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RURAL BANK OF APALIT, INC.

Mac Arthur Highway, San Vicente, Apalit, Pampanga

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2024

Member: Philippine Institute of Certified Public Accountants

RURAL BANK OF APALIT, INC.**STATEMENTS OF FINANCIAL POSITION**

As at December 31

2024

2023

ASSETS

Cash and Other Cash Items (Note 7.1)	P	1,863,907	P	1,496,302
Due from BSP (Note 7.2)		14,631,153		2,282,605
Due from other Banks (Note 7.2)		119,963,778		57,731,626
Loans and Receivable, Net (Note 8)		298,863,693		193,589,167
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)		16,183,286		15,762,392
Investment Properties (Note 10)		9,424,972		9,856,948
Deferred Tax Assets (Note 21)		1,596,459		1,596,459
Other Assets (Note 11)		3,065,895		1,230,147
TOTAL ASSETS		465,593,143		283,545,646

LIABILITIES & SHAREHOLDERS' EQUITY**LIABILITIES**

Deposit Liabilities (Note 12)		278,289,376		187,698,574
Income Tax Payable		542,630		665,174
Deposit for Stock Subscription		55,000,000		-
Accrued Interest, Taxes and Other Expenses Payable (Note 13)		684,447		76,980
Other Liabilities (Note 14)		3,562,371		2,393,565
TOTAL LIABILITIES		338,078,824		190,834,293

SHAREHOLDERS' EQUITY

Share Capital (Note 15)				
Ordinary Share Capital		100,000,000		57,500,000
Deposit for Stock Subscription		-		12,350,200
Retained Earnings		27,514,319		22,861,153
TOTAL SHAREHOLDERS' EQUITY		127,514,319		92,711,353
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	P	465,593,143	P	283,545,646
BOOK VALUE PER SHARE	P	127.51	P	161.24

See accompanying Notes to Financial Statements

RURAL BANK OF APALIT, INC.
STATEMENTS OF INCOME

For the Years Ended December 31

	2024	2023
INTEREST INCOME ON		
Loans & Receivables (Note 8)	P 25,417,219	P 11,531,794
Sales Contract Receivable (Note 8.1)	115,342	12,612
Due from Other Banks (Note 7.2)	2,558,803	971,409
Debt Securities Measured at Amortized Cost	-	13,000
	28,091,364	12,528,815
INTEREST EXPENSE ON		
Savings Deposits (Note 12)	3,743,488	1,915,836
	3,743,488	1,915,836
NET INTEREST INCOME	24,347,876	10,612,979
Other Income (Note 16)	5,261,194	5,577,402
TOTAL OPERATING INCOME	29,609,070	16,190,381
OTHER OPERATING EXPENSES		
Provision for Credit Losses	809,030	1,504,210
Compensation and Fringe Benefits (Note 17)	10,408,837	6,355,083
Other Operating Expenses (Note 19)	8,870,861	4,601,006
Depreciation and Amortization (Note 20)	2,882,206	844,779
Taxes and Licenses (Note 26)	1,698,813	482,438
TOTAL OPERATING EXPENSES	24,669,747	13,787,516
INCOME BEFORE INCOME TAX	4,939,323	2,402,865
PROVISION FOR INCOME TAX/(BENEFIT) (Note 21)	957,313	792,191
NET INCOME AFTER INCOME TAX	P 3,982,010	P 1,610,674
EARNINGS PER SHARE	P 3.98	P 2.80

See accompanying Notes to Financial Statements.

RURAL BANK OF APALIT, INC.

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2024 and 2023

	ORDINARY SHARE CAPITAL (Note 16)	DEPOSIT FOR STOCK SUBSCRIPTION	RETAINED EARNINGS - RESERVE	RETAINED EARNINGS - FREE	Total Equity
Balance at January 1, 2024	P 57,500,000	P 12,350,200	P 5,000	P 22,856,153	P 92,711,353
Issuance of shares	42,500,000	-	-	-	42,500,000
Total income for the year	-	-	-	3,982,010	3,982,010
Provision and Adjustments	-	-	-	671,156	671,156
Balance at December 31, 2024	100,000,000	12,350,200	5,000	27,509,319	139,864,519
Balance at January 1, 2023	36,250,000	3,600,200	5,000	19,893,149	59,748,349
Issuance of shares	21,250,000	8,750,000	-	-	30,000,000
Total income for the year	-	-	-	1,610,674	1,610,674
Provisions and Adjustments	-	-	-	1,352,330	1,352,330
Balance at December 31, 2023	P 57,500,000	P 12,350,200	P 5,000	P 22,856,153	P 92,711,353

See accompanying Notes to Financial Statements.

RURAL BANK OF APALIT, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31

2024 2023

CASH FLOW FROM OPERATING ACTIVITIES

Income before tax	P	4,939,323	P	2,402,865
Adjustment to reconcile Net Income to				
Net cash provided by operating activities:				
Depreciation/Amortization (Note 10,11 and 20)		2,882,206		844,779
Non-cash adjustments on bank premises, furniture, fixtures and equipment		323,071		-
Income from Asset Acquired (Note 16)		(1,815,896)		803,858
Provision for credit losses on loans receivable		809,030		1,504,210
Interest Income (Note 7 and 8)		(28,091,364)		(12,528,815)
Interest Expense (Note 12 and 13)		3,743,488		1,915,836
Operating income before working capital adjustments		(17,210,142)		(5,057,267)
Decrease/(Increase) in:				
Loans & Receivables (Note 8)		(106,083,556)		(117,744,002)
Other Assets (Note 11)		(1,835,748)		(950,135)
Increase / (Decrease) in current liabilities				
Deposit liabilities (Note 12)		90,590,802		101,514,175
Accrued interest, taxes and other expense payable (Note 13)		607,467		31,412
Other liabilities (Note 14)		1,168,806		966,317
Interest received		28,091,364		12,528,815
Interest paid		(3,743,488)		(1,915,836)
Income Taxes paid		(1,079,855)		(681,972)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(9,494,350)		(11,308,492)

CASH FLOW FROM INVESTING ACTIVITIES

Net (Additions) Disposals of Debt Securities at Amortized Cost (Note 8)		-		1,000,000
Cash payments on Investment Properties (Note 10)		-		(518,905)
Cash receipts from Investment Properties (Note 10)		2,247,872		-
Cash payments on Premises, Furniture, & Equipment (Note 9)		(3,626,172)		(13,545,831)
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES		(1,378,300)		(13,064,736)

CASH FLOW FROM FINANCING ACTIVITIES

Adjustments Charged to Retained Earnings		671,156		1,352,330
Issuance of Shares		42,500,000		21,250,000
Deposit for Stock Subscription		42,649,800		8,750,000
NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES		85,820,956		31,352,330

NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS 74,948,305 6,979,102

CASH & CASH EQUIVALENTS - BEGINNING 61,510,533 54,531,431

CASH & CASH EQUIVALENTS - ENDING P 136,458,838 P 61,510,533

See accompanying Notes to Financial Statements.

RURAL BANK OF APALIT, INC.

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2024 and 2023

1. CORPORATE INFORMATION

RURAL BANK OF APALIT, INC. (The Bank) was registered with the Philippine Securities and Exchange Commission (SEC) on March 4, 1957. The Bank was authorized by the Bangko Sentral ng Pilipinas to engage in rural banking business immediately after the release of its Certificate of Authority in the same year.

The Bank's principal head office is located at Mac Arthur Highway, San Vicente, Apalit, Pampanga. It also has three (e) branches located on the areas of Binangonan Rizal, San Mateo Rizal and Pulilan Bulacan.

The Bank's board of directors is composed of five (5) members and two (2) of them are an independent directors.

Approval of Financial Statements

The accompanying financial statements of the Bank for the year ended December 31, 2024 were authorized for issue by its Board of Directors on _____, 2025.

The financial statements of prior year were audited by another external auditor who expressed an unqualified opinion dated April 5, 2024. Balances of the audited financial statements of the preceding year were carried forward in order to present a comparative report for the current year.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

Basis of Preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements provide comparative information in respect to previous period. In addition, the Bank presents an additional statement of financial position at the beginning of the earlier period presented when there is retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

Statement of Compliance

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

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going Concern Assumption

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except that the Bank has adopted the following new accounting pronouncements beginning January 4, 2024. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated.

Amendments, and Interpretations Adopted

Amendments

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify:

(1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, Making Materiality Judgements, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

- *Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)*

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale.

- *Non-current Liabilities with Covenants (Amendments to PAS 1)*

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

- *Supplier Finance Arrangements (Amendments to PAS 7 and PFRS 7)*

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

New and Amended PFRS Issued But Not Yet Effective

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

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

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

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

Deferred effectivity

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

Financial Instruments

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

Financial Assets

Classification and Subsequent Measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains or losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

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

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

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

The Bank's cash and cash equivalents, investment securities, loans receivable fall in this category of financial instruments.

Cash and Cash Equivalents

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

Cash on Hand

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

Due from Bangko Sentral ng Pilipinas

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

Due from Other Banks

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

Loans Receivables

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

Loans & Discounts

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

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

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

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

Sec. 304 of the Manual of Regulations for Banks (MORB) states that past due accounts of a bank shall, as a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due.

Sec. 304 states that loans, investments, receivables or any financial asset shall be considered non performing even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date or accrued interest for more

than 90 days have been capitalized, refinanced or delayed by agreement. Restructured loans shall be considered performing only, if prior to restructuring, the loans were categorized as performing. Non-performing loans and other receivables shall remain classified as such until a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or b) written off.

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

Sales Contract Receivable

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

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

1. That there has been a down payment of at least twenty percent (20%) of the agreed selling price or in the absence thereof, the installment payments on the principal had already amounted to at least twenty percent (20%) of the agreed selling price;
2. That payment of the principal must be in equal installments or in diminishing amounts and with maximum intervals of one (1) year;
3. That any grace period in the payment of principal shall not be more than two (2) years; and
4. That there is no installment payment in arrear either on principal or interest: Provided, That an SCR account shall be automatically classified "Substandard" and considered non-performing in case of non-payment of any amortization due. Provided, further, that an SCR which has been classified "Substandard" and considered non-performing due to non-payment of any amortization due may only be upgraded/restored to unclassified and/or performing status after a satisfactory track record of at least three (3) consecutive payments of the required amortization of principal and/or interest has been established.

Financial Liabilities

Classification and Measurement

A financial liability is any liability that is:

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

Initially, financial liabilities are measure at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated financial liability at fair value through profit or loss.

In both the current and prior period, financial liabilities subsequently measured at amortized cost using effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in the Statement of Comprehensive Income (other than derivative financial instruments that are designated and effective as hedging instruments). No reclassification shall be made to financial liabilities.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the Statement of Comprehensive Income are included within finance cost or finance income.

The Bank's financial liabilities include deposit liabilities and other payables arising from contractual obligations (except for tax-related liabilities and retirement benefit obligations).

Deposit Liabilities

The deposit liability account includes regular savings deposits and preferred savings account. Regular Savings deposits are interest bearing or non-interest bearing and are withdraw-able upon presentation of properly accomplished withdrawal slip and passbook. Preferred Savings Account (PSA) refers to interest-bearing deposits with specific maturity dates which are withdrawable upon presentation of a properly accomplished withdrawal slip together with corresponding passbook. Moreover, PSA deposit can be withdrawn during the term of the deposit subject to decrease of interest income earned.

Accrued Expenses and Other Liabilities

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

Dividends distributions to shareholders are recognized as financial liabilities when the dividends are declared by the Bank's Board of Directors and subject to the requirements of Section 124 of the Manual Regulations for Banks (MORB).

As of December 31, 2024 and 2023, the Bank has not designated any financial liabilities upon initial recognition as at FVTPL

Other Payables arising from contractual obligations

Other Payables arising from contractual obligations include accounts payable and other accrued payables excluding those pertaining to obligations as mandated by law such as taxes payable, SSS payables and the like. These other payables qualifying into the definition of financial liabilities under PFRS 9 are subsequently measured at the expected settlement amounts. The short-term nature of such payables renders the effect of discounting to be immaterial.

Derecognition of Financial Instruments

Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party and meets the qualification parameters for derecognition.

The Banks had transferred a financial asset if, and only if, it either transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. When the Bank retains the contractual rights to receive the cash flows of a financial assets but assumes a contractual obligation to pay those cash flows, the Bank treats the transaction as a transfer of financial asset if the following conditions are met:

- a) The Bank has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from original asset;
- b) The Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security as security to the eventual recipients for the obligation to pay them cash flows; and
- c) The Bank has no obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay

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

Financial Liabilities

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

Impairment of Financial Instruments

At each reporting date, the Bank measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instruments has increased significantly since initial recognition.

If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Bank recognizes in the Statement of Comprehensive Income the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date. Loss allowance for financial assets at FVOCI are recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

The Bank shall measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of PFRS 15.

The Bank measures expected credit losses of a financial instrument in a way that reflects:

- a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b) The time value of money; and
- c) 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 considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect expected collectability of the future cash flows of the instruments.

In applying this forward-looking approach, a distinction is made between:

- (i) financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- (ii) financial instruments that have not deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Bank shall directly reduce the gross carrying amount of a financial asset when the Bank has no reasonable expectations of recovering a financial asset on its entirety or a portion thereof. A write-off constitutes a derecognition event.

Definition of "default" and "cure"

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An Instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days and has exhibited a satisfactory track record.

Restructured Loans

Pursuant to the section 304 of the MORB (Past Due Accounts and Non-Performing Loans), restructured loans are defined as loans and other credit accommodations the original contractual terms and conditions of which have been modified in accordance with a formal restructuring agreement that sets forth a revised schedule of payments for the purpose of lessening the financial difficulty of the borrower and maximizing collection and realizable economic value on an obligation within a reasonable period of time. The modification may include, but is not limited to, change in principal due, maturity, interest rate and other charges, collateral, or other terms and conditions. These restructured loans are considered as past due and non-performing except if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in Statement of Income.

Write-off Policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity; and, where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. Any outstanding contractual amounts of such assets written off during the period ended December 31, 2024, and 2023, if there is any is disclosed in the notes discussing details of Loans and Other Receivables.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there's an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of the business, event of default, and event of insolvency or bankruptcy of the Bank and all of the counterparties.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank shall not offset the transferred asset and the associated liability.

Other Assets

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

Premises, Furniture, Fixtures and Equipment

Premises, furniture, fixtures, and equipment except land, are carried at cost less accumulated depreciation and amortization and any impairment value. Land is stated at cost less any impairment value.

Land is stated at cost less any impairment losses. All other items of 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.

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

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of improvements or the term of the lease, whichever is shorter. Land is not depreciated.

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

Building	10 years
Furniture and fixtures	3 - 5 years
Transportation equipment	3 - 5 years
Information Technology Equipment	3 - 5 years
Other Office Equipment	3 - 5 years

Fully depreciated assets are retained in the accounts at ₱ 1 net value until they are no longer in use and no further charge for depreciation is made with respect to those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any resulting gain or loss are reflected in the income for the period. Any disposal or deletion of property and equipment from the Bank's book of accounts should be approved by the management.

Leasehold rights and improvements amortization if there is any, is computed over the lease term or the estimated useful life of the improvement, whichever is shorter. The estimated useful life of leasehold rights and improvements is five years depending on the nature of the improvement.

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

Investment Properties

Investment properties represent properties that were foreclosed by the Bank from defaulted borrowers for capital appreciation or for sale or for both, this also includes the foreclosed properties of the bank as required by the Manual of Regulations for Banks and available for sale after redemption period in the ordinary course of business.

ROPA are booked initially at the carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium discount less allowance for credit losses computed based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for credit losses (computed based on PFRS 9 provisioning requirements) plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property: Provided, that the carrying amount of ROPA exceed P5,000,000, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

Subsequent to initial recognition, depreciable items of ROPA are carried at cost less accumulated depreciation and any impairment losses.

ROPA are derecognized when it has either been disposed of or permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of ROPA is recognized in the Statement of Income in the year of retirement or disposal.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets.

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.

Investment properties including the related accumulated depreciation and any impairment losses are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

Impairment of Non-Financial Assets

At each reporting date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exist or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing in use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statements of Comprehensive Income unless the asset is carried at a revalued amount, in which case reversal is treated as revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining life.

Equity

Share Capital

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

Subscribed common stock is recognized at subscribed amount net of subscription receivable.

Subscriptions receivable pertains to uncollected portion of subscribed stocks. The Bank accounted for the subscription receivable as a contra equity account.

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

Dividends

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

Earnings per Share

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

Book Value per Share

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

Revenue Recognition

The Bank derives revenue from interest income, loan fees and service charges, interest income from bank deposits, and other income over time and at a point in time.

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

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

Revenue within the scope of PFRS 15:

Loan Fees, Service Charges and Commissions

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

Service charges and commissions are recognized earned or accrued where there is reasonable degree as to its collectability and based on the agreed term and conditions with customers which are generally when the services has been performed. This is included as part of the Other Operating Income in the statement of income.

Revenue outside the scope of PFRS 15:

Interest Income

Interest on Loans

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

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

Interest Income on Bank Deposits and Debt Securities Measured at Amortized Cost

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

Gains from Sale or Derecognition of Non-Financial Assets

Income from the sale of non-financial assets, which are supported by contracts approved by the parties involved, is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured. Gain or loss on foreclosure is determined as the difference between the fair value at foreclosure and the carrying amount of the loan. Gain on foreclosure is recognized when the risks and rewards of the property have been transferred to the Bank.

Other Income

Other income arising from sources which are not included in all income sources are handling and service charge on loan release; inspection fee; below maintaining balance, closed account and lost passbook charges on deposit; cost of issuance of cancellation of real estate mortgage and bank certification; pre-termination fee on loan accounts; dividend received from our PLDT Shares, collection fee and income derived from sale of asset acquired.

Cost and Expense Recognition

Cost and expense are decrease in economic benefits in the form of decreases in assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are received or when the expense is incurred.

Interest Expense

Interest expense for financial liabilities is recognized in profit or loss on accrual basis.

Other Expense

Other expenses encompass losses as well as expenses that arise in ordinary course of business of the Bank. Other expenses are recognized when incurred

Leases

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

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

Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including directors and management. The Bank recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period.

Short-term benefits

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

Retirement Benefits

The Bank's retirement benefit costs is not accounted for using the projected unit actual actuarial valuation method as prescribed by PAS 19, but determined by observing the minimum legal requirements as stated RA 7641 and retirement policy whichever is beneficial. No significant assumption was used by the Bank that would generally affect the recognized expenses and recorded obligation in the future period. Annually, the Bank assesses the sufficiency of the recorded retirement benefit liability. Any increase or decrease thereto is adjusted through the Bank's Statement of Comprehensive Income.

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.

Income Taxes

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

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

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

Related Party Relationships and Transactions

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

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 obligation that has resulted from past events. This also includes any provisions of bank for losses and provision for retirement of employees.

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.

Subsequent Events

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

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

Judgments

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

a. Classification of financial instruments

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

b. Determination of Functional currency

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

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

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

c. Recognition of Provision and Contingencies

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

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

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

Estimates

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

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

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

b. *Allowance for Credit Losses*

The allowance for credit losses, which includes both specific and general loan loss reserve represents management's estimate of probable losses inherent in the portfolio, after considering the prevailing and anticipated economic conditions, prior loss experience, estimated recoverable value based on fair market values of underlying collaterals and prospect of support from guarantors, subsequent collections and evaluations made by the BSP. The BSP observes certain criteria and guidelines in establishing specific loan loss reserves for classified loans and other risk assets as provided under Sec. 143 and Appendix 15 of the Manual of Regulations for Banks.

Other Risk Assets

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

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

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

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

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

d. *Useful life of Depreciable Investment Property*

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

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

An impairment review should be performed when certain impairment indicators are present.

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

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

f. *Recognition of Retirement Costs*

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

g. *Recognition of Deferred Tax Assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

5. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

Credit Risk

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

Additionally, the tables below show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2024 and 2023:

		2024		2023
Cash and other cash items	P	1,863,907	P	1,496,302
Due from BSP		14,631,153		2,282,605
Due from other banks		119,963,778		57,731,626
Total Loans and Receivables-net		298,863,693		193,589,167
Total	P	435,322,531	P	255,099,700

Credit quality per class of financial assets

The tables below show the credit quality per class of financial assets as at December 31, 2024 and 2023:

	2024						2023				
		High grade		Standard grade			Past due but not impaired		Impaired		Total
Due from BSP	P	14,631,153	P	-	P	-	P	-	P	14,631,153	
Due from other banks		119,963,778		-		-		-		119,963,778	
Loans Receivable*		-		78,349,219		213,321,551		9,169,273		300,840,043	
Accrued Interest Income		-		-		-		-		-	
Sales contract receivable**		-		2,943,191		-		-		2,943,191	
Other Assets***		-		1,371,732		-		-		1,371,732	
	P	134,594,931	P	82,664,142	P	213,321,551	P	9,169,273	P	439,749,897	

**amount is gross of ACL*

***amount is net of ACL and unamortized discounts*

****comprised of accounts receivable*

2023									
		High grade		Standard grade		Past due but not impaired		Impaired	Total
Due from BSP	P	2,282,605	P	-	P	-	P	-	2,282,605
Due from other banks		57,731,626		-		-		-	57,731,626
Loans Receivable*		173,308,468		40,254		6,219,946		19,358,445	198,927,113
Accrued Interest Income		-		-		-		-	-
Sales contract receivable**		-		182,192		-		-	182,192
Other Assets***		-		407,792		-		-	407,792
	P	233,322,699	P	630,238	P	6,219,946	P	19,358,445	259,531,328

**amount is gross of ACL*

***amount is net of ACL and unamortized discounts*

****comprised of accounts receivable*

Market Risk

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

Interest rate risk

The Bank's loan receivables earn effective interest rates ranging from 10.00% to 25.14% for 2024 and from 10.00% to 12.00% for 2023, respectively. The Bank's interest rate on its deposit liabilities is ranging from 0.25% to 2.75% for 2024 and from 0.75% to 2.50% for 2023, respectively.

However, the Bank earns ranging from 0.0250% to 5.750% and 0.10% to 2.00% on its current, savings and time deposits with other Banks for the year 2024 and 2023, respectively.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of the financial instruments will fluctuate because of changes in interest rates. The Bank's cash equivalents are mostly invested in fixed interest rates on its duration and therefore exposed to fair value interest rate risk but not to cash flow interest rate risk.

Loan receivables and interest bearing liabilities are sized as to interest rate and maturity to make a reasonable analysis of the degree of risk associated with lending and borrowings.

Cash Flow Interest Rate Risk

This is the risk that future cash flows of the financial instrument will fluctuate because of changes in market interest rates. In the case of a floating rate debt instrument. Fluctuation results in a change in effective interest rate of a financial instrument usually without a corresponding change in its fair value.

Liquidity Risk

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

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

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

		2024					
		0 - 3 months	3 - 12 months	1 Year - 3 Years	Over 3 Years	Total	
Financial Assets:							
Cash and other cash items	P	1,863,907	P -	P -	P -	1,863,907	
Due from BSP		14,631,153	-	-	-	14,631,153	
Due from other banks		119,963,778	-	-	-	119,963,778	
Loans receivable**		298,042,848	2,797,195	-	-	300,840,043	
Sales contract receivable***		2,943,191	-	-	-	2,943,191	
Other Assets ****		1,371,732	-	-	-	1,371,732	
Total Financial Assets	P	438,816,609	P 2,797,195	P -	P -	441,613,804	
Financial Liabilities:							
Deposit liabilities	P	163,219,486	P 87,488,315	P 25,692,260	P 1,889,315	P 278,289,376	
Accrued Interest Payable		540,495	-	-	-	540,495	
Accrued Others		143,952	-	-	-	143,952	
Other Liabilities *****		2,349,731	-	-	-	2,349,731	
Total Financial Liabilities	P	166,253,664	P 87,488,315	P 25,692,260	P 1,889,315	P 281,323,554	
Liquidity Position (Gap)	P	272,562,945	P (84,691,120)	P (25,692,260)	P (1,889,315)	P 160,290,250	

*amount is gross of allowance for credit losses

**amount is gross of allowance for credit losses

*** comprised of accounts receivable

**** comprised of accounts payable

		2023					
		0 - 3 months	3 - 12 months	1 Year - 3 Years	Over 3 Years	Total	
Financial Assets:							
Cash and other cash items	P	1,496,302	P -	P -	P -	1,496,302	
Due from BSP		2,282,605	-	-	-	2,282,605	
Due from other banks		57,731,626	-	-	-	57,731,626	
Loans receivable**		198,927,113	-	-	-	198,927,113	
Sales contract receivable***		182,192	-	-	-	182,192	
Other Assets ****		407,792	-	-	-	407,792	
Total Financial Assets	P	261,027,630	P -	P -	P -	261,027,630	
Financial Liabilities:							
Deposit liabilities	P	19,727,596	P 114,287,725	P 53,683,253	P -	P 187,698,574	
Accrued Interest Payable		-	-	-	-	-	
Accrued Others		-	76,980	-	-	76,980	
Other Liabilities *****		-	1,118,850	-	-	1,118,850	
Total Financial Liabilities	P	19,727,596	P 115,483,555	P 53,683,253	P -	P 188,894,404	
Liquidity Position (Gap)	P	241,300,034	P (115,483,555)	P (53,683,253)	P -	P 72,133,226	

*amount is gross of allowance for credit losses

**amount is gross of allowance for credit losses

*** comprised of accounts receivable

**** comprised of accounts payable

Operational Risks

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

Minimum Liquidity Ratio (MLR)

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

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

On March 26, 2020, the Monetary Board in its Resolution No. 427.B issues the Memorandum No. M-2020-020 reducing the MLR from twenty percent (20%) to sixteen percent (16%) to address the increasing liquidity risk exposure of the Banks arising from higher demands for funds by depositors, borrowers or both brought by the COVID-19 outbreak the implementation of community quarantine until December 31, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the reducing of MLR of stand-alone thrift, rural, and cooperative banks until the end of December 31, 2022. Therefore, effective January 01, 2023, the MLR requirement shall be reinstate to twenty percent (20%). Therefore, effective January 01, 2023, the MLR requirement shall be reinstate to twenty percent (20%).

As of December 31, 2024 and 2023, the Bank has a Minimum Liquidity Ratio as computed below:

	2024		2023	
PART 1. MINIMUM LIQUIDITY RATIO (MLR)				
A. Stock of Liquid Assets	P	136,458,838	P	61,510,533
B. Qualifying Liabilities		314,438,324		175,293,324
Minimum Liquidity Ratio		43.40%		35.09%
PART II. STOCK OF LIQUID ASSETS				
Cash on Hand		1,863,907		1,496,302
Bank Reserves in the BSP		14,631,153		2,282,605
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP		-		-
Deposits in Other Banks		119,963,778		57,731,626
		136,458,838		61,510,533
PART III. QUALIFYING LIABILITIES				
A. Qualifying Liabilities				
1. Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below	P	45,907,834	P	22,953,917
			P	29,751,590
			P	14,875,795
2. Borrowings that are non-callable in , or have contractual maturity dates beyond, the next 30 calendar days		-		-
3. Obligations arising from operational expenses		143,952		-
4. Total on Balance Sheet Liabilities		337,536,193		190,834,293
5. Deduct: [Sum of A1 to A3]		46,051,786		22,953,917
				29,751,590
				14,875,795
B. Other non-balance sheet liabilities (Item A.3 less A.4)		291,484,407		291,484,407
				160,417,529
				160,417,529
C. Irrevocable obligations under off-balance sheet items		-		-
D. Total (Sum of Adjusted Amount of Item A(1), A(2), B and C)	P	314,438,324	P	175,293,324

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

As at December 31, 2024

	Carrying Value		Level 1		Level 2		Level 3	
Cash and other cash items	P	1,863,907	P	-	P	1,863,907	P	-
Due from BSP		14,631,153		-		14,631,153		-
Due from other banks		119,963,778		-		119,963,778		-
Loans Receivable - net		298,863,693		-		298,863,693		-
Deposit Liabilities		278,289,376		-		278,289,376		-
Accrued Expenses and Other Liabilities		4,246,817		-		4,246,817		-
Total	P	717,858,724	P	-	P	717,858,724	P	-

As at December 31, 2023

	Carrying Value		Level 1		Level 2		Level 3	
Cash and other cash items	P	1,496,302	P	-	P	1,496,302	P	-
Due from BSP		2,282,605		-		2,282,605		-
Due from other banks		57,731,626		-		57,731,626		-
Loans Receivable - net		193,589,167		-		193,589,167		-
Deposit Liabilities		187,698,574		-		187,698,574		-
Accrued Expenses and Other Liabilities		2,470,545		-		2,470,545		-
Total	P	445,268,819	P	-	P	445,268,819	P	-

7. CASH AND CASH EQUIVALENTS

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

	2024		2023	
7.1. Cash and Other Cash items				
Cash on Hand and in Vault	P	1,863,907	P	1,496,302
Check and Other Cash Items		-		-
Total cash and other cash items		1,863,907		1,496,302
7.2. Due from BSP and other Banks				
Due from Bangko Sentral ng Pilipinas		14,631,153		2,282,605
Due from Other Banks		119,963,778		57,731,626
Total due from BSP and other Banks		134,594,931		60,014,231
Total Cash and Cash Equivalents	P	136,458,838	P	61,510,533

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

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

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

Name of Banks	2024		2023	
Land bank of the Philippines	P	311,006	P	550,931
Bank of the Philippine Islands		4,949,865		2,764,383
Producers Bank		105,855,654		38,518,875
Eastwest Bank		3,604,461		10,743,407
Banco De Oro		5,242,792		5,154,030
Total	P	119,963,778	P	57,731,626

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

As of December 31, 2024, the Bank's SBL was registered at ₱34,966,130 and as per BSP Manual of Regulations, banks are exempted on the ceiling of single borrower's limit (SBL) on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for clearing operation.

As of December 31, 2024, none of the Banks has exceeded the prescribed limit or ₱ 100 million under Sec. 362g of the MORB.

Cash in bank represents current, savings and time deposit account in local bank which earns interest at 0.0250% to 5.750% and 0.25% for the year end 2024 and 2023, respectively.

Interest income from bank accounts and short-term cash deposits amounted ₱1,158,803 and ₱971,409, in 2024 and 2023, respectively.

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

The Bank holds no cash and cash equivalents in 2024 and 2023 which are not available for use by Bank.

8. LOANS AND RECEIVABLE

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

	2024		2023	
Current Loans	P	292,572,823	P	173,308,468
Past Due Loans				
Performing		3,843,853		40,254
Non-Performing		4,423,367		6,219,946
Items in Litigation		-		19,358,445
Total		300,840,043		198,927,113
Less: Unamortized Interest and Discount		-		-
Total, net of discount		300,840,043		198,927,113
Less: Allowance for Credit Losses				
Specific		2,015,215		3,638,361
General		2,904,326		1,881,777
Total Loans Receivables-net	P	295,920,502	P	193,406,975
Add: Sales Contract Receivable, net (Note 8.1)		2,943,191		182,192
Total Loans and Receivables-net	P	298,863,693	P	193,589,167

As of December 31, 2024 and 2023, total interest earned amounted to ₱26,932,561 and ₱11,544,406, respectively.

The Bank holds collateral against loans and receivables in the form of real estate mortgages.

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

Note 8.1 - Sales Contract Receivable

This refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dation in payment and subsequently sold on installment basis whereby the title to the said property is transferred to the buyers only upon full payment of selling price.

This account consists of:

	2024		2023	
Performing	P	2,943,191	P	182,192
Non-performing		-		-
Total		2,943,191		182,192
Less: Allowance for Credit Losses		-		-
Sales Contract Receivable-net	P	2,943,191	P	182,192

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

Movements in the allowance for credit losses related to loan and receivables follow:

	2024		2023	
Balance at beginning of year	P	5,520,137	P	5,443,145
Provision		809,030		1,504,210
Reversal		(1,409,626)		(1,427,218)
Balance at end year	P	4,919,541	P	5,520,137

The total Allowance for Credit Losses of ₱4,919,541 which composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the appendix 15 of the MORB.

9. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts of these fixed assets and their respective accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment shown below.

Details of net carrying amount as of December 31, 2024

		Cost		Accumulated Depreciation/ Amortization		Net Carrying Amount
Cost						
Land	P	12,665	P	-	P	12,665
Building		15,717,971		4,992,443		10,725,528
Furniture and Fixtures		1,871,829		713,350		1,158,480
Information Technology Equipment		5,502,523		3,050,127		2,452,395
Transportation Equipment		2,380,268		754,623		1,625,646
Other Office Equipment		970,666		762,094		208,572
Total	P	26,455,923	P	10,272,637	P	16,183,286

Details of net carrying amount as of December 31, 2023

		Cost		Accumulated Depreciation/ Amortization		Net Carrying Amount
Cost						
Land	P	12,665			P	12,665
Building		13,236,671		2,548,706		10,687,965
Furniture and Fixtures		1,395,086		297,196		1,097,890
Information Technology Equipment		4,786,634		1,981,697		2,804,936
Transportation Equipment		563,666		268,962		294,704
Other Office Equipment		1,355,590		491,359		864,231
Total	P	21,350,312	P	5,587,920	P	15,762,392

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

Roll forward analysis of acquisition cost for the year ended December 31, 2024:

	Balance at beginning of year		Additions		Disposal		Adjustments		Balance at end of year	
Cost										
Land	P	12,665	P	-	P	-	P	-	P	12,665
Building		13,236,671		678,083		-		1,803,217		15,717,971
Furniture and Fixtures		1,395,086		473,417		-		3,326		1,871,829
Information Technology Equipment		4,786,634		650,598		-		65,291		5,502,523
Transportation Equipment		563,666		1,824,074		-		7,471		2,380,268
Other Office Equipment		1,355,590		-		-		384,924		970,666
Total		21,350,312		3,626,172		-		2,264,229		26,455,923
Accumulated Depreciation										
Building		2,548,706		640,520		-		1,803,217		4,992,443
Furniture and Fixtures		297,196		412,827		-		3,326		713,350
Information Technology Equipment		1,981,697		1,003,139		-		65,291		3,050,127
Transportation Equipment		268,962		493,132		-		7,471		754,623
Other Office Equipment		491,359		332,588		-		61,853		762,094
Total		5,587,920		2,882,206		-		1,941,159		10,272,637
Net carrying amount	P	15,762,392							P	16,183,286

Roll forward analysis of acquisition cost for the year ended December 31, 2023:

	Balance at beginning of year		Additions		Disposals		Adjustments		Balance at end of year	
Cost										
Land	P	12,665	P	-	P	-	P	-	P	12,665
Building		4,166,580		9,070,091		-		-		13,236,671
Furniture and Fixtures		305,245		1,089,841		-		-		1,395,086
Information Technology Equipment		2,526,534		2,260,100		-		-		4,786,634
Transportation Equipment		250,000		313,666		-		-		563,666
Other Office Equipment		532,757		822,833		-		-		1,355,590
Total		7,793,781		13,556,531		-		-		21,350,312

Accumulated Depreciation					
Building	2,276,219	272,487	-	-	2,548,706
Furniture and Fixtures	248,498	48,698	-	-	297,196
Information Technology Equipment	1,525,360	445,637	-	10,700	1,981,697
Transportation Equipment	249,999	18,963	-	-	268,962
Other Office Equipment	432,365	58,994	-	-	491,359
Total	4,732,441	844,779	-	10,700	5,587,920
Net carrying amount	P 3,061,340			P	15,762,392

Depreciation amounting to ₱2,882,206 and ₱844,779 in 2024 and 2023, respectively, are shown as separate components of operating expenses in the Statements of Income.

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

The value of the Bank premises, furniture, fixtures and equipment of ₱16,183,286, net of accumulated depreciation, as of December 31, 2024 is 12% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Section 109).

The Bank, after due consideration of the assessment of its impairment, believes that there are no indications that the property and equipment as of December 31, 2024 and 2023 are impaired or its carrying amount cannot be recovered.

10. INVESTMENT PROPERTIES

This account is consisting of real estate properties acquired by the Bank in settlement of loans which were recognized as ROPA and accounted for as investment properties to conform with PAS 40.

The gross carrying amounts and accumulated depreciation and impairment of investment properties are shown in the below.

	2024		2023	
Land	P	9,424,972	P	9,856,948
Building		-		-
Total		9,424,972		9,856,948
Less: Accumulated Depreciation		-		-
Total		9,424,972		9,856,948
Less: Allowance for Credit Losses		-		-
Net Carrying Amount	P	9,424,972	P	9,856,948

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

	2024		2023	
Balance at beginning of year net of accumulated depreciation and Impairment loss	P	9,856,948	P	10,141,902
Additions		-		-
Disposal		(431,976)		-
Depreciation		-		(284,954)
Adjustments		-		-
Balance at end of year net of accumulated depreciation and Impairment loss	P	9,424,972	P	9,856,948

As of December 31, 2024 and 2023, no amount of investment in property was used as collateral for liabilities.

Additions to investment property during the year are through transfer of loans receivables to ROPA account and non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property.

11. OTHER ASSETS

This account is consists of:

	2024		2023	
Financial Asset				
Accounts Receivable	P	165,732	P	407,792
Non-Financial Assets				
Prepaid Expense		1,086,091		311,611
Miscellaneous Assets		310,330		307,330
Petty Cash Fund		20,000		20,000
Servicing Asset		1,206,000		-
Stationary and Supplies		277,742		181,899
Others		-		1,515
Total	P	3,065,895	P	1,230,147
Less: Allowance for Credit Losses		-		-
Total Other Assets	P	3,065,895	P	1,230,147

The Accounts Receivable represents various advances and payments made by the Bank of various expenses and/or transactions and were charged to the respective accounts of the beneficiaries' subject to liquidation.

Prepaid Expenses are future expenses that have been paid in advance.

Servicing Asset are bills payments and remittances from bayad center and other financial transactions

12. DEPOSIT LIABILITIES

This account is consists of:

	2024		2023	
Savings Deposit	P	278,289,376	P	187,698,574
Total Deposit Liabilities	P	278,289,376	P	187,698,574

Savings Deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time. The total deposits for the year increased by P90,590,802 or 48.26% over the figures of 2023.

For the year 2024 and 2023, regular savings deposit carries an interest rate of 0.25% p.a.. The Bank's preferred savings account (PSA) carries interest rate ranging from 2.00% to 2.75%.

Under BSP Circular No. 1201 Series of 2024, the reduction in reserve requirements. On September 5, 2024, the Monetary Board in its Resolution No. 1027, approved the reduction in the reserve requirement ratios of deposit and deposit substitute liabilities in local currency of banks effective reserve week starting 25 October 2024 which shall now be zero percent (0%) for rural banks (RBs) and cooperative banks (Coop Banks).

Interest expense on deposit liabilities charged to profit or loss in 2024 and 2023 amounted to ₱3,743,488 and ₱1,915,836, respectively.

13. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

	2024		2023	
Accrued Interest Expense on Financial Liabilities	P	540,495	P	-
Accrued Expense Others		143,952		76,980
Total	P	684,447	P	76,980

Accrued interest payable represents the recognition of interest expense already due on financial liabilities as of December 31, 2024 but subsequently paid in the next accounting period. Accrued other expense are year-end expense payable on the following year.

14. OTHER LIABILITIES

This account consists of:

	2024		2023	
Accounts Payable	P	2,349,731	P	1,118,850
Withholding Tax Payable		94,145		98,218
SSS, Medicare and Pag-Ibig Contribution Payable		141,452		120,235
Pension and Other Post Benefit Obligation (Note 19)		697,642		697,642
Miscellaneous Liabilities		99,856		179,075
Dividends Payable		179,545		179,545
Total	P	3,562,371	P	2,393,565

The above liabilities are settled either by cash or check payments. As December 31, 2024 and 2023, no amount of assets was used as collateral, security or guarantee for the above liabilities.

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

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

SSS, Medicare and Pag-ibig Contributions are employees' contribution which are to be remitted by the Bank on January 2025.

15. EQUITY

15.1 SHARE CAPITAL

Ordinary Shares

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

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

	2024		2023	
	Shares	Amount	Shares	Amount
Share Capital – P100 par value, 1,500,000 authorized shares				
Ordinary Shares at the beginning of the year	575,000	P 57,500,000	362,500	P 36,250,000
Issuance of shares of stocks from settlement of subscriptions receivable	425,000	42,500,000	212,500	21,250,000
Ordinary Shares the end of the year	1,000,000	100,000,000	575,000	57,500,000
Subscribed	-	-	-	-
Subscription receivable	-	-	-	-
Total	1,000,000	P 100,000,000	575,000	P 57,500,000

15.2 DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

On April 26, 2024, the BOD approved the increase in authorized capital stock from P100 million to P500 million, which was ratified by the stockholders on April 26, 2024. The Bank received the related deposits for future stock subscription from its stockholders amounting to P55 million.

On July 19, 2024, the BOD and the stockholders re-approved the application to increase the authorized capital stock of the Bank. On September 4, 2024, the BSP approved the application to increase the authorized capital stock of the Bank. On September 17, 2024, the Bank filed its application with the SEC.

As at report date, the decision on the application is still pending before the SEC.

15.3 RETAINED EARNINGS - FREE

The reconciliation of surplus during the period is as follows:

	2024		2023	
Balance, Beginning	P	22,856,153	P	19,893,149
Net Income		3,982,010		1,610,674
Issuances of Dividends		-		-
Provisions and Adjustments		671,156		1,352,330
Balance, Ending	P	27,509,319	P	22,856,153

Provision and Adjustments

		2024		2023
Over provision for income tax - prior year	P	-	P	-
Others		671,156		1,352,330
Total	P	671,156	P	1,352,330

15.4 CAPITAL MANAGEMENT

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

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

Regulatory Qualifying Capital

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

Under Section 127 of the MORB, as amended by Circular No. 1079 dated March 2020 and Circular No. 1084 dated April 28, 2022, the risk-based capital adequacy framework for stand alone thrift banks, rural banks and cooperative banks are in Appendix 62 of the MORB.

Furthermore, the amendments to the the Risk-Based Capital Adequacy Framework for Stand Alone Thrift Banks, Rural Banks and Cooperative bank, particularly on Part I. Risk-based Minimum Capital Ratios and Part II. Qualifying Capital took effect on 01 January 2023.

Under the amended Risk-Based Capital Adequacy Framework, the minimum capital ratios shall be expressed as a percentage of capital to risk-weighted assets as shown below:

Minimum Capital Ratio	Capital	% of Risk Weighted Assets
Common Equity Tier 1 (CET1) Ratio	CET 1	at least 6.0%
Tier 1 Ratio	Tier 1	at least 7.5%
Capital Adequacy Ratio (CAR)	Qualifying Capital	at least 10.0%

A capital conservation buffer (CCB) of two and a half percent (2.5%), comprised of CET1 capital, shall likewise be imposed.

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

Under Section 121: *Minimum Required Capital*, Rural Banks with up to 5 branches including head office in all other areas are required to comply with the minimum capital of P50M within five (5) years as amended by Circular No. 1151.

The CAR of the Bank as at December 31, 2024 and 2023, as adjusted, is shown in the table below:

		2024		2023
Tier 1 Capital	P	125,917,860		91,114,894
Tier 2 Capital		2,904,326		1,881,777
Total Qualifying Capital	P	128,822,186	P	92,996,671
Risk Weighted Assets	P	478,119,763	P	304,774,976
Tier 1 Ratio		26.34%		29.90%
Tier 2 Ratio		0.61%		0.62%
Capital Adequacy Ratio (CAR)		26.94%		30.51%

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

	2024	2023
A. Calculation of Qualifying Capital		
A.1 Tier 1 Capital		
Core Tier 1 Capital		
Paid-Up Capital - Ordinary	P 100,000,000	P 57,500,000
Deposit for Stock Subscription	-	12,350,200
Retained Earnings	27,514,319	22,861,153
Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	1,596,459	1,596,459
Total Tier 1 Capital	125,917,860	91,114,894
A.2 Tier 2 Capital		
General Loan Loss Provision	2,904,326	1,881,777
Deductions from Upper Tier 2	-	-
Total Upper Tier 2 Capital	2,904,326	1,881,777
TOTAL QUALIFYING CAPITAL	P 128,822,187	P 92,996,671

Capital ratios	2024	2023
Total regulatory capital expressed as percentage of total risk weighted assets	26.94%	30.51%
Total CET 1 capital expressed as percentage of total risk weighted assets	26.34%	29.90%
Total Tier 1 capital expressed as percentage of total risk weighted assets	26.94%	30.51%

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

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments. As at December 31, 2024 and 2023, the Bank is compliant with CAR requirement.

16. OTHER INCOME

This account consists of:

	2024	2023
Fees and Commissions	P 2,550,480	P 2,212,882
Gains From Sale/Derecognition of Investment Properties	1,815,896	803,858
Rental	259,822	536,182
Miscellaneous Income	634,996	2,024,480
Total	P 5,261,194	P 5,577,402

17. COMPENSATION AND BENEFITS

This account consists of the following:

	2024	2023
Salaries, Wages and Other Benefits	P 8,725,364	P 4,937,126
Director's Fee	933,333	962,222
SSS, Philhealth, and Employees Compensation Premium and Pag-ibig Fund Contribution	750,140	453,285
Medical, Dental and Hospitalization	-	2,450
Total	P 10,408,837	P 6,355,083

18. RETIREMENT BENEFITS PLAN

In compliance with R.A. 7641, defined benefit plan, on which the bank's obligation is to provide specific level of benefits for every year of service, the bank will pay lump sum to its regular employees when they retire. The lump sum is their basic salary in the final year of service multiplied by the number of year in service.

The bank has not obtained an updated actuarial valuation of its employees' retirement benefits computed using the projected unit credit method as of December 31, 2024 as required by PAS/IAS 19, Employee Benefits and PAS/IAS 26, Accounting and Reporting of Retirement Plan. The bank has its own retirement policy to comply with the requirements of

Philippine Laws the Republic Act 7641. The required disclosure such as, its exposure to risk, demographic and financial assumptions, defined benefits plan and fair value of assets and the stress test dealing with timing and uncertainty of future cash flows were not disclosed. There is no sufficient information to compute the retirement obligation using the "Projected Unit Credit" method and to prepare the required disclosure pursuant with the provision of PAS 19 and PAS 26. The Management believes that the effect of such non-compliance is not material and will not affect the decision of users of these financial statements. Despite that, the bank maintains a retirement liability and plan asset.

The Bank's retirement benefit obligation pertains to a funded, contributory and non-contributory retirement benefit plan. The retirement plan, the Bank recognizes the payment of retirement, death, or disability benefits to its employees' beneficiaries as the case may be, subject to the conditions and limitations set in the Bank's retirement plan manual.

All regular/permanent employee regardless of age is eligible for Bank's retirement benefits. Normal retirement age is 60.

Retiring employees are entitled to the following retirement pay:

Year of Service	% of Monthly Salary per Year of Service
Less tha 10 Years	0.00%
10 Years	62.50%
11 Years	65.00%
12 Years	67.50%
13 Years	70.00%
14 Years	72.50%
15 Years	75.00%
16 Years	77.50%
17 Years	80.00%
18 Years	82.50%
19 Years	85.00%
20 Years	87.50%
21 Years	90.00%
22 Years	92.50%
23 Years	95.00%
24 Years	97.50%
25 Years and Above	100.00%

As of December 31, 2024 and 2023, the Bank's retirement payable amounted to P697,642.

19. OTHER OPERATING EXPENSES

This account consists of the following:

	2024	2023
Traveling Expenses	P 155,120	P 211,738
Representation and Entertainment	127,243	115,378
Security, Clerical, Messengerial and Janitorial Services	3,306,738	1,105,990
Power, Light and Water	699,003	274,608
Information and Technology	122,014	25,229
Litigation Expenses	-	353,649
Postage, Telephone, Cables and Telegram	282,752	104,249
Miscellaneous	647,695	447,137
Insurance Expenses	603,395	253,163
Advertising and Publicity	103,195	48,350
Fines, Penalties and Other Fees	817	-
Fuel and Lubricants	246,961	185,606
Stationeries and Supplies Used	334,022	143,851
Management and Other Professional Fees	425,921	298,815
Repairs and Maintenance	167,192	55,769
Membership Fees and Dues	430,314	77,143
Donations and Charitable Contributions	48,000	21,500
Supervision and Banking Fees	38,410	20,936
Fees and Commission	57,122	-
Rental	1,074,947	857,895
Total	P 8,870,861	P 4,601,006

20. DEPRECIATION AND AMORTIZATION EXPENSE

This account is consists of:

	2024	2023
Building	P 640,520	P 272,487
Furniture, Fixtures and Equipment	412,827	48,698
Information Technology	1,003,139	445,637
Transportation Equipment	493,132	18,963
Other Office Equipment	332,588	58,994
Total	P 2,882,206	P 844,779

21. INCOME TAXES

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

Provision for income tax consists of:

	2024	2023
Current:	P 1,564,085	P 1,920,349
Deferred	-	-
Tax Expense reported in Statement of Income	P 1,564,085	P 1,920,349

The current and deferred tax is computed as follows:

Current Tax

	2024	2023
Statutory income tax	P 1,234,831	P 600,716
Income tax effects of:		
Interest income subject to final tax	(639,701)	(246,102)
Non-deductible expenses (Interest Arbitrage)	159,925	61,525
Provision for Income Tax-Current	P 1,564,085	P 1,920,349

Computation of Income Tax:

	2024	2023
Net Income per books	P 4,939,323	P 2,402,865
Add: Non-deductible Expenses/Taxable Other Income		
Provision for Credit Losses on Loans and Receivables	809,030	1,504,210
Interest expense	639,701	246,102
Total	6,388,054	4,153,177
Less: Non-taxable Income and Income Subjected to Final Tax		
Interest Income Subject to Final Tax	2,558,803	984,409
Net Taxable Income	3,829,251	3,168,768
Tax Rate	25%	25%
Normal Corporate Income Tax	957,313	792,192
Minimum Corporate Income Tax**	344,854	133,636
Income Tax Due	957,313	792,192
Less:		
Prior Year's Excess Credits – Taxes Withheld	-	-
Tax Payments other than MCIT	414,683	127,018
Income Tax Still Due/(Overpayment)	P 542,630	P 665,174

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

	2024	2023
Revenue	P 28,091,364	P 12,528,815
Cost of Revenue	13,551,034	8,212,717
Gross Income	14,540,329	4,316,098
Add: Other Income	5,261,194	5,577,402
Less: Interest Income Subjected to Final Tax	(2,558,803)	(984,409)
Total Gross Income	17,242,721	8,909,091
MCIT Rate	2.00%	1.50%
Minimum Corporate Income Tax	P 344,854	P 133,636

22. LEASES

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

Lease

San Mateo Branch' office leases a parcel of land located at 688 General Luna St. Maly, San Mateo, Rizal, which pertains to an area of 82 sqm. to be used as an office space, particularly to provide banking and financial services for a fixed term of 15 years, beginning on Aug. 1, 2023 and expiring on Aug. 1, 2038. Rental is fixed at ₱ 28,000.00 per month to be paid at the end of every month without any demand from the lessor. The Bank also paid an amount of Php 84,000.00 by way of deposit rents and it will be made applicable on the last month of occupancy. Any excess shall be

The Bank's Pulilan Branch leases a parcel of land located at National Road, Paltao Pulilan, Bulacan, which pertains to an area of 233 sqm. to be used as an office space, particularly to provide banking and financial services for a fixed term of 15 years, beginning on September 2023 and expiring on September 2038. Rental is at ₱ 31,578.95 per month to be paid at the end of every month with 5% escalation clause on the 6th year and every year thereafter.

Binangonan Branch office leases a parcel of land located at 0285 National Rd. Calumpang Binangonan Rizal, which pertains to an area of 60 sqm. to be used as an office space, particularly to provide banking and financial services for a fixed term of 15 years, beginning on March 01, 2023 and expiring on March 01, 2038. Rental is fixed at ₱30,000 per month to be paid at the end of every month without any demand from the lessor. The Bank also paid an amount of ₱90,000 by way of deposit rents and it will be made applicable on the last month of occupancy. Any excess shall be made refundable to the Bank upon the termination of the lease agreement.

23. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Entities are considered to be related if they are subjected under common control or significant influence. The Bank's related parties include:

- key management personnel, close family members of key management personnel and entities;
- which are controlled, significantly influenced by or for which significant voting power is held;
- by key management personnel or their close family members, and
- post-employment benefit plans for the benefit of the Bank's employees.

The Bank has no several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Remunerations of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the senior management to constitute key management personnel for purposes of PAS 24.

The compensation of key management personnel included under 'Compensation and benefits' in the statement of income are as follows:

	2024		2023
Short-term employee benefits	P 10,408,836	P	6,352,632
Post-employment benefits	-		-
TOTAL	P 10,408,836	P	6,352,632

The Bank also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables that follow.

24. RECLASSIFICATION OF ACCOUNTS

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. Management believes that the reclassifications resulted to a better presentation of accounts and did not have any impact on prior year's profit or loss.

Certain prior year amounts have been reclassified to align with the current year's presentation. These reclassifications had no effect on the reported results of operations. Adjustments have been made to the Statements of Financial Position and Statements of Cash Flows for the fiscal year ended December 31, 2023. These changes in classification do not affect previously reported financial statements.

25. OTHER MATTERS

1. Anti-Money Laundering Act (AMLA)
The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering Act.
2. As of December 31, 2024, all of the Bank's directors had undergone the requirements for corporate governance as confirmed by the Monetary Board as mandated by Section 132 of the MORB.
3. As of December 31, 2024, the Bank has no secured liabilities and assets pledged

26. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR 15 2010 and RR 19-2011

Revenue Regulation (RR) No 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the year.

Percentage Taxes (Gross Receipt Tax)

Under Section 121 of the National Internal Revenue Code, there shall be tax on gross receipts derived from all sources within the Philippines by all banks and non-bank financial intermediaries in accordance with the following rates:

- a.) On interest commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipt are derived:

Maturity period of five (5) years or less	5%
Maturity period is more than five (5) years.....	1%
- b.) On dividends..... 0%
- c.) On royalties, rentals of property, real or personal, profit from exchange and all other items treated as gross income under Section 32 of the NIRC..... 7%
- c.) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments..... 7%

GRT in 2024 consists of taxes on:

	Tax Base		GRT
Interest income	P 31,641,844	P	438,654
Other income	1,710,714		119,750
Total	P 33,352,558	P	558,404

Documentary Stamp

Pursuant to revenue regulation No. 13-2004 dated December 23, 2004 " Implementing provisions of Republic Act No.9243, an act rationalizing the provisions of the documentary stamp tax of the Internal Revenue Code of 1997 (as amended), below are some of the circular affecting the operation of bank and non-bank financial intermediaries:

Section 51 of Republic Act No 10963: New Rate of DST on Original Issuance of Shares of Stock

There shall be two pesos (₱2.00) on each two hundred pesos (₱ 200.00) or fractional part thereof of the par value of such shares of stock. Provided that in case of original issue of shares of stocks without par value, the amount of documentary stamp herein prescribed shall be based upon the actual consideration for the issuance of such shares of stocks. Provided further that in the case of stock dividends, or the actual value represented by each share.

Section 55 of Republic Act No 10963: New Rate of DST on all Debt Instruments (Documents, Loan Agreements, Instruments and Papers)

One peso and fifty centavos (₱1.50) on each two hundred pesos (₱ 200.00) or any fractional part thereof of the issue price of any such debt instrument. If the debt instrument has a maturity date of less than one (1) year, the DST due shall be computed based on the number of days the instrument is outstanding as a fraction of 365 days.

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, follow:

Taxes and Licenses

	2024
a. Local	
Business Permit	P 119,990
Real Property Tax	27,554
Others	992,866
b. National	-
Percentage Tax	558,404
Total-Taxes and Licenses	P 1,698,813

Withholding Taxes

The Bank total withholding taxes paid for the year 2024 is brokendown as follows:

Withholding Tax on Compensation	P 142,011
Withholding Tax at Sources	345,147
Final Wintholding Tax (Interest and Dividends)	654,795
Total	P 1,141,953

Tax Assessments and Cases

As at December 31, 2024, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.

Revenue Regulation (RR) No 19-2011

The Bank reported the following schedules and information on taxable income and deductible expenses to be taken in 2024 and 2023:

Sale of Services

The Bank's taxable sale of services amounted to ₱32,078,413 and income subject to final income tax and are exempt from tax amounted to ₱1,158,803 for the year ended December 31, 2024.

Cost of Services

	2024
Details of the Bank's tax deductible cost of services accounts are as follows:	
Direct Charges - Salaries and wages	P 10,408,837
Direct Charges - Insurance (PDIC)	404,427
Direct Charges – Supervision Fee	38,410
Direct Charges - others (interest expense net of 20% limit)	
Interest expense	3,743,488
Less: Limit (20% of interest income subj. to final tax)	(639,701)
Total	P 13,955,461

Itemized Deductions

	2024
Insurance- Others	P 198,968
Power, Light and Water	699,003
Stationeries and Supplies Used	334,022
Janitorial and Security	3,306,738
Fuel and Lubricants	246,961
Postage, Telephone, and Telegram	282,752
Management and Other Professional Fees	425,921
Traveling Expense	155,120
Repairs and Maintenance	167,192
Representation and Entertainment	127,243
Information Technology Expense	122,014
Membership Fees and Dues	430,314
Advertising and Publicity	103,195
Miscellaneous Expense	647,695
Donations and Charitable Contributions	48,000
Fines, Penalties and Other Charges	817
Rental	1,074,947
Fees and Commission	57,122
Taxes and Licenses	1,698,813
Depreciation	2,882,206
Total	P 13,009,043

Total Deductible Expense	P 26,964,505
Expense Reported in Audited Financial Statements	28,413,235
Difference*	P (1,448,730)
<i>*Reconciliation of Difference:</i>	
Interest Limit	P 639,701
Non-deductible expense	-
Total	P 1,448,731

27. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On February 7, 2020, the BSP issued Circular No. 1074 to amend certain provisions of the MORB. The Circular provides for new and amended disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.

In compliance with the requirements set forth by Annex A of Appendix 55 of the MORB, hereunder are the supplementary information:

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2024	2023
A. Return on Average Equity	3.62%	2.11%
B. Return on Average Assets	1.06%	0.75%
C. Net Interest Margin	7.27%	5.56%
D. Debt to Equity Ratio	265.13%	205.84%

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

Return on Average Equity (ROE)

Formula: ROE = Net Income after Tax / Average Capital

	2024		2023	
Net Income	P 3,982,010	P	1,610,674	P
Equity				
2024	127,514,319			
2023	92,711,353		92,711,353	
2022			59,748,349	
Total	220,225,672		152,459,702	
Average Equity	P 110,112,836	P	76,229,851	P
Return on Average Equity	3.62%		2.11%	

Return on Average Assets (ROA)

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

	2024		2023	
Net Income	P 3,982,010	P	1,610,674	P
Assets				
2024	465,593,143			
2023	283,545,646		283,545,646	
2022			147,960,516	
Total	749,138,789		431,506,162	
Average Assets	P 374,569,394	P	215,753,081	P
Return on Average Assets	1.06%		0.75%	

Net Interest Margin

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

Formula: Average Earning Assets = Due From Other Banks + Loans + Held to Maturity Financial Assets

		2024		2023
Net Interest Income	P	24,347,876	P	10,612,979
Interest Earnings Assets				
2024		418,827,471		
2023		251,320,793		251,320,793
2022				130,260,053
Total		670,148,264		381,580,846
Average Interest Earnings Assets	P	335,074,132	P	190,790,423
Net Interest Margin		7.27%		5.56%

Leverage Ratio and Total Exposure Measure

The Bank's leverage ratio and total exposure measure as of December 31 is presented as follows:

		2024		2023
Total equity	P	139,864,519	P	92,711,353
Total assets	P	465,593,143	P	283,545,646
Leverage ratio		30.04%		32.70%
Total exposure measure	P	465,593,143	P	283,545,646

Under BSP Circular No. 1079 Series of 2020 dated March 9, 2020, leverage ratio is computed as total capital divided by total assets.

Capital Instruments

As of December 31, 2024 and 2023, the Bank share capital consist of:

		Shares*		Amount
Share Capital - ₱100 par value				
Authorized		1,500,000	P	150,000,000
Issued and outstanding		425,000		42,500,000
Balance at the beginning and end of the year		1,000,000	P	100,000,000

*Absolute number of shares

There are capital instruments issued by the Bank in 2024 and 2023.

Significant credit exposures as to industry/economic sector

As of December 31, 2024 and 2023, information on the concentration of credit as to industry, net of unearned discounts and deferred credits, follows:

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

Percentage per total loan portfolio		2024	%	2023	%
Agriculture, Forestry & Fishing	P	22,596,925	7.51%	24,976,420	12.56%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle		1,484,941	0.49%	1,196,207	0.60%
Real Estate Activities		46,328,535	15.40%	41,317,661	20.77%
Education		141,944	0.05%	143,944	0.07%
Other Service Activities		127,911,133	42.52%	60,139,747	30.23%
Construction		33,045,115	10.98%	10,802,263	5.43%
Transportation and Storage		48,600,319	16.15%	51,100,788	25.69%
Accommodation & Food Services Activities		3,997,202	1.33%	3,186,671	1.60%
Activities of Households for own use		16,733,929	5.56%	6,063,412	3.05%
Total	P	300,840,043	100.00%	198,927,113	100.00%

Percentage per tier 1 capital		2024	%	2023	%
Agriculture, Forestry & Fishing	P	22,596,925	17.95%	24,976,420	27.41%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle		1,484,941	1.18%	1,196,207	1.31%
Real Estate Activities		46,328,535	36.79%	41,317,661	45.35%
Education		141,944	0.11%	143,944	0.16%
Other Service Activities		127,911,133	101.58%	60,139,747	66.00%
Construction		33,045,115	26.24%	10,802,263	11.86%
Human Health and Social work activities		-	0.00%	-	0.00%
Transportation and Storage		48,600,319	38.60%	51,100,788	56.08%
Accommodation & Food Services Activities		3,997,202	3.17%	3,186,671	3.50%
Activities of Households for own use		16,733,929	13.29%	6,063,412	6.65%
Total	P	300,840,043		198,927,113	

The BSP considers that significant credit exposures exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital.

As at December 31, 2024, one (1) industry exceeding 30.0 percent of the total loan portfolio and six (6) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2024 and 2023:

Classification of loans: (Net of Unamortized Discounts)

As to Maturity:

		2024		2023
Due within one (1) year	P	50,563,364	P	19,890,341
Due beyond one (1) year to five (5) years		250,276,678		179,036,772
Total Loan Portfolio	P	300,840,043	P	198,927,113

As to Status

		2024		2023
Current Loans	P	292,572,822	P	173,308,468
Past Due Loans		3,843,853		6,260,200
Items in Litigation		4,423,367		19,358,445
Total Loan Portfolio	P	300,840,043	P	198,927,113

As to Security:

		2024		2023
Real Estate Mortgage	P	220,092,313	P	185,371,467
Chattle		77,931,453		12,176,937
Unsecured		2,816,277		1,378,709
Total Loan Portfolio	P	300,840,043	P	198,927,113

The following table shows the breakdown of receivable from customers net of unearned discounts and deferred credits as to performing and non-performing as of December 31, 2024 and 2023:

Product Line	2024		
	Performing	Non-Performing	Total
Agrarian Reform loans	P 22,414,773	P -	P 22,414,773
Other Agricultural Credit Loans	28,934,429	-	28,934,429
Microfinance Loans	595,673	805,873	1,401,546
Small Scale Enterprise Loans	84,121,540	7,125,936	91,247,476
Medium Scale Enterprise Loans	39,952,370	-	39,952,370
Loans to Private Corporation	1,151,824	-	1,151,824
Loans to Individual for Housing	2,784,001	-	2,784,001
Loans to Individual for Personal Use	16,733,929	-	16,733,929
Loans to Individuals for Other Purposes	95,884,284	335,411	96,219,695
Total	P 292,572,822	P 8,267,220	P 300,840,043

Product Line	2023		
	Performing	Non-Performing	Total
Agrarian Reform loans	P 24,976,420	P - P	24,976,420
Other Agricultural Credit Loans	29,260,000	-	29,260,000
Microfinance Loans	324,080	788,732	1,112,812
Small Scale Enterprise Loans	48,154,204	3,024,764	51,178,968
Medium Scale Enterprise Loans	19,358,445	-	19,358,445
Loans to Private Corporation	6,408,071	-	6,408,071
Loans to Individual for Housing	9,686,200	1,956,239	11,642,439
Loans to Individual for Personal Use	5,951,601	111,810	6,063,411
Loans to Individuals for Other Purposes	48,588,146	338,401	48,926,547
Total	P 192,707,167	P 6,219,946 P	198,927,113

Information on related party loans

As required by BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank.

In the aggregate loans to DOSRI generally, it should not exceed total equity or 15% of the total loan portfolio, whichever is lower. The Bank however has DOSRI accounts during the year ended December 31, 2024 and 2023.

2024		
Particulars	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	P 1,151,824	P 1,151,824
Percent of DOSRI/Related Party loans to total loan portfolio	0.38%	0.38%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%

2023		
Particulars	DOSRI Loans	Related Party Loans (inclusive of)
Outstanding Loans	P 198,927,113	P 198,927,113
Percent of DOSRI/Related Party loans to total loan portfolio	100.00%	100.00%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%

Aggregate amount of secured liabilities and assets pledged as security

As of December 31, 2024 and 2023, the Bank has no secured liabilities and assets pledged.

Commitments and contingent liabilities

This account consists of:

- The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of loans and receivables under litigation amounted to nil and ₱19,358,445 as at December 31, 2024 and 2023, respectively.
- The Bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.
- The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.
- The Bank has contingent accounts for the years ended December 31, 2024 and 2023.

RURAL BANK OF APALIT, INC.**FINANCIAL HIGHLIGHTS**

As of December 31, 2024

	2024	2023	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	33,352,558	18,106,217	15,246,341
TOTAL EXPENSES	29,370,548	16,495,543	12,875,005
NET INCOME	3,982,010	1,610,674	2,371,336
EARNINGS PER SHARE			
Ordinary Shares	3.98	2.80	1.18
RETURN ON AVERAGE EQUITY	3.62%	2.11%	1.50%
RETURN ON AVERAGE ASSETS	1.06%	0.75%	0.32%
NET INTEREST MARGIN	7.27%	5.56%	1.70%
AT YEAR END			
TOTAL ASSETS	465,593,143	283,545,646	182,047,497
LOANS AND RECEIVABLES (NET)	298,863,693	193,589,167	105,274,526
LIQUID ASSETS	435,322,531	255,099,700	180,222,831
FIXED ASSETS	16,183,286	15,762,392	420,894
DEPOSIT LIABILITIES	278,289,376	187,698,574	90,590,802
EQUITY ACCOUNTS	127,514,319	92,711,353	34,802,966
BOOK VALUE PER SHARE			
Ordinary Shares	127.51	161.24	(33.72)
CAPITAL ADEQUACY RATIO	26.94%	30.51%	-3.57%
PAST DUE RATIO	2.75%	12.88%	-10.13%
RATIO OF LIQUID ASSETS OVER DEPOSITS	156.43%	135.91%	20.52%
DEBT TO EQUITY RATIO	265.13%	205.84%	0.59
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	12.69%	17.00%	-4.31%

RURAL BANK OF APALIT, INC.
Comparison of Submitted Balance Sheet and Income Statement and Audited Financial Statements

As of December 31, 2024

	Submitted Report	Audited Report	Variance/ Discrepancy	Reasons for Discrepancy
Cash and Other Cash Items (Note 7.1)	P 1,863,907	P 1,863,907	-	
Due from BSP (Note 7.2)	14,631,153	14,631,153	-	
Due from Other Banks (Note 7.2)	119,963,778	119,963,778	-	
Loans and Receivable, Net (Note 8)	295,920,502	295,920,502	-	
Sales Contract Receivable (Note 8.1)	2,943,191	2,943,191	-	
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)	16,183,286	16,183,286	-	
Investment Properties (Note 10)	9,424,972	9,424,972	-	
Deferred Tax Assets (Note 22)	-	1,596,459	(1,596,459)	FS presentation previously reported in other assets per FRP FS presentation consist of DTA P1,596,459 and deferred charges
Other Assets (Note 11)	5,077,037	3,065,895	2,011,142	P414,684 (see AJE#1)
Total Assets	466,007,826	465,593,143	414,683	
Deposit Liabilities (Note 12)	278,289,376	278,289,376	-	
Accrued Interest, Taxes, and Other Expenses (Note 14)	-	684,447	(684,447)	FS presentation previously reported in other liabilities per FRP
Deposit for Stock Subscription		55,000,000	(55,000,000)	FS presentation previously reported in other liabilities per FRP FS presentation consists of accrued interest payable amounting to P684,448
Other Liabilities (Note 14)	59,246,817	3,562,371	55,684,447	and DSS amounting to P55,000,000
Income Tax Payable	-	542,630	(542,630)	See AJE#1
Total Liabilities	337,536,193	338,078,824	(542,631)	
Share Capital (Note 16)	100,000,000	100,000,000	-	
Retained Earnings	28,471,633	27,514,319	957,314	Net of adjustments
Total Capital	128,471,633	127,514,319	957,314	
Total Liabilities & Capital	466,007,826	465,593,143	414,683	
Total Income	33,352,558	33,352,558	-	
Total Expenses	28,413,235	28,413,235	-	
Net Income Before Tax	4,939,323	4,939,323	-	
Income Tax Expense	-	957,313	(957,313)	
Net Income After Tax	P 4,939,323	P 3,982,010	P (957,313)	Net effect of adjustments

RURAL BANK OF APALIT, INC.
LIST OF ADJUSTING ENTRIES
December 31, 2024

No.	Descriptions/Particulars	Debit	Credit
1.	Provision for income tax	957,313	
	Income Tax Payable		542,630
	Deferred Charges - MCIT		414,684
	<i>To provide additional provision during the year.</i>		