments should be stamped "paid".
3. Some vouchers were incomplete of authorized signatory
4. Test of beginning balances were not performed due to voluminous transactions in GL, cannot properly trace
5. Incomplete signature of the Minutes of Meeting
6. Lapsing schedule not in accordance with audit requirements

DELAY IN RECORDING ACCRUED INTEREST RECEIVABLE – LOANS AND RECEIVABLE

Observation:

During the audit, we noted that the Bank's accrued interest receivable on loans and receivables was incomplete, not including those that are paying for the interest only and a one-time payment of their principal balance.

Risk involved:

Understatement of assets because of failure to record interest receivable and understatement of revenue due to failure to record interest revenue, this will further affect net income – understatement of retained earnings.

Recommendation:

We highly recommend that upon extracting the accrued interest receivable, include all of the types of interests and not only the code DEX to ensure the accuracy of receivable at year end.

Target date:

Immediately.

Management's comment:

The corresponding adjusting entries were raised to reflect the income as of December 31, 2024. The Bank will ensure to include all new loan categories when extracting the accrued interest receivables.

ALL VOUCHERS AND ITS ATTACHMENTS SHOULD BE STAMPED AS"PAID"

Observation:

We noted in our examination that only attachments related to petty cash expenses were stamped as "paid," while the disbursement voucher documents and other types of disbursements with attachments were not similarly marked.

Risk involved:

There is a risk that the supporting documents for paid vouchers may be reused or subjected to another payment, which could result in duplicate or unauthorized payments.

Recommendation:

To strengthen control over disbursements and prevent the risk of duplicate payments, it is recommended that all vouchers and supporting documents be stamped as "paid" upon payment, with the payment date clearly indicated. Documents that are not paid should be marked as "canceled." This practice will ensure that documents cannot be mistakenly detached and used for another payment, thereby reinforcing basic control procedures.

Target date:

Effective next accounting period.

Management comment:

The Bank noted your recommendation and all vouchers and supporting documents shall be stamped as paid upon payment with the payment date indicated.

STRICTLY REQUIRE COMPLETENESS OF CHECK VOUCHERSIGNATURES

Observation:

We noted in our audit that the "Approved by" portion of the check vouchers attachment was not signed as detailed below:

Date	Payee		Amount
January 20, 2024	Payment of registration for 2nd annual convention of compliance officer and internal auditors	₱	**9,100.00**
March 05, 2024	Cash disbursement voucher 25001		**4,509.89**
Dec. 27, 2024	Payment of Mayor's Permit		**3,282.07**

Risk involved:

Unauthorized use of funds.

Recommendation:

To establish control over the use of the Bank's assets, particularly cash in bank, the responsible or authorized Bank personnel and officer who process disbursements should sign in the space provided for in the check voucher. This would ensure that the transaction has undergone the necessary review and authorization process.

Target date:

Effective immediately.

Management comment(s):

The "Approved by" portion that was inadvertently left unsigned is in the accounting ticket which is done to journalize the disbursement transaction. The accounting tickets for the transactions cited were accordingly signed.

With respect to the check vouchers, please be advised that these were signed completely.

GENERAL LEDGER WAS PROVIDED BUT TOBB CANNOT BE PERFORMED DUE TO VOLUMINOUS TRANSACTIONS IN THE GL

Observation:

During the audit, we noted that the Bank maintains a General Ledger that keeps track of its financial transactions.

However, we were not able to perform the Test of Beginning Balance (TOBB) completely and more accurately as we cannot trace or verify if the Bank has kept records of the prior year's Per Audit amounts.

Risk involved:

A General Ledger (GL) serves as a foundation that contains record of the assets, liabilities, income, expenses and equities, which is an essential source document to keep track and trail of every transaction made on the abovementioned.

Recommendation:

We highly recommend that the Bank provides a precise GL of their accounts to ensure risks such as inaccurate financial records can be mitigated. A GL can further serve as a risk management system that can lead to business continuity and financial stability. We further recommend to prepare the GL ahead of time in a concise form for easy tracking of the Per Audit amounts.

Target date:

Immediately.

Management's comment:

The Bank will develop a program for this purpose.

INCOMPLETE SIGNATURE OF THE MINUTES OF MEETING

Observation:

In our review of minutes of Board of Directors meeting, we noted that only the minutes for January 2024 up to June 2024 were signed and approved. We also noted that the Corporate Secretary attested to the Minutes of Meeting although he was not included in the list of attendees.

Risk involved:

In the case that the minutes of meetings are not signed, the resolutions that got approved are not in fact approved, resulting as not legally binding. The draft minutes will not be considered as meeting minutes until the Board approves them. This is a crucial step that cannot be missed.

Further, attesting to the minutes of the BOD meeting even if not in the list of attendees may result from inaccurate and unreliable minutes.

Recommendation:

We highly recommend that the Board members sign the minutes of meeting to ensure that directors have a point of reference for what occurred during the meeting. Since these become part of the corporate record, this can provide historical account of Board decisions that could be valuable for future strategic planning.

Target date:

Effective immediately.

Management comment:

All the minutes are signed by the attending Directors. Due to time constraint, the auditors were provided unsigned file copies of the office of the Corporate Secretary/IT Officer.

The Bank adopted the recommendation of including the name of the Corporate Secretary in the list of attendees.

PROPER PREPARATION OF LAPSING SCHEDULE

Observation:

The lapsing schedule of property and equipment provided by the Bank was not in accordance with the format provided in the audit requirements.

Risk Involved:

Presentation of audit schedule not in the suggested format would extend the audit work to be spent on the account and thus, would even extend the audit fieldwork to obtain assurance that all amounts are presented fairly. If would even result to delay of report to be submitted.

Recommendation:

We recommend that the Bank should follow the standard format of lapsing schedule as audit requirement so that the above noted can be prevented. A suggested format is presented below.

			COST			
Particulars	Date Acquired	Estimated Useful Life	Balance, beg	Additions	Disposals	Balance, end
ACCUMULATED DEPRECIATION						
Balance, beg	Additions	Disposals	Balance, end	Net Book Value	Selling Price	Gain (Loss) on Disposals

Target date:

Immediately.

Management's comment:

Noted. The prescribed format will be adopted starting next audit season.

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CERTIFICATION

The Board of Directors and Stockholders
IMUS RURAL BANK, INC.
Corner Col. M. Sapinoso and Capt. I
Bella Sts., Poblacion I-C
City of Imus, Cavite

In compliance with the requirement of revised Section 174 of the Manual of Regulations for Banks (MORB) and its revised Appendix 55 and BSP Circular No. 1074, we are submitting our notarized certification, which indicates that there is **none to report** with respect to fraud, dishonesty, breach of laws in connection with the audit of **IMUS RURAL BANK, INC.**, for the year ended December 31, 2024.

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For the firm:

Ma. Corazon M. Enriquez

MA. CORAZON M. ENRIQUEZ
Partner
CPA Registration No. 031628
Valid until December 9, 2025
TIN 123-046-974
PTR No. 10479081MN, Issue Date: January 10, 2025, Makati City
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April 15, 2025

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INDEPENDENT AUDITOR'S REPORT FOR SUPPLEMENTARY INFORMATION

We have conducted an audit of the financial statements of **IMUS RURAL BANK, INC.** for the year ended December 31, 2024, and have issued our opinion thereon dated April 15, 2025.

In this connection, we are pleased to submit this supplementary report covering our observations, recommendations, and management's comments on certain phases of the Bank's accounting policies and procedures as well as its system of internal accounting control that we believe can be further improved, as detailed in the summary attached herewith. Our comments reflect our desire to be of continuing assistance to you and the Bank, and should not be regarded as reflecting on the integrity or capabilities of anyone in your organization.

Our report covers only those matters we encountered during the course of our examination, performed on a test basis, the primary objective of which is to enable us to express an opinion on the Bank's financial statements, thus, is not designed to disclose all weakness in the internal accounting control systems, should any exist.

We appreciate the opportunity to have been service to your organization. Likewise, allow us to express our appreciation for the cooperation and support extended to us by your officers and staff during the course of our examination. We remain at your disposal for further information you may require concerning the points mentioned in this report.

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For the firm:

Ma. Corazon M. Enriquez

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Partner
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April 15, 2025

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DISCLOSURE REQUIREMENT UNDER SECURITIES AND EXCHANGE COMMISSION MEMORANDUM CIRCULAR 13, SERIES OF 2006

1. *Any material findings involving fraud or error which will reduce the total assets of the company by five percent (5%)*

   In the conduct of our audit for the year ended December 31, 2024 of **IMUS RURAL BANK, INC.,** there are no material findings involving fraud or error which will reduce the total assets of the company by five percent (5%).

2. *Losses or potential losses, the aggregate of which amounts to at least ten percent (10%) of the total assets of the company.*

   There were no losses incurred or potential losses which amounts to at least ten percent (10%) of the total assets of the **IMUS RURAL BANK, INC.**

3. *Any findings to the effect that the total assets of the company, on a going concern basis are no longer adequate to cover the total claims of creditors.*

   There were no findings that affect the total assets of the company, on a going concern basis, are no longer adequate to cover the total claims of creditors.

IMUS RURAL BANK, INC.
Imus, Cavite

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

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

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

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

b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to 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) **IMUS RURAL BANK, 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.

ALEJANDRO B. SAULOG, JR.	***JOSE P. CRISOSTOMO, JR.***	***SANDRA B. TOPACIO***
Chairman	***Chief Executive Officer or its equivalent***	***Chief Financial officer or its equivalent***

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INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and Stockholders
IMUS RURAL BANK, INC.
Corner Col. M. Sapinoso and Capt. I
Bella Sts., Poblacion I-C
City of Imus, Cavite

Gentlemen:

In connection with our examination of the statements of financial position of **IMUS RURAL BANK, INC.** as of December 31, 2024, and the related statement of activities, statement of changes in equity and statement of cash flows for the year then ended, we are stating that no partner of our firm is related by consanguinity or affinity to any of the principal officers or Board of Directors of the Company.

Very truly yours,

VALDES ABAD & COMPANY, CPAs
201-130-974

By:

MA. CORAZON M. ENRIQUEZ
Partner

CPA Registration No. 031628
Issued on September 2, 2022
Valid until December 9, 2025
TIN 123-046-974-000
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AFS Audit

Makati City, Philippines
April 15, 2025

IMUS RURAL BANK, INC.

COMPARISON OF SUBMITTED CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AND AUDITED FINANCIAL STATEMENTS
As of December 31, 2024

	Submitted Report	Audited report	Variance/ Discrepancy	Reason for Discrepancy
A S S E T S				
Cash and other cash items	13,781,308	13,781,308	-	
Due from Bangko Sentral ng Pilipinas	14,077,709	14,077,709	-	
Due from Other Banks	391,555,691	391,555,691	-	
Investment Securities at Amortized Cost	312,493,883	312,493,883	-	
Loans and receivables - net	524,814,777	524,942,277	(127,500)	A
Bank premises, furniture, fixtures and equipment - net	15,505,932	15,505,932	-	
Right-of-use assets - net	3,098,395	1,974,381	1,124,014	B
Investment property (ROPA) - net	12,645,322	12,645,322	-	
Deferred tax asset	8,131,654	4,068,960	4,062,693	C
Retirement benefit asset - net	13,099,872	3,519,445	9,580,427	D
Other assets - net	1,624,820	1,624,819	-	
TOTAL ASSETS	1,310,829,363	1,296,189,728	14,639,635	
L I A B I L I T I E S AND E Q U I T Y				
Deposit liabilities	1,046,397,961	1,046,397,961	-	
Due to/from (foreign) currency	-	3,838	(3,838)	E
Lease liabilities	3,266,453	2,034,528	1,231,925	F
Income tax payable	341,376	373,236	(31,860)	G
Accrued expenses and other liabilities	3,278,258	3,278,258	-	
Deferred Tax Liabilities	5,646,855	-	5,646,855	H
Retirement Benefit Liability	6,127,374	-	6,127,374	I
TOTAL LIABILITIES	1,065,058,277	1,052,087,820	12,970,457	
EQUITY				
Paid-in Capital stock	99,950,200	99,950,200	-	
Retained earnings - free	89,272,566	88,855,326	417,241	J
Retained earnings - reserves	57,465,312	57,465,312	-	
Remeasurements of post-employment defined benefit asset	(916,992)	(916,992)	-	
Other comprehensive income	-	(1,251,938)	1,251,938.00	K
TOTAL EQUITY	245,771,086	244,101,908	1,669,179	
TOTAL LIABILITIES AND EQUITY	1,310,829,363	1,296,189,728	14,639,635	

	Submitted Report	Audited Report	Variance/ Discrepancy	Reason for Discrepancy
INCOME AND EXPENSE ACCOUNTS				
Interest income	85,786,530	85,914,030	(127,500)	To record the accrued interest receivable of LAR
Interest expense	6,811,919	6,999,401	(187,483)	To record interest expense related to ROUA
NET INTEREST INCOME	78,974,611	78,914,629	59,983	
NON-INTEREST INCOME				
Gain from Sale of Non-financial assets - ROPA	-	-	-	
Fees and Commissions Income	927,097	927,097	-	
Other Income	4,108,170	4,108,467	-	
Total non-interest income	5,035,267	5,035,565	-	
NON-INTEREST EXPENSE				
Compensation/fringe benefits	22,962,373	22,962,373	-	
Employee benefits/Retirement expense	-	420,133	(420,133)	To record retirement expense for the year
Taxes and licenses	4,362,510	4,362,510	-	
Fees and commission expenses	194,898	194,898	-	
Other administrative expenses	20,884,442	19,465,035	1,419,407	Actual rent expense
Depreciation/Amortization	2,014,903	3,138,917	(1,124,014)	Amortization on ROUA
Total non-interest expense	50,419,126	50,543,866	(124,739)	
INCOME BEFORE PROVISIONS	33,590,752	33,406,327	184,424	
(LOSSES)/RECOVERIES ON FINANCIAL ASSETS				
Provision for probable losses	7,086,364	7,086,364	-	
INCOME BEFORE TAX	26,504,388	26,319,964	184,424	
Income tax expense	7,167,525	5,615,223	1,552,302	Effect of DTAL
NET INCOME AFTER TAX	19,336,863	20,704,741	(1,367,877)	
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit liab	-	(1,251,938)	1,251,938	Defined benefit cost recognized in OCI due to remeasurement gain on the Retirement Assets
TOTAL COMPREHENSIVE INCOME	19,336,863	19,452,803	(115,939)	

Reason for Discrepancy

A. Loans and receivables - net amounting to P 524,817,777 per submitted report is presented as Loans and receivables - net amounting to P 127,500 per Financial Audit Report (FAR). The difference of P 127,500 is due to the delay in recording of the accrued interest receivable related to loans.

B. Right-of-use assets - net of P 3,098,395 per BSP submitted report is presented as Right-of-use assets - net P 1,974,381 per FAR. Variance is due to recording of the amortization expense during the

Computation:

Beginning Balance-ROUA			P	3,098,395
Less: Amortization Expense				
SALAWAG	P	628,143		
MAUBAN		495,871		
CANDELARIA		-		1,124,014
ROUA, END			**P**	**1,974,381**

C. Deferred tax assets P 8,131,654 per BSP submitted report is presented as Deferred tax assets P 4,068,960 per FAR. The variance is due changes in DTA for year 2024 *(See Schedule 1)*

D. Retirement benefit assets amounting to P 13,099,872 and present value of obligation amounting to P 10,631,799 and an unrecognized asset due to effect of asset ceiling limit amounting to P 753,490 is reported as Retirement benefit asset - net P 3,519,445 per FAR. The variance is due to the actuarial report as of Dec. 31, 2024. *(See Note 23)*

E. Due to/from (foreign currency) amounting to P 3,838 is the Net of Due to/from Regular Banking Unit.

F. Lease Liabilities amounting to P 3,266,453 presented as part of Other liabilities in BSP submitted report was reported as Lease Laibilities P 2,034,528 per FAR. The variance is due to recording of

LEASE LIABILITIES:

Beginning Balance			P	3,266,453
Less: Payments net of Interest Expense				
SALAWAG	P	751,172.00		
MAUBAN		480,753.00		
CANDELARIA		-		1,231,925
LEASE LIABILITIES END			**P**	**2,034,528**

G. Income Tax Payable amounting to P 341,376 per submitted report was reported as Income Tax Payable P 375,236 per FAR. The difference is due to the increase in tax payable for the year 2024 *(See*

H. Deferred tax liabilities amounting to P 5,646,855 per submitted report is closed as part of the Deferred Tax Asset. *(See Schedule 1)* Computation of which is stated below:

Deferred tax asset		8,131,654.00
PAJE #6		1,320,951.00
Deferred tax liability	**5,646,855.45**	
PAJE #5	(263,211.00)	(5,383,644.45)
Deferred tax ass		4,068,960.55

I. Retirement benefit liability amounting to P 6,127,374 per submitted report to BSP is closed as part of the Retirement benefit asset amounting to P 3,519,445. To detail:

Retirement benefit asset		**13,099,872.00**
Retirement liability	**(6,127,374.00)**	
PAJE #3	**(1,672,071.00)**	
PAJE #4	**(1,780,982.00)**	(9,580,427)
Net Defined Benefit Liability/(Asset) to be recogni		**3,519,445.00**

J. Retained Earnings - Free P 69,931,864 and Undivided Profit P 19,336,864 per BSP submitted report is presented as Retained Earnings - Free P 88,855,326 per FAR. The difference in Retained earnings free is due to closing of undivided profit, adjustment to current income tax expense and prior period

K. Other comprehensive income amounting to P 1,251,938 was reported to record the defined benefit cost recognized in Other Comprehensive Income.

PROPOSED ADJUSTING JOURNAL ENTRIES

		Debit	Credit
1	Amortization expense	1,124,013.70	
	Interest expense	187,482.62	
	Lease liabilities	1,231,924.75	
	Accumulated amortization - ROUA		1,124,013.70
	Rent Expense		1,419,407.37
	To record amortization of ROUA and payment of leases		
2 AIRLAD IIMSEC	Accrued interest receivable	127,500.00	
	Interest income on Medium Scale Enterprise - Current		127,500.00
	To record the AIR - loans and receivables related to DP1		
3	Contributions to retirement	420,133.00	
	Actuarial remeasurement gain/loss	1,251,938.00	
	Retirement liability		1,672,071.00
	To record retirement expense and actuarial loss on plan assets		
4	Retained earnings	1,780,982.00	
	Retirement liability		1,780,982.00
	To correct the balance of RBA in accordance with PAS19 ®		
5	Deferred tax liabilites	263,211.00	
	Retained earnings - free		263,211.00
	To record decrease in DTL		
6	Deferred tax asset	1,320,951.00	
	Retained earnings - free		1,320,951.00
	To record increase in DTA		
7	Income tax payable	31,860.00	
	Income tax expense		31,860.00
	To record income tax payable for the year 2024		
Total		7,739,996.07	7,739,996.07

IMUS RURAL BANK, INC.
STATEMENT OF FINANCIAL POSITION
(With Comparative Figures for the year ended December 31, 2023)
(In Philippine Peso)

		December 31,	
ASSETS	*Notes*	**2024**	2023
Cash and other cash items	*7*	**13,781,308**	12,681,847
Due from Bangko Sentral ng Pilipinas	*7*	**14,077,709**	14,474,634
Due from Other Banks	*8*	**391,555,691**	370,609,673
Investment Securities at Amortized Cost	*9*	**312,493,883**	357,004,084
Loans and receivables - net	*10*	**524,942,277**	486,805,608
Bank premises, furniture, fixtures and equipment - net	*11*	**15,505,932**	15,140,903
Right-of-use assets - net	*Schedule 2*	**1,974,381**	3,098,394
Investment property (ROPA) - net	*12*	**12,645,322**	10,554,102
Deferred tax asset	*Schedule 1*	**4,068,960**	2,484,798
Retirement benefit asset - net	*23*	**3,519,445**	5,191,516
Other assets - net	*13*	**1,624,819**	1,606,600
TOTAL ASSETS		**1,296,189,728**	1,279,652,159
LIABILITIES AND EQUITY			
Deposit liabilities	*14*	**1,046,397,961**	1,037,545,378
Due to/(from) foreign currency		**3,838**	-
Lease liabilities	*Schedule 2*	**2,034,528**	3,266,453
Income tax payable	*24*	**373,236**	157,778
Accrued expenses and other liabilities	*15*	**3,278,258**	3,451,042
TOTAL LIABILITIES		**1,052,087,820**	1,044,420,652
EQUITY			
Paid-in Capital stock	*16*	**99,950,200**	99,950,200
Retained earnings - free	*16*	**88,855,326**	78,732,987
Retained earnings - reserves	*16*	**57,465,312**	57,465,312
Remeasurements of post-employment defined benefit asset		**(916,992)**	(916,992)
Other comprehensive income	*23*	**(1,251,938)**	-
TOTAL EQUITY		**244,101,908**	235,231,507
TOTAL LIABILITIES AND EQUITY		**1,296,189,728**	1,279,652,159

See Notes to Financial Statements

IMUS RURAL BANK, INC.
STATEMENT OF COMPREHENSIVE INCOME
(With Comparative Figures for the year ended December 31, 2023)
(In Philippine Peso)

For the year ended December 31,	*Notes*	2024	2023
INCOME AND EXPENSE ACCOUNTS			
Interest income	*17*	**85,914,030**	83,143,436
Interest expense	*17*	**6,999,401**	7,908,642
NET INTEREST INCOME		**78,914,629**	75,234,794
NON-INTEREST INCOME			
Gain from Sale of Non-financial assets - ROPA	*12*	-	866,993
Fees and Commissions Income		**927,097**	1,121,486
Other Income	*18*	**4,108,467**	4,566,994
Total non-interest income		**5,035,564**	6,555,473
NON-INTEREST EXPENSE			
Compensation/fringe benefits	*19,23*	**22,962,373**	21,122,879
Employee benefits/Retirement expense	*23.2*	**420,133**	626,453
Taxes and licenses	*20*	**4,362,510**	4,174,282
Fees and commission expenses		**194,898**	364,986
Other administrative expenses	*21*	**19,465,035**	17,956,746
Depreciation/Amortization	*22*	**3,138,917**	3,573,248
Total non-interest expense		**50,543,866**	47,818,594
INCOME BEFORE PROVISIONS		**33,406,327**	33,971,673
(LOSSES)/RECOVERIES ON FINANCIAL ASSETS			
Provision for probable losses	*10*	**(7,086,364)**	(3,276,676)
INCOME BEFORE TAX		**26,319,963**	30,694,996
Income tax expense	*24*	**(5,615,223)**	(9,083,007)
NET INCOME AFTER TAX		**20,704,740**	21,611,989
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss			
Actuarial remeasurement gain/(loss)	*23.2*	**(1,251,938)**	-
TOTAL COMPREHENSIVE INCOME		**19,452,802**	21,611,989
EARNINGS PER SHARE	*28*	**20.72**	21.62

See Notes to Financial Statements

IMUS RURAL BANK, INC.
STATEMENT OF CHANGES IN EQUITY
(In Philippine Peso)
With Comprative Figures for the year ended December 31, 2023

	Capital stock *(Note 16)*	Retained Earnings		Actuarial remeasurement gain or (loss) *(Note 23)*	TOTAL
		Reserves	Free		
BALANCE AS OF DECEMBER 31, 2022	99,950,200	57,465,312	57,120,998	(916,992)	90,147,446
Stock dividend declaration				-	-
Cash dividend declaration	-			-	-
Comprehensive income for the year	-		21,611,989	-	21,611,989
BALANCE AS OF DECEMBER 31, 2023	99,950,200	57,465,312	78,732,987	(916,992)	235,231,507
Cash dividend declaration *(Note 16.3)*	-	-	(9,995,020)	-	(9,995,020)
Acturial remeasurement gain/(loss) *(Note 23.2)*	-	-	-	(1,251,938)	(1,251,938)
Prior period adjustment *(Note 32)*	-	-	(587,382)	-	(587,382)
Comprehensive income for the year	-	-	20,704,740	-	20,704,740
BALANCE AS OF DECEMBER 31, 2024	**99,950,200**	**57,465,312**	**88,855,326**	**(2,168,930)**	**244,101,908**

See Notes to Financial Statements

IMUS RURAL BANK, INC.
STATEMENTS OF CASH FLOWS
(With Comparative Figures for the year ended December 31, 2023)
(In Philippine Peso)

For the years ended December 31,	*Notes*	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		**26,319,963**	30,694,996
Adjustments for:			
Prior year adjustment	*32*	**(587,382)**	-
Depreciation and amortization	*11, Schedule 2*	**3,138,917**	3,573,248
Impairment losses	*10*	**7,086,364**	3,276,676
Gain on sale of investment properties	*12*	-	(866,993)
Interest on lease liabilities	*Schedule 2*	**187,482**	291,311
Operating income before working capital changes		**36,145,344**	36,969,238
Changes in operating assets and liabilities			
Decrease (Increase) in:			
Loans and receivables	*10*	**(50,515,787)**	70,465,019
Retirement benefit asset	*23*	**1,672,071**	1,827,941
Other resources	*13*	**(18,219)**	98,130
Increase (Decrease) in:			
Deposit liabilities	*14*	**8,852,583**	(71,271,799)
Accrued expenses and other liabilities	*15*	**(172,784)**	(1,612,903)
Cash (used in) operations		**(4,036,793)**	36,475,627
Income tax paid		**(6,653,867)**	(5,964,911)
Net cash flow from (used in) operating activities		**(10,690,660)**	30,510,716
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investment securities at amortized cost	*8*	**(145,759,000)**	(265,268,000)
Maturities of investment securities at amortized cost	*8*	**191,875,000**	294,877,000
Proceeds from sale of investment properties	*12*	-	1,945,000
Acquisitions of bank premises, furniture, fixtures and equipment	*11*	**(2,362,359)**	(494,080)
Net cash flow from (used in) investing activities		**43,753,641**	31,059,920
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability	*Schedule 2*	**(1,419,407)**	-
Payment of cash dividends	*16*	**(9,995,020)**	-
Net cash flow from (used in) financing activities		**(11,414,427)**	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**21,648,554**	60,016,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		**12,681,847**	15,119,852
Due from Bangko Sentral ng Pilipinas		**14,474,634**	31,789,767
Due from other banks		**370,609,673**	290,839,934
		397,766,154	337,749,553
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items		**13,781,308**	12,681,847
Due from Bangko Sentral ng Pilipinas		**14,077,709**	14,474,634
Due from other banks		**391,555,691**	370,609,673
		419,414,709	397,766,154
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid		**6,999,401**	7,617,331
Interest received		**85,914,030**	83,143,436

See Notes to Financial Statements

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IMUS RURAL BANK, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2024
(With Comparative Figures for the year ended December 31, 2023)
(Amounts in Philippine Pesos)

NOTE 1 – CORPORATE MATTERS

1.1 Incorporation and Operations

Imus Rural Bank, Inc. (the Bank) was incorporated in the Philippines on February 27, 1953 to engage in the business of banking authorized under Republic Act (R.A.) 7353, otherwise known as "Rural Banks Act" of 1992 and R.A. 8791, otherwise known as the "General Banking Law" of 2000 and other allied laws. The Bank operates as a rural bank providing services such as deposit taking, loans and trade finance, and micro-finance services under the regulation and supervision of the Bangko Sentral ng Pilipinas (BSP). The Bank was registered with the BSP on December 23, 1952 to operate as a rural bank.

On August 28, 2002, the Philippine Securities and Exchange Commission (SEC) approved the extension of the term of existence of the Bank for another 50 years from and after the expiration of the original term.

The Board of Directors (BOD) approved the establishment of the Bank's extension office in Candelaria, Quezon on August 9, 2018, and in Mauban, Quezon and Balayan, Batangas on May 3, 2017 following the BSP's authorization.

As of December 31, 2024, the Bank has three branches located at Imus Public Market, Imus City, Cavite, Molino III, Bacoor City, Cavite and Salawag, Dasmariñas City. The Bank also has branch lite unit at Mauban, Quezon. There are no new branch offices set up for the calendar year 2024. However, the Bank's Candelaria and Balayan, Batangas Branch-lite Units were temporarily closed due to relocation. The Bank plans to relocate both of the branch-lite units in Cavite.

The Bank's registered address, which is also its principal place of business, is at Cor. Col. M. Sapinoso and Capt. I. Bella Sts., Poblacion I-C, City of Imus, Cavite.

1.2 Approval of Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2024 (including the comparative financial statements as of and for the year ended December 31, 2023) were authorized for issue by the Bank's BOD on April 15, 2025.

1.3 Additional Corporate Information

Impact of Russia - Ukraine Conflict on the Bank 's Business

On February 24, 2022, Russia started its invasion of Ukraine which caused far-reaching impact for economies, markets, and businesses. The ongoing military conflict has introduced a wide range of sanctions against Russia, including certain Russian entities and individuals and led to significant casualties, dislocation of population, damage to infrastructure, slowdown of business operations in both countries, disruption of supply chains and commodity flows that impact prices of items such as petroleum products, cereals, iron, and steel. In principle, it cannot be ruled out that a prolonged conflict between Russia and Ukraine may result in a significant slowdown in the global and Philippine economy and therefore a potential consequential deterioration in the business outlook for the Philippines. However, as of December 31, 2024, the **IMUS RURAL BANK, INC**., whose business is primarily in the Philippines, has not been affected in a material way by the Russia-Ukraine conflict, despite its inflationary impact on commodity prices, disruption in supply chains, and volatility in interest rates and foreign exchange rates. The Philippines remains a domestically-focused, import-dependent consumption economy, and despite the higher inflation resulting from the conflict, Philippine Gross Domestic Product (GDP) numbers remained relatively strong and resilient in 2024.

The reopening of the economy, the relaxation of mobility restrictions and the resurgence in consumption spending all contributed to this strong GDP performance. This in turn has led to improved loan growth, better margins from the increase in policy rates and net income growth, not just for the **IMUS RURAL BANK, INC**., but for the industry in general. The Bank continues to closely monitor developments in both the global and domestic markets. While the impact of the conflict has not been material so far, the Bank recognizes that a prolonged situation of high inflation and interest rates could eventually affect economic activity, resulting in slower growth and consumption. The Bank believes that its established business and strong financial condition will allow it to weather near-term risks arising from the conflict.

Continuing Impact of COVID-19 Pandemic on the Bank's Business

The overall continuing impact of the COVID-19 pandemic to the **IMUS RURAL BANK, INC.** has considerably diminished and the Bank's operations have gone back to pre-pandemic levels. With the reduced impact of pandemic-related issues in 2024, the Bank saw more normalized operations and increasingly positive results as the economy continued with its recovery.

Management will continue to monitor any potential risks arising from the pandemic, and will institute measures to mitigate these, as needed. Based on recent developments, management is optimistic that the Bank will continue to post positive results consistent with the country's economic recovery, and will maintain sufficient liquidity to meet current obligations as they fall due. Accordingly, management has not determined any material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern due to the effects of the pandemic.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC in response to the COVID-19 pandemic, in relation to the staggered recognition of allowance for impairment losses over a maximum period of five years. The reliefs cover only current-year transactions or events and do not impact the comparative period. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.
Except for the modification described above, the financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, Presentation of Financial Statements. The Bank presents all items of income and expenses in a single statement of comprehensive income. The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated. Items included in the financial statements of the Bank are measured using its functional currency, the currency of the primary economic environment in which the Bank operates.

2.2 Changes in Accounting Policies and Disclosures

Adoption of Amended PFRS and Improvement

Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank 's financial statements:

(i) PAS 16 (Amendments), *Property, Plant and Equipment* - Proceeds Before Intended Use (effective from January 1, 2022)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Bank's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract* (effective from January 1, 2022)

The amendments specify that when assessing whether a contract is onerous or lossmaking, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Bank's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Bank's financial statements as a result of the change since none of the existing contracts as of January 1, 2023 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January I, 2022, are relevant to the Bank:

- PFRS 9 (Amendments), *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Liabilities*

The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases - Lease Incentives*

The amendments remove potential for confusion regarding lease incentives by deleting from the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(iv) PAS 1 (Amendments), *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(v) PAS 1 (Amendments), *Presentation of Financial Statements - Disclosure of Accounting Policies* (effective from January 1, 2023)

(vi) PAS 8 *(Amendments), Accounting Estimates - Definition of Accounting Estimates* (effective from January 1, 2023)

(vii) PAS 12 *(Amendments), Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Financial Instrument

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

(a) Financial Assets

At initial recognition. the Bank measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at FVPL are expensed outright in profit or loss. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, the relevant financial asset classification applicable to the Bank is financial assets at amortized cost.

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

- the asset is held within the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect" or "HTC"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal (SPPI) amount outstanding.

  All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any allowance.

  Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized as Interest income in the statement of comprehensive income.

  The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables and as part of Other Resources in respect of petty cash fund which is included in the account.

  The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at fair value through profit or loss (FVTPL) if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

  In 2024 and 2023, the Bank has not made such designation.

(ii) Impairment of Financial Assets

The Bank assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost.

The Bank considers a broad range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments which are measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- debt securities that are identified to have 'low credit risk' at the reporting date;
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage l' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

The key elements used in the calculation of ECL are as follows:

- Probability of default (PI)) — it is an estimate of the likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

- Loss given default (LGD) — it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD, or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Bank would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.

- Exposure at default (EAD) — it represents the gross carrying amount of the financial instruments subject to the impairment calculation; hence, this is the amount that the Bank expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EM)). In case of a loan commitment, the Bank shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur.

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, and industry type of the borrowers or counterparties.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(iii) Reclassification of Financial Assets

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Bank's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(iv) Derecognition of Financial Assets

The 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

(i) Modification of Loans

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) Derecognition of Financial Assets Other than Through Modification

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.

Current versus Non-current Classification

The Bank presents assets and liabilities in the statement of financial position based on liquidity. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Bank classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

(b) Financial Liabilities

Financial liabilities include deposit liabilities, lease liabilities, accrued expenses and other liabilities (excluding tax-related payables) are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as Interest Expense in the statement of comprehensive income.

Deposit liabilities are recognized initially at their fair value, which is the issuance proceeds (fair value of consideration received) net of direct issue costs, and are subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the borrowings.

Accrued expenses and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

(c) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.4 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less allowance for impairment losses, if any. All other bank premises, furniture, fixtures and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Property and equipment		Estimated life
Buildings	:	20 years
Transportation equipment	:	5 to 8 years
Furniture, fixtures and equipment	:	5 years

Leasehold improvements are amortized using the estimated useful lives or the remaining term of the lease whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no future charge for depreciation is made in respect of these assets.

The residual values, estimated useful lives and method of depreciation of bank premises, furniture, fixtures and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.
An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the

carrying amount of the item) is presented under Other Operating Income in the statement of comprehensive income in the year the item is derecognized.

2.5 Investment Properties

Investment properties pertain to parcels of land and improvements acquired by the Bank in settlement of loans from defaulting borrowers through foreclosure or dacion in payment which are held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses. The cost of an investment property comprises its acquisition price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

The Bank adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value, if any.

Investment properties, except land, are depreciated over a period of ten years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the disposal of an investment property is recognized in profit or loss and is presented as Gain on disposal of investment properties under Other Operating Income in the statement of comprehensive income in the year of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

2.6 Other Resources

Other resources pertain to other assets that are controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

2.7 Equity

Capital stock represents the nominal value of shares that have been issued.

Surplus, the reserve portion of which is not available for distribution, includes all current and prior period results of operations as reported in the statement of comprehensive income, reduced by the amount of any dividends declared.

Re-measurements on post-employment defined benefit asset represent the cumulative amount of re-measurements on the Bank's post-employment defined benefit plan as reported in the other comprehensive income or loss section of the statement of comprehensive income.

2.8 Provisions and Contingencies

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 at the end of the reporting period, including the risks and uncertainties associated with the present obligation. 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. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote. or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Bank can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Income and Expense Recognition

Revenue is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, Revenue from Contract with Customers. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract.

The Bank also earns service charges and fees on various banking services, and gains on sale of non-financial assets, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs;
- the Bank's performance creates or enhances an asset that the customer controls as the asset is created or enhanced: and,
- the Bank 's performance does not create an asset with an alternative use to the Bank and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

For revenues arising from various banking services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) *Service Charges and Fees* - service charges and fees are generally recognized at a point in time when the services have been performed. These include commissions and fees arising from loans, deposits and other banking transactions and are taken up as income based on agreed terms and conditions. This is included in profit or loss as part of Other Operating Income. For the income outside the scope of PFRS 15, the nature and the related recognition policy is discussed below.

(b) *Gain on Sale of Non-financial Assets* - gain from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Other Operating Income.

(c) *Miscellaneous income* - include income from insurance claims, penalties on loans and loan application fees are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectability. This is included in profit or loss as part of Other Operating Income.

When payment has become due for completed performance obligations, any amounts that remain uncollected from customers as of the reporting date are recognized as part of Accounts receivable under Loans and Other Receivables account.

Costs and expenses are recognized in profit or loss upon utilization of the assets or services or at the date they are incurred.

2.10 Leases

The Bank accounts for its leases as follows:

(a) Bank as Lessee

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 key evaluations which are whether.

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank; the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

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

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability on the statement of financial position. 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).

The Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

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 those determined to be fixed in substance), 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 to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for any short-term leases (less than 12 months) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The right-of-use assets is presented net of corresponding depreciation as a separate line item while the lease liabilities is presented under Other Liabilities, in the statement of financial position.

(b) Bank as Lessor

Leases wherein the Bank substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Bank's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Bank's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.11 Foreign Currency Translations and Transactions

The accounting records of the Bank's regular banking unit are maintained in Philippine pesos while the foreign currency denominated unit (FCDU) are maintained in US dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.12 Impairment of Non-financial Assets

The Bank's premises, furniture, fixture and equipment, investment properties, right-of-use assets and other non-financial assets are subject to impairment testing. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Bank's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's recoverable amount exceeds its carrying amount.

2.13 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan, defined contribution plans, and other employee benefits which are recognized and measured as follows:

(a) *Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is noncontributory and administered by a trustee committee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Re-measurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income (loss) in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Interest Income account in the statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of plan amendment and curtailment.

(b) *Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g., Social Security System). The Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Bonuses

The Bank recognizes a liability and an expense for accrual of bonuses. The Bank recognizes an accrual where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Unavailed leaves, included in Accrued expenses and other liabilities account under Other Liabilities in the statement of financial position, are recognized as expense at the amount the Bank expects to pay at the end of the reporting period. Each regular employee is entitled to 15 days vacation and sick leaves each year. Five of the vacation leaves are convertible into cash when unused and can be carried forward to the next taxable year. The maximum vacation leave that can be accumulated by each employee is 45 days. Sick leave, on the other hand, is non-convertible but cumulative.

2.14 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.15 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period. that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

The Bank establishes liabilities for probable and estimable assessments by the Bureau of Internal Revenue (BIR) resulting from any known tax exposures. Estimates represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted overtime as more information becomes available.

2.16 Related Party Transactions and Relationships

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

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

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

2.17 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Bank's financial position at the end of reporting period (adjusting event) is reflected in the financial statements. Post-year end events that are not adjusting events, if any, are disclosed when material to the financial statements.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS requires management to make judgment, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and disclosure of contingent liabilities at reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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.

3.1 Critical Management Judgments in Applying Accounting Policies

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

a) *Evaluation of Business Model Applied in Managing Financial Instruments*

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments.

The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment and lending strategies.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

b) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated.

Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

c) *Distinction Between Investment Properties and Owner-occupied Properties*

The Bank determines whether a property qualifies as investment property. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by the Bank. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other resources used in the supply process.

The management has determined that the land and improvements acquired by the Bank from the defaulting borrowers are appropriately classified as investment properties.

d) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies.

3.2 Key Sources of Estimation Uncertainty

Presented in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Impairment of Investment Securities at Amortized Cost and Loans and Other Receivables

The Bank reviews its investment securities at amortized cost and loans and other receivables portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset or a portfolio of similar financial assets. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Bank's relationship with the counterparties, the counterparties' current credit status, average age of accounts, collection experience and historical loss experience.

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

In 2024 and 2023, there was no impairment loss recognized on the Bank's investment securities at amortized cost.

(c) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets and Investment Properties

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Based on management's assessment as at December 31, 2024 and 2023, there is no change in estimated useful lives of bank premises, furniture, fixtures and equipment and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determination of Fair Value of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in the financial statements as determined using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value. The Bank engages services of professional and independent appraisers applying the relevant valuation methodologies.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2024 and 2023 will be fully utilized within the coming years.

(f) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

As of December 31, 2024 and 2023, the Bank has not recognized any impairment losses on its bank premises, furniture, fixtures and equipment and right-of-use assets.

(g) Valuation of Past-employment Defined Benefit Plan

The determination of the Bank's obligation and cost of post-employment defined benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income and the carrying amount of the retirement benefit asset in the next reporting period.

NOTE 4 – RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank 's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to- date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk. and financial risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risks are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate and other price risk. The bank is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risks are credit risk, liquidity risk and market risk.

4.1 Risk Management Structure

The following structure shows the Bank's overall approach to risk management:

(i) Board of Directors

The BOD has the ultimate responsibility for approving and periodically reviewing the risk strategies and significant policies of the Bank. It adopts policies and guidelines to govern the safe and prudent functioning of the Bank with the end in view of effectively managing all risks in its activities. The policies to be formulated include, but not limited to, lending, investing, fund sourcing, liquidity management, personnel administration, and internal control.

(ii) Risk Management Committee

Risk Management Committee is the board level committee responsible for the development and oversight of the risk management program of the Bank. It oversees the system of limits to discretionary authority that the BOD delegates to management, ensures that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

(iii) Senior Management

Senior management is responsible for the implementation of the strategies on risk control and makes adjustments to overall business strategy. They also ensure compliance with laws and regulations and create systems to measure and monitor performance.

(iv) Board Credit Committee

A board level committee responsible to oversee the credit risk-taking activities, quality and profitability of the credit portfolio, and credit evaluation process. All credit proposals beyond the credit approving limit of the Credit Committee passes through this committee for final approval. This committee also endorses credit proposals beyond its approving limit to the BOD for final approval.

(v) Asset-Liability Management Committee

A management level committee responsible for the overall management of the Bank's liquidity risks. It monitors the Bank's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels.

(vi) Compliance Unit

This unit is responsible for reviewing any legal or regulatory matters that could have a significant impact on the Bank's financial statements and compliance with laws and regulations. It reviews the effectiveness and adequacy of the system for monitoring compliance with laws and regulations. The Chief Compliance Officer regularly reports to the BOD.

(vii) Internal Audit

Internal Audit (IA) provides an independent assessment of the Bank's management and effectiveness of existing internal control systems through adherence testing of processes and controls across the organization. The IA audits risk management processes throughout the Bank. It employs a risk-based audit approach that examines both the adequacy of the procedures and the Bank's compliance with the procedures. It discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee of the BOD.

The Bank does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Bank is exposed to are described below and in the succeeding pages.

4.2 Market Risk

The Bank is exposed to market risk through its use of financial instruments and specifically to interest rate risk and certain other price risk which resulted from its operating, investing and financing activities.

(a) Interest Rate Risk

The Bank follows a prudent policy on managing its resources and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. As a result of these, the Bank's exposure to interest rate fluctuations, and other market risks, is significantly reduced. The Bank maintains 100% of its deposit base on short-term deposits. Rates on special savings account are usually priced according to the amount deposited. As of December 31, 2024 and 2023, the Bank's loans and other receivables have fixed interest rates.

(b) Foreign Currency Risk

The Bank has no exposure to foreign currency risk as transactions are denominated in Philippine peso, its functional currency.

(c) Other Price Risk

The Bank is not exposed to market price risk since it does not have investments carried at fair value.

4.3 Credit Risk

Credit risk refers to the potential loss of the Bank's earnings arising from the inability to review and analyze requests for credit to determine likelihood of repayment. This includes the failure to manage the risk that loss is incurred if counter party does not fulfill its financial obligations in a timely manner. Managing credit risk involves defining the principles and parameters governing credit activities at various levels, i.e., strategic level, portfolio level down to individual transaction or account level.

The following tools, among others, are used in identifying, assessing and managing credit risk:

- established credit policies, asset allocations and concentration limits, collateral acceptance criteria, target market and clearly defined approving authorities:
- defined documentation policies of approved credit lines:
- independence of credit control and monitoring functions from the credit risk-taking function;
- periodic monitoring of individual account performance;
- regular review of the adequacy of valuation reserves;
- active loan portfolio management to determine the quality of the loan portfolio, including risks associated with particular industry sectors, loan size and maturity; monitoring portfolio growth, collection performance and delinquency trends, trend of non-performing loans, concentration

risk, and other performance indicators; and,
- close monitoring of remedial accounts.

(a) Exposure to Credit Risk and its Measurement

Past due accounts that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks, i.e., Especially Mentioned, Substandard, Doubtful or Loss.

For the Bank's debt securities, credit ratings published by reputable external rating agency are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

(b) Expected Credit Loss Measurement

These pronouncements from the BSP details the underlying assumptions which also include the criteria for assessing if there has been a significant increase in credit risk. As a general rule, especially mentioned and substandard — underperforming (e.g., substandard accounts that are unpaid or with missed payment of less than 90 days) shall be considered Stage 2 accounts, while substandard non-performing, doubtful and loss accounts shall be considered as Stage 3 accounts. The computation of the ECL also consider the use of reasonable and supportable forward-looking information, which is based on the BSP's requirement to look beyond the quantitative considerations (days past due or missed amortizations) in assessing borrower's capacity to pay.

In accordance with PFRS 9, the ECL will be measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, EAD, and LGD. The ECL will be determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and lifetime EADs will be determined based on the expected payment profiles, which would vary by loan product/portfolio. The incorporation of forward-looking information (FLI) in the assessment of SICR and calculation of ECL requires historical analysis and identification of key macroeconomic variables (MEVs) impacting credit risk associated with the Bank's borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

PFRS 9 also requires modelling ECL parameters which should be carried out on a collective basis. The financial instruments should be grouped on the basis of shared credit risk characteristics, such as instrument type, credit risk rating, collateral type, repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties. The credit exposures within a particular group should remain appropriately homogenous.

(c) Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of holdout deposits, real estate mortgage, chattel mortgage and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally reviewed and updated annually. Collateral is not usually held against investment securities and no such collateral was held as of December 31, 2024 and 2023. For both reporting periods, the Bank has no significant changes as to its policies in obtaining collateral, and there has been no significant change in the overall quality of the collaterals held by the Bank since the prior period. The Bank's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place.

(d) Due from BSP and Other Banks

The credit risk for Due from BSP and other banks is considered negligible, since the counterparties are reputable banks. Due from other banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under R.A. No. 9576, Amendment to Charter of PDIC.

(e) Loans and Receivables

In respect of loans and receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Loans consist of a large number of customers in various geographical areas.

(f) Investment securities at amortized cost

The Bank's investment securities, which are composed of debt securities issued by the Republic of the Philippines, is not deemed significant given that counterparty is rated at BBB+, based on S&P ratings. The Bank's investment securities are considered to be at Stage 1.

(g) Write-offs

Similar with prior years, the Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

(h) Modifications of Financial Assets

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification. The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms), so that the assets are expected to move from Stage 3 or Stage 2 (wherein lifetime ECL is recognized) to Stage 1 (12 month ECL). There were no modified assets held by the Bank during the year.

i) Credit Concentration

Excessive concentration of lending poses undue risk on the Bank's asset quality. The Bank believes that good diversification across economic sectors and kinds of borrowers will lessen this risk. The credit review auditor reviews the Bank's loan portfolio monthly, in line with its policy of avoiding significant credit concentration to specific industry or group of borrowers. To maintain the quality of its loan portfolio, the Bank keeps its risk tolerance limits on asset quality lower than the industry ratio and enforce a stringent policy on credit evaluation, review and monitoring.

4.4 Liquidity Risk

Liquidity risk is the risk that funds available may not be adequate to meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a loan portfolio with evenly-spaced maturities and cash flows. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

NOTE 7 – CASH AND OTHER CASH ITEMS AND DUE FROM BANGKO SENTRAL NG PILIPINAS

This account consists of:

		2024		2023
Cash and other cash items	₱	**13,781,308**	₱	12,681,847
Due from BSP		**14,077,709**		14,474,634
	₱	**27,859,017**	₱	27,156,481

Cash on hand and in vault 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.

Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches after the Bank's clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the balance of the deposit account maintained with the BSP to meet reserve requirements to serve as clearing account for interbank claims and to comply with existing trust regulations. No interest income was recognized in 2024 and 2023 as the Due from BSP no longer bears interest.

NOTE 8 – DUE FROM OTHER BANKS

The breakdown as to type of deposit follow:

		2024		2023
Time	₱	**250,784,651**	₱	270,926,903
Current		**138,145,970**		95,678,521
Savings		**2,625,070**		4,004,249
	₱	**391,555,691**	₱	370,609,673

NOTE 9 – INVESTMENT SECURITIES AT AMOTIZED COST

The maturity profile of this account, which pertains mainly to investments in government securities, is presented below:

		2024		2023
Within one year	₱	**214,152,000**	₱	257,117,054

Beyond three years		**95,919,179**		99,070,125
		310,071,179		356,187,179
Unamortized premium		**2,422,704**		816,905
	₱	**312,493,883**	₱	357,004,084

Changes in the Bank's investment securities at amortized cost are summarized below.

		2024		2023
Balance at beginning of year	₱	**356,187,179**	₱	385,796,179
Additions		**145,759,000**		265,268,000
Maturities		**(191,875,000)**		(294,877,000)
		310,071,179		356,187,179
Unamortized premium		**2,422,704**		816,905
Balance at end of year	₱	**312,493,883**	₱	357,004,084

The Bank has not recognized any impairment loss on its investment securities at amortized cost as management believes in the probability of its recovery.

NOTE 10 – LOANS AND OTHER RECEIVABLES

This account consists of the following:

		2024		2023
Receivables from customers:				
Loans and receivables	₱	**557,310,165**	₱	512,278,147
Unearned interest and discount		**(648,742)**		(111,144)
		556,661,423		512,167,003
Other receivables:				
Sales contract receivable (SCR)		**472,811**		502,811
Accounts receivable		**138,183**		135,144
Accrued interest receivable		**4,655,469**		4,074,242
		5,266,463		4,712,197
		561,927,886		516,879,200
Allowance for impairment		**(36,985,609)**		(30,073,593)
	₱	**524,942,277**	₱	486,805,608

Interest rates on receivables from customers range from 0.00% to 33.00% and 0.00% to 35.00% in 2024 and 2023, respectively. Interest rates on SCR ranges from 12.00% to 15.00% in 2024 and 2023. All other receivables are non-interest bearing, unsecured and are generally payable on demand.

Total interest income earned from loans and other receivables amounted to P 53.26 million and P 48.06 million in 2024 and 2023, respectively. These are presented as Interest Income on Loans and Other Receivables in the Statements of Comprehensive Income.

The Classification of Loans and Receivables as to Status follows:

		2024	%		2023	%
Current	₱	**520,329,743**	93.47%	₱	485,147,508	96.01%
Past Due		**32,860,775**	5.90%		10,890,275	3.80%
Items in Litigation		**3,470,905**	0.62%		16,129,220	0.20%
TOTAL	₱	**556,661,423**	100%	₱	512,167,003	100%
Past due and items in litigation ratio			**6.52%**			5.28%

Loans and Receivables consist of the following as of December 31:

		2024		2023
Loans - Gross	₱	**557,310,165**	₱	512,278,147
Less: Allowance for Credit Losses		**(32,175,398)**		(28,432,849)
Unamortized Discount		**(72,423)**		(111,144)
Loans – Net of Allowance for Credit Losses and Unamortized Discount		**525,062,344**		483,734,155
Less: General Loan Loss Provision		**(4,552,431)**		(4,485,292)
NET CARRYING AMOUNT	₱	**520,509,913**	₱	479,248,862

Classification of Loans and Receivables as to Interest Rate follow:

		2024	%		2023	%
Below 5%	₱	**3,129,302**	**0.56%**	₱	5,341,838	1.04%
>5% to 10%		**370,690,135**	**66.51%**		330,805,106	64.58%
>10% to 15%		**149,685,758**	**26.86%**		131,979,909	25.76%
>15% to 20%		**28,622,028**	**5.14%**		38,823,945	7.58%
>20% to 25%		**474,067**	**0.09%**		972,414	0.19%
Over 25%		**4,708,876**	**0.84%**		4,354,935	0.85%
TOTAL	₱	**557,310,165**	**100%**	₱	512,278,146	100.00%

Classification of Loans and Receivables as to Terms (net of UID) follow:

		2024	%		2023	%
Short – term (One year or less)	₱	**8,915,380**	**1.60%**	₱	2,804,830	0.55%
Medium Term (Over 1 year to 5 years)		**47,283,208**	**8.49%**		52,557,902	10.26%
Long term (Over 5 years)		**500,462,835**	**90%**		456,804,271	89.19%
TOTAL	₱	**556,661,423**	**100%**	₱	512,167,003	100.00%

Credit Concentration by Industry (net of UID)

The Bank monitors concentration of credit by industry sector. An analysis of concentrations of credit by industry (net of UID) follows:

		2024	%		2023	%
Agriculture, Forestry & Fishing	₱	**78,916,427**	**14%**	₱	86,722,791	17%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles		**69,772,503**	**13%**		39,966,749	8%
Transportation and Storage		**9,858,977**	**2%**		15,681,245	3%
Real Estate Activities		**250,876,442**	**45%**		162,492,313	32%
Other Service Activities		**52,633,151**	**9%**		63,880,529	12%
Manufacturing		**3,054,663**	**0.5%**		3,664,889	0.7%
Construction		**19,581,400**	**4%**		29,301,366	6%
Accommodation and Food Service Activities		**61,126,118**	**11%**		98,684,971	19%
Professional, Scientific & Technical Activities		-	-		7,984,958	2%
Water supply, Sewerage, waste management and Remedian activities		**7,120,421**	**1%**		-	-
Human Health and Social Work Activities		**1,377,281**	**0.25%**		1,705,048	0.33%
Education		**2,344,040**	**0.42%**		2,082,142	0.41%
TOTAL	₱	**556,661,423**	**100%**	₱	512,167,003	100%

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

Breakdown of Loans per Product Line as to Performing and Non-Performing as of December 31, 2024.

Particulars	**Current**	**Past Due but Not Yet Non-Performing**	**Past Due and Already Non-Performing**	**Total**
Agriculture, Forestry & Fishing	**78,527,752**	-	**388,675**	**78,916,427**
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	**67,779,225**	-	**1,993,278**	**69,772,503**
Transportation and Storage	**3,918,525**	-	**5,940,452**	**9,858,977**
Real Estate Activities	**245,138,755**	**404,909**	**5,332,777**	**250,876,442**
Other Service Activities	**36,298,751**	**437,062**	**15,897,338**	**52,633,151**
Manufacturing	**3,054,663**	-	-	**3,054,663**
Water supply, Sewerage, Waste management and Remediation Activities	**7,104,071**	-	**16,350**	**7,120,421**
Construction	**17,656,625**	-	**1,924,775**	**19,581,400**
Accommodation and Food Service Activities	**61,126,117**	-	**1**	**61,126,118**
Professional, Scientific & Technical Activities	-	-	-	-
Human Health and Social Work Activities	**1,369,859**	-	**7,422**	**1,377,281**
Education	**825,167**	-	**1,518,873**	**2,344,040**

TOTAL	**522,799,569**	**841,971**	**33,019,943**	**556,661,423**

A summary of the Bank's maximum exposure to credit risk on loans and other receivables is disclosed in Note 4.3.

Receivables from customers (gross of allowance for impairment losses) have the following types and category:

		2024		2023
Current loans:				
Small and medium enterprises	₱	**247,988,651**	₱	261,109,049
Micro enterprises		**1,106,832**		-
Agra and other agri credits		**78,527,752**		86,414,888
Individuals for auto loans		**12,170,085**		13,869,075
Individuals for housing purposes		**93,825,515**		28,206,636
Individuals for consumption purposes		**2,071,780**		1,620,362
Individuals for other purposes		**55,010,299**		71,742,113
Corporation non-financial		**29,713,171**		22,267,613
		520,414,085		485,229,737
Past due loans:				
Individuals for consumption purposes		**904,834**		2,158,643
Individuals for housing purposes		**4,886,906**		2,970,918
Individuals for auto loans		**1,564,933**		-
Agra and other agri credits		**487,735**		491,735
Small and medium enterprises		**8,391,493**		7,030,802
Individuals for other purposes		**20,660,179**		14,396,312
		36,896,080		27,048,410
NET CARRYING AMOUNT	₱	**557,310,165**	₱	512,278,146

All of the bank's loans and other receivables have been reviewed for indications of impairment. Certain loans and receivables were found to be impaired and provisions have been recorded accordingly. A reconciliation of allowance for impairment losses at the beginning and end of 2024 and 2023 is as follows:

		2024		2023
Balance at beginning of year	₱	**30,073,592**	₱	26,796,916
Impairment losses		**7,086,364**		3,276,676
Additional impairment		-		-
Reversal		**(174,348)**		-
NET CARRYING AMOUNT	₱	**36,985,608**	₱	30,073,592

Impairment losses is presented as Impairment Losses in the Statement of Comprehensive Income.

Computation made by the Bank pertaining to allowance for impairment losses on loans and other receivables per BSP guidelines is shown below:

2024

	Especially Mentioned	Substandard - Secured	Substandard - Unsecured	Substandard - Secured	Substandard Unsecured	Doubtful	Loss	TOTAL
Regular loans	37,380,794	32,581,451	-	12,726,681	8,813	9,346,530	6,940,624	98,984,893
Impairment rate	5%	10%	10%	25%	25%	50%	100%	
Specific loan loss provision on regular loans	1,869,040	3,258,145	-	3,181,670	2,203	4,673,265	6,940,624	19,924,947
Total specific loan loss provision								19,924,948
Required general loan loss provision								4,552,431
Required loan loss provision for SCR								156,365
Total required loan loss provision								24,633,744
Loan loss provision booked								36,985,609
Loan loss not covered by provision booked*								(12,351,865)

*Loans were not fully covered due to the staggered booking of impairment loss (see Note 2.1)

In February 2021, the BSP has approved the Bank's request for staggered booking allowance for impairment over a maximum period of five years, specifically on every 31st of December for the years 2021 to 2025, for all types of credits extended to individuals and business directly affected by the COVID-19.

The impact on the affected financial statement line items as of and for the year ended December 31, 2024 and 2023 if the allowance was measured in accordance with PFRS, without modification for the application of financial reporting reliefs issued by the BSP (see Note 2.1 {a}) is presented below and in the succeeding page.

	Notes	**As reported**	**Changes**	**Under PFRS**
31/12/2024				
Changes in resources:				
Loans and receivables – net	**10**	520,509,913	(3,276,676)	517,233,236
Deferred tax assets – net		2,484,798	(1,584,162)	4,068,960
Net decrease in equity			(4,860,838)	
Changes in profit or loss				
Impairment losses	**10**	7,086,364	3,276,676	10,363.040
Tax expense			1,584,162	
Net decrease in net profit			4,860,838	

	Notes	As reported	Changes	Under PFRS
31/12/2023				
Changes in resources:				
Loans and receivables – net		479,248,862	(3,276,677)	475,972,186
Deferred tax assets – net	10	3,905,006	(1,420,208)	2,484,798
Net decrease in equity			(4,696,885)	
Changes in profit or loss				
Impairment losses	10	3,276,676	3,276,677	6,553,353
Tax expense		6,144,272	1,420,209	7,564,480
Net decrease in net profit			4,696,885	

The balance of unamortized allowances as of December 31 is presented below:

		2024		2023
Additional allowance for impairment for staggered booking, beginning	₱	**3,276,677**	₱	6,553,353
Amortization for the year		**(3,276,676)**		(3,276,676)
Balance at end of year	₱	**1**	₱	3,276,677

General loan loss provision is computed at 1.0% of the outstanding loan portfolio of the Bank, net of non-risk receivables and classified loans subject to specific loan loss provision. Further, loan loss provision for SCR is computed at 10.0% of the outstanding.

The Bank does not have any quoted and unquoted debt securities classified as loans and other receivables as of December 31, 2024 and 2023.

As at December 31, non-performing loans (NPLs) not fully covered by allowance for credit losses follow:

		2024		2023
Gross NPLs	₱	**34,731,972**	₱	16,129,220
NPLs fully covered by allowance for impairment		**(32,175,398)**		(11,657,468)
Balance at end of year	₱	**2,556,574**	₱	4,471,752

Collateral and Other Credit Enhancements

Collaterals are taken into consideration during the loan application process as collaterals offer an alternative way of collecting from the client if a default occurs. The percentage of loan value attached to the collateral offered is part of the Bank's lending guidelines. Such percentage takes into account safety margins for interest rate exposure and price volatility.

Collaterals are valued according to existing credit policy standards and following the latest appraisal report, serves as the basis for the amount of the secured loan facility. Bank is not permitted to sell the collateral in the absence of default by the owner of the collateral. It is the Bank's policy to dispose foreclosed assets in an orderly manner. The proceeds of the sale of the foreclosed assets included under Investment Properties are used to reduce or repay the outstanding claim. As part of the Bank's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to Legal Counsel's approval prior to acceptance.

The table below provides the collateral profile of the outstanding loan portfolio of the Bank (net of UID):

		2024	%		2023	%
Secured by Real Estate Mortgage – Residential	₱	**435,934,356**	78.31%	₱	948,602,532	82.15%
Secured by Real Estate Mortgage – Commercial		**51,519,206**	9.26%		84,687,263	7.33%
Secured by Real Estate Mortgage – Agricultural		**44,289,752**	7.96%		85,970,429	7.45%
Secured by Chattel Mortgage		**16,817,236**	3.02%		25,878,560	2.24%
Secured by Hold-on-deposit		**8,100,873**	1.46%		9,521,580	0.82%
TOTAL	₱	**556,661,423**	100%	₱	1,154,660,364	100%

The movements of Allowance for Credit Losses including general loan loss provisions follows:

		2024		2023
Opening balance	₱	**29,641,464**	₱	21,664,788
Add: Provision during the year		**7,086,364**		3,276,676
Add: Adjustments		-		4,700,000
Closing balance	₱	**36,727,828**	₱	29,641,464

The maturity profile of the Bank's receivables from customers follows:

		2024		2023
One year and below	₱	**8,915,380**	₱	2,804,830

Beyond one year		547,746,043		509,473,317
Closing balance	₱	**556,661,423**	₱	512,278,147

NOTE 11 – BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – NET

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

2024

	Land	Building	Transportation Equipment	Furniture, Fixtures & equipment	Leasehold Improvement	Total
01/01/2024						
Balance, beginning – net of accumulated depreciation and amortization	₱ 6,252,600	₱ 7,368,213	₱ 126,360	₱ 771,214	₱ 622,516	₱ 15,140,903
Additions	-	-	1,631,908	722,912	-	2,354,820
Adjustments	-	-	-	7,540	-	7,540
Depreciation and amortization charges for the year	-	(932,189)	(220,160)	(398,926)	(446,055)	(1,997,330)
12/31/2024						
Balance, end – net of accumulated depreciation & allowance for probable losses	6,252,600	6,436,024	1,538,108	1,102,740	176,461	15,498,393
01/01/2024						
Cost	6,252,600	25,971,493	7,797,558	12,212,051	5,544,977	57,778,679
Accumulated depreciation and amortization	-	(18,603,280)	(6,039,290)	(10,710,385)	(4,814,018)	(40,172,512)
Net carrying amount	6,252,600	7,368,213	1,758,268	1,501,666	2,209,939	17,606,167
12/31/2024						
Cost	6,252,600	25,971,493	7,797,558	12,212,051	5,544,977	57,778,679
Accumulated depreciation and amortization	-	(19,535,469)	(6,259,450)	(11,109,311)	(5,368,516)	(42,272,747)
Net carrying amount	₱ 6,252,600	₱ 6,436,024	₱ 1,538,108	₱ 1,102,740	₱ 176,461	₱ 15,505,932

2023

	Land	Building	Transportation Equipment	Furniture, Fixtures & equipment	Leasehold Improvement	Total
01/01/2023						
Balance, beginning – net of accumulated depreciation and amortization	₱ 6,252,600	₱ 8,431,403	₱ 416,165	₱ 730,876	₱ 1,158,940	₱ 16,989,984
Additions				494,373		(494,373)
Adjustments			(5)	(288)		(293)
Depreciation and amortization charges for the year		(1,063,190)	(289,800)	(453,747)	(536,424)	(2,343,161)
12/31/2023						
Balance, end – net of accumulated depreciation & allowance for probable losses	6,252,600	7,368,213	126,360	771,214	622,516	15,140,903
01/01/2023						
Cost	6,252,600	25,971,493	10,165,650	14,481,926	5,544,977	62,416,646
Accumulated depreciation and amortization	-	(17,540,090)	(9,749,485)	(13,751,050)	(4,386,037)	(45,426,662)
Net carrying amount	6,252,600	8,431,403	416,165	730,876	1,158,940	16,989,984
12/31/2023						
Cost	6,252,600	25,971,493	6,165,650	11,481,600	5,544,977	55,416,320
Accumulated depreciation and amortization	-	(18,603,280)	(6,039,290)	(10,710,386)	(4,922,461)	(40,275,417)
Net carrying amount	₱ 6,252,600	₱ 7,368,213	₱ 126,360	₱ 771,214	₱ 622,516	₱ 15,140,903

Under BSP regulations, investment in Bank premises, furniture, fixtures and equipment should not exceed 50% of the Bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this provision.

No assets are pledged as collateral.

NOTE 12 – INVESTMENT PROPERTIES (ROPA) – NET

This account represents parcels of land and buildings and related improvements, which are held for capital appreciation, acquired in settlement of loans. Investment properties are carried at cost less allowance for impairment and accumulated depreciation.

This account consists of:

		Land		Building		Total
31-Dec-24	₱		₱		₱	
Cost		**10,854,102**		**6,709,298**		**17,563,400**
Allowance for impairment		**(300,001)**		**-**		**-**
Accumulated depreciation		**-**		**(4,618,077)**		**(4,618,078)**
Net carrying amount	**₱**	**10,554,101**	**₱**	**2,091,221**	**₱**	**12,645,322**

		Land		Building		Total
31-Dec-23						
Cost	₱	10,854,102	₱	4,600,505	₱	15,454,607
Allowance for impairment		(300,001)		-		(300,001)
Accumulated depreciation		-		(4,600,504)		(4,600,504)
Net carrying amount	₱	10,854,101	₱	1	₱	10,554,102

Aging of ROPA Accounts as of December 31, 2024:

ROPA	≤ 3 years	>3 years but ≤ 5 years	>5 years but ≤ 10years	>10 years	Total
Land	-	-	-	**10,554,101**	**10,554,101**
Buildings	**2,091,220**	-	-	**1**	**2,091,221**
TOTAL	**2,091,220**	-	-	**10,554,102**	**12,645,322**

RECONCILIATION OF CARRYING AMOUNTS OF ROPA ACCOUNTS

Particulars	Land	Building and Improvements	Allowance for Probable Losses	Total
Balance, beginning – net of accumulated depreciation and amortization	**10,854,102**	**4,600,505**	-	**17,563,401**

Additions	-	2,108,793	-	-
Adjustments	-	-	-	-
Adjustments on Depreciation	-	-	-	-
Depreciation and amortization charges for the year	(300,001)	(4,618,077)	-	(4,918,078)
Balance, end – net of accumulated depreciation & amortization	**10,554,101**	**2,091,221**	-	**12,645,322**
Balance, beginning				
Cost	**10,854,102**	**4,600,505**	(300,001)	**15,154,606**
Accumulated depreciation and amortization	-	(4,600,504)	-	(4,600,504)
Balance, end – net carrying amount	**10,854,102**	**1**	(300,001)	**10,554,102**

Depreciation on investment properties are presented as part of Depreciation and Amortization under Other Operating Expenses in the Statements of Comprehensive Income.

The recoverable amounts of the Bank's investment properties used in determining the impairment losses to be recognized as of December 31, 2024 and 2023 were based on the appraised values of such properties.

In 2023, the Bank disposed a certain investment property which generated a gain of ₱ 866,993.

In 2024, there was no disposal of investment properties.

NOTE 13 – OTHER ASSETS

As of December 31, this account consists of:

		2024		2023
Stationery and supplies on hand	₱	**747,738**	₱	742,233
Prepaid insurance		**299,856**		307,732
Documentary stamps		**274,584**		274,584
Prepaid expense – others		**124,610**		126,255
Prepaid taxes and licenses		**118,031**		85,795
Petty cash fund		**60,000**		70,000
	₱	**1,624,819**	₱	1,606,600

Other assets as at December 31, 2024 and 2023 will mature within one year from the end of each reporting period.

NOTE 14 – DEPOSIT LIABILITIES

As of December 31, 2024, classification of deposit liabilities as to source follows:

		Number of accounts		Amount
Savings	₱	7,636	₱	1,022,502,458
Demand		667		18,983,742
Special Savings Deposit		-		-
Deposit liabilities - FCDU		20		4,911,761
	₱	8,323	₱	1,046,397,961

Deposit liabilities are in the form of savings and demand deposits. Savings deposits have annual interest rates ranging from 0.125% to 2.00% per annum in 2024 and 0.125% to 2.00% in 2023.

Demand deposits, on the other hand, do not bear interest.

Interest expense incurred on deposit liabilities amounted to **P 6.8 million** and P 7.6 million in 2024 and 2023, respectively.

Under existing BSP regulations, deposit liabilities are subject to regular and liquidity reserve of 2% and 4%, respectively, for demand and 2% and 3%, respectively, for savings in 2024 and 2023. The Bank is in compliance with these BSP regulations as of the end of each reporting period.

All deposit liabilities have maturity profile of within one year as of December 31, 2024 and 2023.

As of December 31, 2024, deposit liabilities by Size of Accounts follow:

Deposit Size	Number of accounts		Amount
5,000 and below	4,235	₱	5,523,159
5,000.01 – 10,000	758		5,122,938
10,000.01 – 15,000	451		5,430,311
15,000.01 – 20,000	235		4,005,212
20,000.01 – 30,000	364		8,691,107
30,000.01 – 40,000	247		8,391,378
40,000.01 – 50,000	188		8,306,353
50,000.01 – 60,000	158		8,527,862
60,000.01 – 80,000	185		12,763,873
80,000.01 – 100,000	154		13,967,209
100,000.01 – 150,000	300		36,143,635
150,000.01 – 200,000	175		29,872,591
200,000.01 – 250,000	121		26,803,052
250,000.01 – 300,000	99		26,917,805
300,000.01 – 400,000	114		39,044,305
400,000.01 – 500,000	110		48,733,602
500,000.01 – 750,000	164		95,817,444
750,000.01 – 1,000,000	55		47,120,315
1,000,000.01 – 1,500,000	92		107,652,829
1,500,000.01 – 2,000,000	32		54,350,759
2,000,000.01 – 3,000,000	25		59,303,065
3,000,000.01 – 4,000,000	21		72,957,601
4,000,000.01 – 5,000,000	10		44,337,840
Over 5,000,000	30		276,883,716
	8,323	₱	1,046,397,961

NOTE 15 – ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of:

		2024		2023
Due to government agencies	₱	**506,815**	₱	484,453
Accounts payable		**1,179,891**		1,462,564
Accrued interest payable		**274,093**		267,624
Deposit of key for safety deposit boxes		**68,000**		67,000
Accrued expenses and other payables		**1,249,459**		1,169,401
	₱	**3,278,258**	₱	3,451,042

Accounts payable pertains to overpayment of the Bank's customers related to insurance, documentary stamp on loans, inspection/appraisal and dormant deposit accounts.
Deposit of key for safety deposit boxes will mature upon termination of the lease contract for a property being leased out by the Bank. Accrued expenses and other payable pertains to the Gross Receipt Tax. All other accrued expenses and other liabilities as at December 31, 2024 and 2023 will mature within one year from the end of each reporting period.

NOTE 16 – EQUITY

16.1 Capital Management Objectives, Policies and Procedures

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

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

BSP, as the Bank's lead regulator, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed capital and ratio of qualifying capital to risk-weighted assets.

(a) Unimpaired Capital

Under the current banking regulations, the qualifying capital accounts of the Bank should not be less than an amount equal to ten percent (10%) of its risk weighted assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets is total capital funds excluding:

(a) Unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) Total Outstanding unsecured credit accommodations to DOSRI:
(c) Deferred tax assets;
(d) Goodwill, if any
(e) Sinking fund for redemption of redeemable preferred stock; and,
(f) Other regulatory deductions.

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

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Under the relevant BSP regulations. the regulatory capital is analyzed into two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the total of Tiers 1 and Tiers 2 capital.

Tier I and Tier 2 capital are defined as follows:

(a) Tier 1 Capital includes the following:

a. Paid-up common stock;
b. Surplus and surplus reserves; and,
c. Undivided profits (for domestic banks only)
Subject to deductions for:

a. Treasury shares (if any)
b. Unrealized losses on underwritten listed equity securities purchased;
c. Unbooked valuation reserves, and other Capital adjustments based on the latest BSP report of examination;
d. Outstanding unsecured credit accommodations, both direct and indirect, to DOSRI;
e. Goodwill; and
f. Deferred income tax

(b) Tier 2 Capital includes:

a. Appraisal increment reserve - bank premises if any, as authorized by the Monetary Board of the BSP; and,
b. General loan loss provision, limited to a maximum of 1.0% of credit risk-weighted assets.

As of December 31, 2024 and 2023, the Bank was in compliance with the minimum ratio of which net worth of the Bank must bear to its total risk assets pursuant to Section 34 of the General Banking Law of 2000. The risk-based capital adequacy ratio of the Bank was 26.72% in 2024 and 25.63% in 2023. Under the existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the

Computation of Risk-Based Capital Adequacy Ratio

On January 1, 2012, BSP Circular 688, dated May 26, 2010, took effect containing the revised risk-based adequacy framework for stand-alone thrift banks, rural banks and cooperative banks which is based on Basel 1.5 wherein CAR shall not be less than 10% of the qualifying capital to risk-weighted assets.

In computing the CAR, the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital, and (ii) Tier 2 Capital; less deductions from the Total Tier I and Tier 2, as provided in BSP Circular 688.

The Bank's regulatory capital position as at December 31, 2024 is presented below.

Calculation of Qualifying Capital	
Net Tier 1 Capital	₱ 243,286,288

Net Tier 2 Capital		4,552,431
Total Qualifying Capital		247,838,719
Total Credit Risk Weighted Assets		883,004,790
Risk-Weighted On-Balance Sheet Assets	**883,004,790**	
Risk-Weighted Off-Balance Sheet Assets		
Total Credit Risk Weighted Assets	**838,004,790**	
General Loan Loss Provision	-	
Total Deductions	-	
Total Operational Risk-Weighted Assets		100,153,477
Total Risk-Weighted Assets		983,158,267
Risk-Based Capital Adequacy Ratio (CAR)		25.21
Common Equity Tier 1 Ratio		24.75
Capital Conservation Buffer		18.75
Total 1 Capital Ratio		24.75
TIER 1 CAPITAL		
Common Equity Tier 1		245,771,086
Paid Up Capital Stock	**99,950,200**	
Retained Earnings	**126,480,184**	
Undivided Profits	**19,340,702**	
Deductions from CET 1 Capital – Deferred tax assets		2,484,798
NET TIER 1 CAPITAL		243,286,288
Total TIER 1 Capital		243,286,288
TIER 2 Capital		4,552,431
General loan loss provision		4,552,431
TOTAL QUALIFYING CAPITAL		₱ 247,838,719

Capital for the reporting periods under review is summarized below:

	2024	2023
Total liabilities	₱ **1,052,087,961**	₱ 1,044,420,652
Total equity	**244,101,908**	235,231,507
Debt-to-equity ratio	**4:31:1**	4:44:1

The following is the computation of risk assets ratio as of December 31, 2024 and 2023:

		2024	2023
Total Assets	₱	**1,296,189,728**	1,279,652,159
Less: Non-risk assets:			
Cash on Hand		**13,781,308**	12,681,847
Due from BSP		**14,077,709**	14,474,634
Fixed Assets (Net)		**15,505,932**	15,140,903
Investment Securities at Amortized Cost		**312,493,883**	357,004,084
Total non-risk assets		**355,858,833**	399,301,468
Risk Assets	₱	**940,233,919**	880,350,691
Net Worth		**243,619,183**	235,231,507
Divided by Risk Assets		**940,233,919**	880,350,691
RISK ASSETS RATIO		**25.91%**	26.72%

(b) Capital Allocation

The allocation of capital between specific operations and activities is to a large extent driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degrees of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles allocation of capital to subject to the overall level of capital to support a particular operation or activity. The process of specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by the Bank's BOD.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account profitability is also taken, and synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

(c) Minimum Capital Requirement

Monetary Board. in its Resolution No. 1145 dated 4 August 2022, approved the amendments to the relevant provisions of the Manual of Regulations for Banks (MORB) aimed at increasing the minimum capital requirements for rural banks. The new minimum capitalization of banks shall be as follows:

BANK CATEGORY	REQUIRED MINIMUM CAPITALIZATION
Rural Bank – Head Office Only	50 million
Up to 5 branches	50 million
6 to 10 branches	120 million
More than 10 branches	200 million

For purposes of compliance with Section I, the term branch shall exclude the branch-lite units of banks.

(d) Minimum Liquidity Ratio

BSP Memorandum No. M-2022-004, Section 2 states the Amendment to the Relief Measure on the Reduction in the Minimum Liquidity Ratio (MLR) of Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks. Memorandum No. M-2020-020 dated 7 April 2020. as amended by Memorandum No. M-2020-085 dated 1 December 2020, is hereby further amended to read as follows:

The reduction in the MLR and the arrangements set forth in this memorandum shall be effective-until 31 December 2022, unless otherwise revoked by the BSP.

The Bank's MLR as of December 31, are analyzed below:

		2024		2023
Eligible stock of liquid assets	₱	**731,908,592**	₱	726,060,699
Total qualifying liabilities		**921,071,081**		975,936,995
		79.46%		74.40%

16.2 Capital Stock

Capital stock consists of:

		SHARES		
		2024		2023
Common shares – P100 par value per share Authorized		**1,000,000**		1,000,000
Authorized capital	₱	**100,000,000**	₱	100,000,000
Issued and outstanding; 999,502 shares in 2024 and 2023	₱	**99,950,200**	₱	99,950,200

16.3 Surplus Free

In a special meeting held on January 09, 2024, the Board of Directors approved the declaration of cash dividends in the amount of ₱ 9,995,020 from the Bank's retained earnings as of December 31, 2023.

In a meeting held on January 09, 2025, the Board of Directors approved the declaration of cash dividend appropriated out of the undivided profits and declared at the rate of ₱ 10 per share on all outstanding shares of stock on record as of December 31, 2024.

16.4 Surplus Reserves

The components of this account as of December 31, 2024 and 2023 follows:

		2024		2023
Reserve for bank infrastructure	₱	**37,163,711**	₱	37,163,711
Reserve for human resource and branch banking		**11,801,601**		11,801,601
Reserve for management information upgrade, IT development, and purchase of bank premises, furniture, fixtures and equipment		**8,500,000**		8,500,000
	₱	**57,465,312**	₱	57,465,312

Management's assessment on these reserves are summarized below:

(a) Bank infrastructure – the BOD has reviewed and revised the construction plans of new building to refurbish the existing main structure and addition of a wing for meeting area and IT center adjacent to the old building.

(b) Human resource and branch banking – the BOD retained the appropriation in line with its ongoing plan of branching to other locations.

(c) Management information upgrade, IT development and purchase of bank premises, furniture, fixtures and equipment – in view of the stringent security features proposed for ATM cards, the BOD put on hold the implementation of this project.

NOTE 17 – INTEREST INCOME AND INTEREST EXPENSE

This account consists of:

INTEREST INCOME		2024
Agri/Agra Current		
Agrarian reform loans	₱	3,402,513
Other agricultural credit loans		2,527,185
Micro enterprise loans		31,336
Small and Medium Enterprise Loans – Current		
Small enterprises		10,718,805
Medium enterprises		13,175,599
Loans to Private Corporations – Current		2,369,156
Loans to Individuals for Housing Purposes – Current		7,772,166
Loans to Individuals for Personal use Purposes - Current		
Auto Loans		1,567,732
Salary Loans		398,472
Loans to Individuals for Other Purposes – Current		8,423,466
Past Due Loans and Items in Litigation		
Agrarian Reform Loans		-
Other Agricultural Credit Loans		8,158
Small Enterprises		807,180
Medium Enterprises		-
Auto Loans		46,343
Salary Loans		29,325
Loans to Individuals for Housing Purposes		220,966
Loans to Individuals for Other Purposes		1,761,586
Sales Contract Receivable		
Performing		19,280
Non-Performing		-
Other Banks		13,673,225
Resident Held to Maturity Financial Assets		18,961,537
TOTAL INTEREST INCOME	₱	85,914,030
INTEREST EXPENSE		
Savings		
Taxable	₱	6,999,401
Lease Liabilities		-
TOTAL INTEREST EXPENSE	₱	6,999,401
NET INTEREST INCOME	₱	78,914,629

NOTE 18 – OTHER INCOME

Details of this account are presented below:

		2024		2023
Rent income	₱	**1,707,942**	₱	1,342,835
Gain on disposal of bank premises		**-**		499
Rent income – safety deposit box		**85,483**		86,050
Miscellaneous		**2,315,042**		3,137,610
	₱	**4,108,467**	₱	4,566,994

Miscellaneous include income from insurance claims, penalties on loans, and loan application fees.

NOTE 19 – COMPENSATION AND FRINGE BENEFITS

This account consists of:

		2024		2023
Salaries and wages	₱	**15,446,725**	₱	14,027,662
Officers and employees benefits		**4,127,541**		4,082,138
Directors fees		**1,894,000**		1,619,000
SSS, HDMF, PhilHealth premium expense		**1,489,920**		1,265,906
Medical, dental and hospitalization		**4,187**		128,174
	₱	**22,962,373**	₱	21,122,879

The Bank has a total number of 54 employees of which 19 are officers and 35 are rank and file employees as of December 31, 2024. *(Based on the latest submitted General Information Sheet)*

NOTE 20 – TAXES AND LICENSES

This account consists of:

		2024		2023
Gross receipts tax	₱	**3,399,036**	₱	3,293,796
Municipal Licenses and Business Permits		**826,940**		724,140
Real Estate Tax		**85,795**		141,723
Registration/Renewal of Motor Vehicles		**10,678**		11,122
Annual registration fees – BIR		**1,500**		3,500
Others		**38,561**		-
	₱	**4,362,510**	₱	4,174,282

NOTE 21 – OTHER ADMINISTRATIVE EXPENSES

This account includes the following:

		2024		2023
Insurance expenses *(see Note 21.a)*	₱	**4,112,096**	₱	3,834,197
Security, clerical, messengerial & janitorial services *(see Note 21.b)*		**3,391,858**		2,816,000
Power, light and water		**1,528,271**		1,562,033
Stationery & supplies used		**1,065,971**		344,279
Fuel and lubricants		**966,395**		982,414
Management & other professional fees		**920,560**		975,987
Postage, telephone, cables and telegrams		**590,776**		626,771
Litigation expenses		**560,969**		232,999
Repairs and maintenance		**551,785**		1,218,591
Advertising and publicity		**386,094**		169,966
Representation and entertainment		**288,000**		272,000
Travelling expenses		**157,790**		167,078
Banking fees		**144,144**		235,891
Membership fees and dues		**63,215**		44,622
Donations & charitable contributions		**63,000**		2,000
Periodicals and magazines		-		440
Other expenses *(see Note 21.c)*		**4,674,111**		4,471,480
	₱	**19,465,035**	₱	17,956,746

21.a **Insurance Expenses** as of December 31, 2024 consists of **Insurance – PDC** ₱ 2,108,961 and **Insurance – Others** ₱ 2,003,135.

21.b **Security, Clerical, Messengerial & Janitorial Services** as of December 31, 2024 consist of **Salaries** - ₱ 3,053,395 and **Agency Fee** – P 338,463.

21.c **Breakdown of Other Expenses as of December 31, 2024 follows:**

		2024
Food and meal		**1,675,694**
Rice allowance		**595,320**
Unconsumed leaves		**277,929**
Seminar, training		**197,772**
Laundry allowance		**147,600**
Emergency allowance		**146,400**
Meetings		**62,622**
Bereavement expenses		**58,500**
Cash gift		**51,500**
Loyalty award		**25,000**
Miscellaneous expense non-capitalized		**38,836**
Miscellaneous expenses	₱	**1,396,938**
TOTAL	₱	**4,674,111**

Miscellaneous expenses consist of petty cash fund encashment used in purchasing supplies for the pantry which includes sanitary products, cleaning supplies and refreshments. This further pertains to expenses related to roll over of HTM investments.

NOTE 22 – DEPRECIATION/AMORTIZATION EXPENSE

This account consists of:

		2024		2023
Right of used assets	₱	**1,124,014**	₱	1,230,086
Building		**932,189**		1,063,190
Leasehold improvements		**446,055**		536,424
Furniture, fixtures and equipment		**398,926**		453,747
Transportation equipment		**220,160**		289,800
ROPA-Building		**17,573**		-
	₱	**3,138,917**	₱	3,573,248

NOTE 23 – EMPLOYEE BENEFITS

23.1 Salaries and Other Benefits

Details of this account are presented below:

		2024		2023
Short-term employee benefits *(Note 19)*	₱	**22,962,373**	₱	21,122,879
Post-employment defined benefit		**420,133**		626,453
	₱	**23,382,506**	₱	21,749,332

23.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, noncontributory post-employment defined benefit plan that is being administered by trustee committee that is legally separated from the Bank. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60. Normal retirement benefit is an amount equivalent to 100% to 125% of the final monthly covered compensation for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024.

The amounts of retirement benefit asset recognized in the statements of financial position are determined as follows:

		2024		2023
Fair value of plan asset	₱	**14,904,734**	₱	13,099,871
Present value of the obligation		**(10,631,799)**		(6,127,374)
		4,272,935		6,972,497
Unrecognized asset due to effect of asset ceiling limit	₱	**(753,490)**	₱	(1,780,981)
		3,519,445		5,191,516

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below:

		2024
Cash and cash equivalents	₱	3,412,639
Loans		8,832,578
Investments		2,659,517
	₱	14,904,734

Plan assets do not comprise any of the Bank's own financial instruments or any of its assets occupied and/or used in its operations.

The movements in the present value of the DBO recognized in the books are as follows:

		2024
Balance at beginning of year	₱	6,127,374
Current service cost		683,861
Interest cost		311,271
Actuarial (gains)/losses due to:		
Changes in financial assumptions		(1,071,949)
Changes in demographic assumptions		-
Changes in experience		4,581,242
Benefits paid		-
Balance at end of year	₱	10,631,799

The components of amounts recognized in profit or loss and in other comprehensive income (loss) in respect of the defined benefit post-employment plan are as follows:

		2024
Reported in profit or loss:		
Current service cost	₱	683,861
Interest on the Defined Benefit Liability/(Asset) – net		(263,728)
Defined Benefit Cost – Expense/(Income)	₱	420,133
Reported in other comprehensive loss (income):		
Actuarial (gain) / loss – DBO	₱	3,509,293
Actuarial losses arising from changes in:		
Financial assumptions		-
Experience adjustments		-
Changes in demographic assumptions		-
Remeasurement (gain)/loss – Plan assets		(1,139,390)
Remeasurement (gain)/loss – changes in the effect of asset ceiling		(1,117,965)
	₱	1,251,938

Current service costs form part of the Salaries and Other Benefits under Other Operating Expenses account, while net interest expense (income) is presented as part of Interest Income in the statements of comprehensive income.

Amounts recognized in other comprehensive income or loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2024
Discount rates	**6.09%**
Expected rate of salary increases	**2.00%**

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

i. Investment and Interest Risks

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

Currently, the plan assets are mainly cash and cash equivalents. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

ii. Longevity and Salary Risks

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

NOTE 24 – TAXES

DOCUMENTARY STAMPS TAX – HEAD OFFICE	**₱**	**1,506,810**

BIR ANNUAL REGISTRATION FEE		
Head Office	**₱**	**500**
Market branch		-
Molino branch		**500**
Salawag – branch		-
Mauban – branch lite		**500**
Balayan – branch lite		-
Candelaria – branch lite		-
	₱	**1,500**

REAL ESTATE TAX		
Head Office	₱	18,321
Market branch		67,474
Molino branch		-
Balayan – branch lite		-
	₱	85,795

PERCENTAGE TAXES	₱	3,399,036

LICENSES AND PERMIT TAXES		
Head Office	₱	417,345
Market branch		231,596
Molino branch		97,110
Salawag branch		80,889
	₱	826,940

WITHHOLDING TAXES AT SOURCE		
Head Office	₱	297,449
Market branch		1,692
Molino branch		30,942
Salawag branch		43,413
	₱	373,499

WITHHOLDING TAXES ON COMPENSATION		
Head Office	₱	645,394
Market branch		45,973
Molino branch		23,375
Salawag branch		26,643
	₱	741,386

FINAL TAXES - OTHERS		
Head Office	₱	909,027
Market branch		301,852
Molino branch		133,543
Salawag branch		17,857
	₱	1,362,279

FINAL TAXES - ESTATE		
Head Office	₱	-
Market branch		7,177
Molino branch		-
Salawag branch		573
	₱	7,571

INCOME TAX

Annual – 2023	₱	157,778
1st Quarter – 2024		55,915
2nd Quarter – 2024		131,051
3rd Quarter – 2024		143,094
	₱	487,838

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented "Taxes and Licenses" in the Statement of Income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes (DST). Income taxes include the corporate income tax and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Taxes and licenses incurred by the Bank amounted to **₱ 4,362,510** and ₱ 4,174,282 in 2024 and 2023, respectively.

Republic Act (RA) No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, provides that the RCIT rate shall be 25% starting July 1, 2020. Where the corporation's net income does not exceed ₱ 5 million and its total assets do not exceed ₱ 100 million (excluding land where the business is situated), the tax rate shall be 20%. In addition, interest expense allowed as deductible expense shall be reduced by 20% of interest income subjected to final tax.

The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Bank:

- Regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020:
- Minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023, for July 2023 onwards the rate is back to 2%; and
- The allowable deduction for interest expense is reduced from 33% to 20% of the interest income subject to final tax.

Current Tax Expense
Regular Income Tax Computation – Grossed Up

Income tax due for the year ended December 31, 2024 is computed as follows:

		2024
Income before Tax	₱	26,319,963
Non-deductible Provision for Credit Losses		7,086,364
Total Non-taxable Interest Income subject to Final Tax		(32,634,762)
Total Non-deductible Interest Expense – 20% of Interest Income subject to Final Tax		5,598,688
Other recon		1,329,919
Rental payment		(1,419,407)
NOLCO 2020		(3,467,581)
Taxable Income		2,813,184
Multiply by Tax Rate		25%
Regular Corporate Income Tax – RCIT	₱	703,296

RECONCILIATION OF NET INCOME PER BOOK AND NET INCOME PER TAX PURPOSES

Net Income per Book	₱	26,319,963
Add: Non-deductible expense/other taxable income		

Non-deductible interest expense			**5,598,688**
Non-deductible provision for credit losses			**7,086,364**
Other recon			**1,329,919**
Less: Non-taxable income			
Rental payment			**1,419,407**
Non-taxable interest income subject to final tax			**32,634,762**
NOLCO			**3,467,581**
NET TAXABLE INCOME		**₱**	**2,813,184**

Minimum Corporate Tax Computation

			2024
Gross Income		**₱**	**90,949,594**
Total Non-taxable Interest Income subject to Final Tax			**(32,634,762)**
Total Non-deductible Interest Expense – 20% of Interest Income subject to Final Tax			**6,526,952**
Gross Income Subject to MCIT			**64,841,784**
Allowable Deductions: (Based on B.I.R – Revenue Memo Circular No.4-2003 (i):			
Compensation and Fringe Benefits	**23,382,506**		
Interest Expense	**6,999,401**		
Insurance	**2,108,961**		
Bank Supervisory Fees	**144,144**		**32,635,012**
Net Taxable Gross Income Subject to MCIT			**32,206,772**
Multiply by MCIT Rate			2%
Minimum Corporate Income Tax		**₱**	**644,135**

GROSS INCOME:		
Interest Income	**₱**	**85,914,030**
Fees and Commission		**927,097**
Gain from Sale of ROPOA		-
Other income		**4,108,467**
	₱	**90,949,594**

INCOME TAX PAYABLE		
Tax Due		**703,296**
Less: Tax Credits		
Prior Year Excess	-	
1st to 3rd quarters	**330,060**	**330,060**
Income Tax Payable, end of year		**373,236**

Computation of Income Tax Expense:

		2024		2023
RCIT	**₱**	**703,296**	₱	530,130
Final Tax – Interest Income		**6,496,089**		5,592,559
Adjustments		-		-

Total		**7,199,385**		6,122,689
Changes in Deferred Tax – Assets/liabilities		**(263,211)**		1,595,935
Deferred Tax Income		**(1,320,951)**		1,364,384
Income tax Expense	**₱**	**5,615,223**	₱	9,083,007

Details of NOLCO are as follows:

Year Incurred	Amount	Applied	Balance	Expired
2020	14,882,797	11,415,216	3,467,581	2025
	14,882,797	11,415,216	3,467,581	

NOTE 25 – SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS 19-2011

RR No. 19-2011 that prescribes the use of new income tax forms starting with calendar year 2013 became effective on December 9, 2012. Companies are now required to include; as part of notes to financial statements, the schedules and information on taxable income and deductions.

Below is the additional information required by RR 19-2011. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Interest Income

The breakdown of the Bank's Interest Income consists of:

		Financial Statement		**Income Tax Return**
Loans and receivables, current	**₱**	**50,386,431**	₱	**50,386,431**
Loans and receivables, PD, LL		**2,873,558**		**2,873,558**
Bank deposits		**13,673,224**		-
Held-to-maturity financial assets		**18,961,537**		-
Others		**19,280**		-
	₱	**85,914,031**	₱	**53,259,989**

Cost of Services

The breakdown of the Bank's deductible cost of services consists of:

		Financial Statement		**Income Tax Return**
Interest expense	**₱**	**6,999,401**	₱	**1,400,713**

Other Operating Income

Details of the Other Operating Income of the Bank for 2024 are as follows:

		Financial Statement		Income Tax Return
Fees and commissions income	₱	927,097	₱	927,097
Gain from sale of non-financial		-		-
Other income		4,108,467		4,108,467
	₱	5,035,564	₱	5,035,564

Operating Expenses

Details of the Bank's deductible expenses for 2024 are as follows:

		Financial Statement		Income Tax Return
Compensation/fringe benefits	₱	22,962,373	₱	-
Provision for probable losses		7,086,364		-
Other expenses		4,674,111		4,674,111
Taxes and licenses		4,362,510		4,362,510
Insurance expenses		4,112,096		4,112,096
Security, Clerical, Messengerial & Janitorial Services		3,391,858		3,391,858
Depreciation		3,138,917		-
Power, Light and Water		1,528,271		1,528,271
Rent		-		1,419,407
Stationery & Supplies Used		1,065,971		1,065,971
Fuel and Lubricants		966,395		966,395
Management & Other Professional fees		920,560		920,560
Postage, Telephone, Cables and Telegrams		590,776		590,776
Litigation expenses		560,969		560,969
Repairs and Maintenance		551,785		551,785
Advertising and Publicity		386,094		386,094
Representation and Entertainment		288,000		288,000
Fees and Commission		194,898		194,898
Travelling expenses		157,790		157,790
Membership fees and dues		63,215		63,215
Donations & Charitable Contributions		63,000		63,000
NOLCO		-		3,467,581
	₱	57,065,953	₱	28,765,287

Deficiency Tax Assessments and Tax Cases

The Bank has received a Letter of Authority from the Bureau of Internal Revenue for the continuation of audit of the Bank's tax liabilities for the taxable period from 01/01/2018 to 12/31/2018 because of reassignment of the case due to: Protested cases/cases for reinvestigation.

The case was referred to Revenue Officer Hannah Marie A. Magsino under Group Supervisor Chona D. De Ramos pursuant to Letter of Authority No. 054A-2023-000000126 dated February 3, 2023.

The Bank ensures compliance with the required submissions and replies to assessment notices for proper disposition of assessment cases. The Bank has paid the deficiency tax for income tax amounting to ₱ 1,397,245, gross receipt tax amounting to ₱ 64,834 and documentary stamps tax amounting to ₱135,000.

As of December 31, 2024, the company has no outstanding tax cases.

NOTE 26 – RELATED PARTY TRANSACTIONS

The summary of the Bank's transactions and the related outstanding balances with DOSRI and other related parties as of and for the years ended December 31, 2024 and 2023 are as follows:

Related Party Category	Amounts of Transactions 2024	Amounts of Transactions 2023	Outstanding Balance 2024	Outstanding Balance 2023
Key Management Personnel				
- Compensation	**₱ 1,894,000**	₱ 1,619,000	-	-
DOSRI:				
Loans and receivables	**742,800**	-	-	-
Interest Income	**127,221**	-	-	-

26.1 Key Management personnel Compensation

Short-term benefits paid to key management employees amounted to ₱ 1.8 million in 2024 and ₱ 1.6 million in 2023, which are presented as part of Salaries and other benefits under Operating Expenses in the statements of comprehensive income.

26.2 Directors, Officers, Stockholders and Related Interests

In 2024, the Bank approved two (2) DOSRI loans with an interest rate of 3.50% and 6% amounting to **₱ 150,000** and **₱ 592,800**, respectively which had outstanding balances of **₱ 110,641** and **₱ 570,700**, respectively as of December 31, 2024.

Related Party Loans:

Date of loan release		**08/28/2024**
Principal amount	₱	**150,000**
Interest rate		**3.50%**
Term		**15 months**
Outstanding balance as of 12/31/2024	₱	**110,641**
Interest paid as of 2024	₱	**1,592**
Date of loan release		**09/13/2024**
Principal amount	₱	**592,800**
Interest rate		**6%**
Term		**5 years**
Outstanding balance as of 12/31/2024	₱	**570,700**
Interest paid as of 2024	₱	**16,580**

NOTE 27 – COMMITMENTS AND CONTINGENCIES

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

27.1 Claims and Litigations

The Bank is a defendant in various cases pending in courts for alleged claims against the Bank, the outcome of which are not fully determinable at present.

27.2 Others

There are other commitments and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. As of December 31, 2023 and 2022, management is of the opinion that losses, if any, from these items will not have a material effect on the Bank's financial statements.

NOTE 28 – EARNINGS PER SHARE

Basic earnings per common share were computed as follows:

		2024		2023
a. Net Income	₱	**20,704,740**	₱	21,611,989
b. Divided by the weighted average number of outstanding common shares		**999,502**		999,502
c. EARNINGS PER SHARE (a/b)	₱	**20.72**	₱	21.62

NOTE 29 – BOOK VALUE PER SHARE

Book value per share were computed as follows:

		2024		2023
a. Equity	₱	**244,101,908**	₱	235,231,507
b. Divided by number of outstanding common shares		**999,502**		999,502
c. BOOK VALUE PER SHARE (a/b)	₱	**244.22**	₱	235.35

NOTE 30 – SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements.

(a) Selected Financial Performance Indications

The following formula was used to compute for Return or Equity (ROE):

ROE = Net Income after Tax / Average Capital

		2024		2023
Net Income	₱	**20,704,740**	₱	21,611,989
Divided by Average Capital		**239,666,708**		224,425,513
Return on Equity (ROE)	₱	**8.64%**	₱	9.63%

The following formula was used to compute for Return on Average Assets (ROA):

ROA = Net Income after Tax / Average of Total Assets

		2024		2023
Net Income	₱	**20,704,740**	₱	21,611,989
Divided by Average of Total Assets		**1,287,920,944**		1,305,904,015
Return on Assets (ROA)	₱	**1.61%**	₱	1.65%

Computation of Net Interest Margin Ratio

The following formula was used to compute for Net Interest Margin Ratio:

Net Interest Margin Ratio = Net Interest Income / Average Earning Assets

		2024		2023
Total Interest Income	₱	**85,914,030**	₱	83,143,436
Less: Interest Expense		**6,999,401**		7,908,642
Net Interest Income	₱	**78,914,629**	₱	75,234,794
Average Earning Assets:				
Due from BSP		**14,077,709**		14,474,634
Due from Other Banks		**391,555,691**		370,609,673
Loans (Gross)		**557,310,165**		512,278,146
Investment Securities at amortized cost		**312,493,883**		357,004,084
Total Average Earning Assets		**1,275,437,448**	₱	1,254,366,537
NET INTEREST MARGIN RATIO	₱	**6.19%**		6.00%

The following formula was used to compute for Leverage ratio:

LEVERAGE RATIO = Tier 1 Capital/Total Assets

		2024		2023
Tier 1 Capital	₱	**243,286,288**	₱	231,243,753
Total Assets		**1,296,189,728**		1,279,652,159
LEVERAGE RATIO	₱	**18.77%**	₱	18.07%

The following formula was used to compute for Debt to Equity Ratio:

DEBT TO EQUITY RATIO = Total Liabilities / Total Equity

		2024		2023
Total Liabilities	₱	**1,052,087,820**	₱	1,044,420,652
Total Equity		**244,101,908**		235,231,507
DEBT TO EQUITY RATIO	₱	**431.00%**	₱	444.00%

DEBT TO CAPITAL RATIO = Total Liabilities / Total Assets

		2024		2023
Total Liabilities	₱	**1,052,087,820**	₱	1,044,420,652
Total Assets		**1,296,189,728**		1,279,652,159
DEBT TO CAPITAL RATIO	₱	**81.17%**	₱	81.62%

(b) Capital Instruments Issued

As of December 31, 2024, the Bank has no capital instruments considered in the computation of the Bank's regulatory and qualifying capital in accordance with Circular 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which may include, instruments recorded as part of equity or a financial liability qualifying as Tier 2 capital.

(c) Significant Credit Exposures for Loans

As at December 31, 2024 and 2023, information on the concentration of credit as to industry of receivables from customers is as follows:

		2024 AMOUNT	%		2023 AMOUNT	%
Agriculture, forestry and fishing	₱	**78,916,427**	**14**	₱	86,772,791	17
Real estate activities		**250,876,442**	**45**		162,492,313	32
Accommodation and food service activities		**61,126,117**	**11**		98,684,971	19
Construction		**19,581,399**	**4**		29,301,366	6
Manufacturing		**3,054,663**	**1**		3,664,889	1
Wholesale and retail trade		**69,772,503**	**12**		39,966,749	8
Transportation and storage and Communication		**9,858,977**	**2**		15,681,245	3
Water supply, sewerage, waste management & remedian activities		**7,120,421**	**1**		-	-
Education		**2,344,040**	**-**		2,082,142	-
Human health and social work Activities		**1,377,281**	**-**		1,705,048	-
Professional, Scientific & Technical Activities		**-**	**-**		7,984,958	2
Others service activities		**52,633,151**	**10**		63,880,529	12
	₱	**556,661,423**	**100**	₱	512,167,003	100

(d) Credit Status of Loans

The breakdown of loans and receivables (gross of unearned interests, discounts, and other charges) as to status is shown below.

	Performing	Non-Performing	Total Loan Portfolio
2024			
Gross carrying amount:	**526,774,095**	**35,154,041**	**561,928,136**
Allowance for ECL	**17,434,788**	**14,998,390**	**32,433,178**
Net carrying amount	**509,339,307**	**20,155,651**	**529,494,958**

	Performing	Non-Performing	Total Loan Portfolio
2023			
Gross carrying amount:	500,247,169	16,632,031	516,879,200
Allowance for ECL	17,051,144	11,813,833	28,864,977
Net carrying amount	483,196,025	4,818,198	488,014,223

(e) Analysis of Loan Portfolio as to Type of Security

As to security, receivables from customers (gross of allowance form impairment losses) are classified into the following:

	2024	2023
Secured:		
Real estate mortgage	**₱ 531,743,314**	₱ 483,338,289
Chattel mortgage	**13,735,018**	15,226,661
Deposit hold-out	**3,082,217**	5,294,753
	548,560,549	503,859,703
Unsecured	**8,100,874**	8,307,300
TOTAL	**₱ 556,661,423**	₱ 512,167,003

NOTE 31 – STATUS REPORT ON PAST DUE ACCOUNTS AND VALUATION RESERVES

For The Quarter Ended December 31, 2024

	This Quarter	Percent to Total	Previous Quarter	Percent to Total	Increase (Decrease)
Loans & Discount (per GL)	₱	₱	₱	₱	₱
1. Current	**520,367,198**	93.38%	485,147,508	96.01%	35,219,690
Past Due & Loans in Litigation	**36,896,080**	6.62%	27,019,495	3.99%	9,876,585
Total Loans & Discount	**557,263,278**	100%	581,845,112	100%	24,581,834
PAST DUE & ITEMS IN LITIGATION RATIO					
Total Past Due Loans & Items in Litigation		6.62%		3.99%	
Total Loans and Discount					
B. Collection of Past Due Loans & Items in Litigation					
1. Past Due Loans, Beginning (Previous Quarter)	**46,848,277**				
2. Transfer to Past Due	**558,410**				
3. Total Past Due	**47,406,686**				
4. Transfer to ROPA	**-**				
5. Past Due Loans, End	**36,896,080**				
6. Collections	**9,073,222**				
C. Past Due Collection Ratio	**24.59%**				

	PASS	LOANS SPECIALLY MENTION	SUBSTANDARD SECURED	SUBSTANDARD UNSECURED	DOUBTFUL	LOSS
D. Qualitative Appraisal of Loans & Other Risk Assets						
	₱	₱	₱	₱	₱	₱
1. Current Loans	455,243,055	33,192,132	22,273,255			
Pass Due Loans						
On Demand						
1 to 30 days			14,025,242		321,152	
31 to 90 days			2,576,173			
91 to 120 days				8,813		
121 to 180 days			7,782,218		2,494,086	
181 to 1 year						425,338
Over 1 year to 5 years			2,509,343		6,531,292	3,233,658
Over 5 years			330,563			1,991,640
Loans in Litigation						1,289,988
TOTAL	**455,243,055**	**33,192,132**	49,496,794	8,813	9,346,530	6,940,624
2. Other Risk Assets						
ROPA						
0 to 5 years	**2,108,793**					
More than 5 years	**10,854,103**				600,000	1
TOTAL	₱ **12,962,896**	₱	₱	₱	₱ 600,000	₱ 1
GRAND TOTAL	**468,205,951**	**33,192,132**	49,496,794	8,813	9,946,530	6,9[illegible]0,625

COMPLIANCE WITH REQUIRED VALUATION RESERVE

REQUIRED VALUATION RESERVE:		
1. CLASSIFIED LOANS		
Pass		4,4[illegible]5,292
Sub-standard		
Secured		5,3[illegible]0,974
Secured		-
Unsecured		[illegible]0,914
Unsecured		-
Doubtful		6,6[illegible]0,179
Loss		6,548,305
		23,015,664
ALLOWANCE FOR PROBABLE LOSSES: (Per Books)		
Specific Loan Loss Provision		25,156,172
General Loan Loss Provision		4,485,292
ROPA		300,001
		29,941,466
EXCESS OF ALLOWANCE OVER REQUIRED	₱	**(6,925,802)**

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NOTE 32 – PRIOR PERIOD ADJUSTMENTS

This account pertains to adjustments not taken up in the prior years.

NOTE 33 – OTHER MATTERS

Certain accounts in the prior year's financial statements were reclassified to conform to the current financial statement presentation.

Schedule 1

IMUS RURAL BANK, INC.
Schedule of Net Deferred Taxes
For the years ended December 31, 2024 and 2023

	Statement of Financial Position		Statements of Comprehensive Income: Profit or Loss		Statements of Comprehensive Income: Other Comprehensive Income (Loss)	
	2024	2023	**2024**	2023	**2024**	2023
Deferred Tax Assets:						
Impairment allowance for:						
Loans and receivables	**9,181,957**	7,518,398	**1,663,559**	825,974		-
Investment properties	**75,000**	75,000	-	-		-
Lease liabilities	**508,632**	816,258	**(307,981)**	(315,681)		-
Actuarial gain (Loss)	**(312,984)**	(278,357)	**(34,627)**	(278,357)		-
	9,452,605	8,131,654	**1,320,951**	231,936		-
Deferred Tax Liabilities:						
Retirement benefit assets	**(3,726,184)**	(3,853,697)	**127,513**	(1,766,023)		-
Accrued interest receivables	**(1,163,867)**	(1,018,561)	**(145,306)**	(137,433)		-
ROU	**(493,595)**	(774,599)	**281,004**	307,522		-
	(5,393,646)	(5,646,856)	**263,211**	(1,595,934)		-
Net Deferred Tax Assets	**4,068,960**	2,484,798				
Deferred Tax Income (Expense)			**1,584,162**	(1,363,999)		-

Schedule 2

IMUS RURAL BANK, INC.
Right of Use Assets and Lease Liabilities
For the years ended December 31, 2024

RIGHT OF USE ASSETS:				
Beginning balance			₱	3,098,395
Less: Amortization Expense				
SALAWAG	₱	628,143		
MAUBAN		495,871		
CANDELARIA		-		1,124,014
ROUA, END			₱	1,974,381
LEASE LIABILITIES:				
Beginning balance				3,266,453
Less: Payment's net of Interest Expense				
SALAWAG	₱	751,172		
MAUBAN		480,753		
CANDELARIA		-		1,231,925
LEASE LIABILITIES, END			₱	2,034,528
INTEREST EXPENSE LEASE LIABILITIES				
SALAWAG			₱	83,235
MAUBAN				104,247
CANDELARIA				-
TOTAL			₱	187,482

8. Information on sustainable finance as required under Sec. 153 of the Manual of Regulations for Banks (MORB)

a. Sustainability strategic objectives and risk appetite

The Bank aims to find a way to balance economic growth with environmental and social responsibility and ensures that the sustainability strategy is compliant with all applicable laws, rules and regulations.

Our risk appetite is to minimize our risks exposures to our employees and shareholders and their safety, our reputation and corporate governance while accepting an increased degree of risk in pursuit of our key strategic objectives.

The Bank will not engage in or finance activities with significant adverse environmental or social impacts that cannot be mitigated or are in violation of applicable laws and standards.

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

The Bank is aware that climate change and other environmental and social risks could pose financial difficulties on the Bank's operations. The bank stands by its commitment to protect the well-being of its employees by implementing policies that provide for a flexible and safe working environment. For our clients and communities, we continued to provide uninterrupted, safe and secure banking services while providing good governance, sound risk management and environmental and social responsibility.

To this end, we aim to embed our sustainability policies including environment and social risk areas into our corporate governance framework, risk management system, and strategic objectives in consonance with the size and risk profile of our operation.

c. Breakdown of E&S risk exposures of the bank per industry

The Bank caters to the following industries which are vulnerable to E&S risk.

Total credit exposure by industry	Amount (in PHP)	% of share
Accommodation and food service activities	61,126,118	11
Agriculture, forestry and fishing	78,916,427	14
Construction	19,581,400	4
Education	2,344,040	0.42
Electric, gas, steam and water	-	-
Financial and insurance activities	-	-
Human health and social work activities	1,377,281	0.25

Manufacturing	3,054,663	0.50
Others service activities	52,633,151	9
Water supply, sewerage, waste management and Remediation activities	7,120,421	1
Real estate activities	250,876,442	45
Transportation and storage and communication	9,858,977	2
Wholesale and retail trade	69,772,503	13
Professional, Scientific & Technical Activities	-	-

d. Managing the E&S risks and their impact on the bank

With our Sustainable Finance Framework already in place, the bank can now use it to identify, assess, and manage our environmental and social risks and impacts associated with financing particular business activities or industry sectors.

To address these risks, the Bank has embedded E&S risk assessment into its credit evaluation and monitoring processes. Clients and projects are screened for E& S impact.

e. Initiatives to promote adherence to internationally-recognized Sustainability Standards and Practices

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

1. Continuing to offer loan products and services that provide beneficial contributions to the society and its environment;

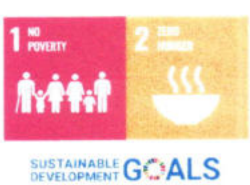
2. Ensuring that operations are compliant with applicable laws, rules and regulations; and aligned with the local best practices and international standards on Environmental, Social and Corporate Governance (ESG).

3. Ensuring that employees are provided with the right competencies and learning opportunities that can enhance their productivity and level of self-sufficiency.

Our journey towards sustainability

As we built our commitment to sustainability, below are some of the sustainable development goals we have done so far to address various social, economic, and environmental challenges:

1. Alleviate poverty and hunger



SDG 1 No Poverty: IRB aims to end poverty through its Kiddie Savings campaign. We believe teaching financial literacy at a younger age helps children develop good savings habits.

SDG 2 Zero Hunger: To free more Filipinos from hunger the bank is extending loans to market vendors, fisherfolks, farmers, hog and poultry raisers, our borrowers, who put food in every home.

2. Positive company culture

SDG 3 Good health and well being; SDG 4 Quality Education; SDG 8 Decent work and Economic growth: The bank aims to promote good health, and well-being for growth and success among everyone in the organization.
The bank through its HR department organizes training for employees both from internal and external sources such as face-to face seminar or webinars for in-house or those seminars conducted by Rural Bankers Associations and the likes. To boost camaraderie and team work, the bank is holding annual Team building for its employees; every summer our male employees join Liga ng Basketball in the community, and the bank's yearly Christmas party are among the activities supported by our organization. The Bank offers educational loans to its clients and educational assistance to its employees.

3. Embracing Diversity in the workplace

SDG 5 Gender Equality; SDG 10 Reduced Inequalities: In this ever-changing world, the banking industry is also moving forward. As we work towards creating a thriving future, we welcome challenges, opportunities, and a diverse workplace. The bank supports the UNSDG goals in promoting gender equality and diversity. It creates a culture of belongingness where employees feel comfortable and valued, thus they are empowered to do their best and contribute more for the benefit of all.

a. Population

29	14% Directors	41% Supervisory	45% Rank & File
29	17% Directors	28% Supervisory	55% Rank & File

b. Age

8 19-29 y.o	7 30-40 y.o	9 41-50 y.o	3 51-60 y.o
1 61-70 y.o	1 71-80 y.o	0 80-90 y.o	0 91-100 y.o

7 19-29 y.o	10 30-40 y.o	5 41-50 y.o	3 51-60 y.o
3 61-70 y.o	0 71-80 y.o	0 80-90 y.o	1 91-100 y.o

4. Promote peaceful and inclusive societies for sustainable development

SDG 16 Peace, Justice, and Strong Institutions: The Bank is committed to upholding the principles of transparency, accountability, and ethical governance within the organization. It promotes a culture of integrity by strictly complying with regulatory requirements, implementing robust anti-money laundering (AML) and know-your-customer (KYC) measures, and fostering strong internal controls. Through responsible lending practices, fair treatment of clients, and sound risk governance, the Bank contributes to building trust in financial institutions and strengthening the rule of law within the rural communities it serves.

5. Clean water and Sanitation

SDG 6 Clean water and Sanitation: The Bank provides loans that improve access to safe and affordable drinking water for public health and safety.

II. Compliance with Appendix 62 of the MORB - Disclosures in the Annual Report and Published Statement of Condition

A. Capital structure and capital adequacy:

		2024 (In ₱ Millions)	2023 (In ₱ Millions)
1	Tier 1 Capital		
	Paid-up common stock	99.950	99.950
	Retained earnings	126.480	110.054
	Undivided Profit	16.856	21.240
	Total Tier 1 Capital	243,286	231.244
2	Tier 2 Capital		
	General Loan Loss Provision	4.552	4.485
3	Deductions from Tier 1 and Tier 2 Capital		
	Deferred tax asset	2.485	3.905
4	Total Qualifying Capital	247.838	235.729
5	Total Risk Weighted Assets	983.158	919.897
6	Total Credit Risk Weighted Assets	883.005	838.056
7	Total Operational Risk Weighted Assets	100.153	81.841
8	Total Market Risk Weighted Assets	-	-
9	Total Capital Adequacy Ratio Tier 1 Capital Adequacy Ratio	25.21% 24.75%	25.63% 25.14%