MVSM BANK (A RURAL BANK SINCE 1953) INC.

ANNUAL REPORT 2024

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II. COMPLIANCE WITH APPENDIX 63C OF THE MORBDISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED STATEMENT OF CONDITION

Corporate Policy

a. Mission and Vision Statement of MVSM Bank

Mission

To give **excellent** and reliable financial services to as many customers in an atmosphere where clients feel "at home".

Vision

By 2030, to be in the top 20 rural banks of the Philippines in terms of Total Resources and with financial ratios superior to that of the industry, making it a trustworthy, but dynamic financial institution benefiting from enhanced customer experience and digital transformation.

Objectives:

1. Expand the client-base by the following:
    a) Open more Branch Lite Units
    b) Complete digitalization
    c) Digital advertising campaign
    d) Investing in Communities
2. Enhance Operations Risk Management
3. Adoption of Sustainability Financing

b. Introduction of the Bank's brand that differentiates it from other Banks

Established in 1953, MVSM BANK, formerly Liamzon Rural Bank was the very first bank in Marikina – the shoe capital of the Philippines. It was founded by Isidoro Liamzon Sr. and his wife, Milagros. Isidoro drew inspiration from the "Salamyaan" a uniquely Marikenyo term which describes a place where people would converge weekly to discuss news, play sports, or share a meal. Some would also bring their money weekly and someone collects, very similar to "Paluwagan." Isidoro was one of the founders of one salamyaan- the Sto.Niño Savings Association which still exists today.

The very first savings account belonging to the first Central Bank Governor, Miguel Cuaderno, Sr. was opened in Liamzon Rural Bank to symbolically launch the activity. Since then, it has been the Bank's commitment to serve the unbanked and underserved for the past seven decades. In 1958, Liamzon Rural Bank was renamed Marikina Valley Rural Bank. The next major change happened forty years later when Marikina Valley Rural Bank merged with another Liamzon-owned bank, the Rural Bank of San Mateo under the name MVSM BANK.

Both Banks are pioneers in their respective towns in Marikina and San Mateo and both have earned its reputation as being formidable, reliable and efficient community Banks that have withstood the test of time.

Over the years, MVSM Bank has received awards from various institutions. It has also stood the test of time with the booms and burst of the local and global economy. As well as natural calamities like Bagyong Ondoy in 2009. Yet it still continues to deliver its promise of reliable and secure banking providing its resilience. The Bank has had a long history of giving bank to the community when Mr. Liamzon launched a scholarship program for the best and most deserving Marikenos. These scholars have made their marks in their chosen professions.

Not quite a digital bank yet, but a brick-and-mortar Bank where clients can expect personal services where clients feel at home. Slowly but surely, the Bank is venturing into the digital space. In 2021, the Bank benefited from the use of the i2i payment portal powered by UBX, a Union Bank subsidiary and we are also an active participant of the National Retail Payment System thru PESONET, allowing it to perform inter-bank transactions.

C. Business Model of the Bank

I. Deposit Generation

MVSM Bank continues to strengthen its deposit mobilization efforts by offering a diverse suite of financial services through its one-stop service centers. These include deposit and loan products, domestic remittance, bills payment, and other banking solutions tailored to the evolving needs of its clientele.

To further promote financial inclusion, the Bank launched its Basic Savings Deposit (BSD) product on July 1, 2024, specifically designed for the unbanked and low-income sector. This simplified savings product, with no maintaining balance requirement and minimal documentation, aligns with the Bank’s commitment to bring banking services closer to marginalized sectors and support the BSP's financial inclusion roadmap.

The Bank has also enhanced its market reach through strategic partnerships with government and private institutions, enabling cross-selling opportunities and delivering comprehensive financial solutions to a broader customer base.

In support of physical expansion, MVSM Bank opened its second Branch Lite Unit in Pasig City on February 6, 2023. A third Branch Lite Unit is scheduled for opening in Teresa, Rizal in the third quarter of 2025, strengthening the Bank’s presence in key growth areas and improving accessibility for customers.

II. Loan Diversification

MVSM Bank maintains its focus on lending to the BCD socioeconomic segment, with particular attention to MSMEs. Loan programs are structured with appropriate credit limits based on assessed borrower capacity and financial needs.

Through the adoption of an enhanced credit scoring model and broader use of government credit guarantee programs, the Bank has increased its lending thresholds, contributing to portfolio recovery and growth in the post-pandemic period.

To improve underwriting quality, the Bank leverages data-driven credit assessment tools, including TransUnion (TU) and the Negative File Information System (NFIS), particularly beneficial for clients with limited or no traditional credit history.

Further, in line with inclusive financing goals, the Bank now offers unsecured loans and accepts Tax Declarations as acceptable collateral—supporting wider access to credit while maintaining prudent risk management practices.

Financial Summary Highlights

A two (2) Year comparative presentation of selected profitability, capital, performance, and balance sheet data/ratios (based on AFS 2024), as follows:

	PARENT ENTITY(SOLO)	
MINIMUM REQUIRED DATA	31-DEC-24	31-DEC-23
SELECTED BALANCE SHEET DATA		
Total Asset	1,571,287,665	1,469,220,611
Liquid Asset	158,497,245	139,787,422
Loans & Other Receivable, net	789,429,677	714,375,159
Deposit	1,246,901,402	1,178,956,518
Equity	246,352,500	228,469,785
INCOME STATEMENT		
Net Interest Income	93,085,116	79,026,541
Non-Interest Income	34,811,023	24,042,625
Non-Interest Expense	83,979,188	73,416,507
Pre-provision profit	43,916,951	29,652,659
Income After tax	32,112,708	19,592,092

Financial Summary Highlights

SELECTED RATIO *Profitable*		
Return of Equity	13.53%	9.69%
Return of Assets	2.11%	1.37%
Margins and Liquidity		
Net Interest Margin	8.08%	7.33%
Minimum Liquidity Ratio	33.32%	34.17%
Capital		
Total Tier 1 Ratio	20.09%	17.84
Capital Adequacy Ratio	21.72%	19.43%
OTHERS Cash Dividends Declared	21,780,720	8,167,770
Branches	9	9
Branch-Lite Unit (BLU)	2	2
Employee Head Count	84	82
Officers	30	30
Staff	54	52

**Consolidated amounts of Parent and Subsidiaries*

Financial Condition & Results of Operation

Review and Results of Operations

2024 is the year MVSM BANK turned a new leaf. As it turned 71 years old, it embarked on several milestones. These are:

February 16	**Contract Signing with ADB for the Fintech for Inclusion Technology (FIT Program)**
February 23	Re-opening of Saturday Pasig Branch
March 19	Transfer of San Mateo Branch to the newly constructed building San Mateo Branch is the second branch to be Solar Powered
June 5	RBAP Award was given to MVSM during the Symposium held in Bacolod, a recognition for being one of the oldest rural banks.
July 2	Roll-out and introduction the new Deposit Product – Basic Deposit Account to be able to cater to unbanked and undeserved clients
July 18	Release of funds from Asian Development Bank Financial Inclusion for Transformation program (1st Tranche)
August 19	Mobile collection started by the Roving tellers at the Head Office
September 5	Approval of rediscounting line with Landbank of the Philippines
September 25	Approval of AFD a French grant tied up with the ADB FIT, aimed at capacity building in the light of digital transformation
October 21	Transfer of Rosario Branch to new site also along Ortigas Extension
November 18	Launching of Pasig Market Mobile Collection
December 20	Release of funds from Asian Development Bank Financial Inclusion for Transformation program (2nd & Final Tranche)

The major thrust of MVSM Bank is to promote financial inclusion. And the milestones are reflective of that vision. The expansion of the Bank's physical presence via the opening of Branch-Lite unit is a concrete testament to that objective.

The economic environment remains consistent with the previous year, as interest rates continue to stay elevated due to the government's use of monetary tools to control inflation. These measures, maintaining high interest rates have made borrowing more expensive while offering better returns on deposits.

However, commercial and digital banks—known for offering competitively low interest rates to depositors—have leveraged these conditions to attract interest-rate-sensitive clients away from MVSM Bank. This transfer of customers seeking more favorable deposit terms has contributed to a decline in MVSM Bank's special savings and time deposit portfolio. Specifically, the Bank's special savings and time deposits dropped by 5.63% (or PHP 16.257 million), decreasing from PHP 317.802 million as of December 31, 2023, to PHP 301.545 million as of December 31, 2024.

Despite this reduction, the Bank experienced positive growth in its lower-cost deposit products, such as Demand and Savings Deposits. These products saw an increase of 9.76% (or PHP 84.040 million), rising from PHP 861.154 million as of December 31, 2023, to PHP 945.194 million as of December 31, 2024. This growth suggests that while some clients shifted their funds to competitors for better time deposit rates, others continued to maintain or increase their balances in low-interest deposit accounts with MVSM Bank.

In response to the increasing competition for deposits, the Bank adopted a selective approach to adjusting time deposit (TD) rates. Rather than increasing rates across the Board, the Bank only matched the rates offered by commercial banks for clients who explicitly expressed interest in transferring their placements. This strategy was implemented when a noticeable increase in time deposit withdrawals from interest-rate-sensitive clients became evident. By limiting rate adjustments to specific cases, the Bank was able to manage its funding costs effectively while addressing the concerns of key depositors.

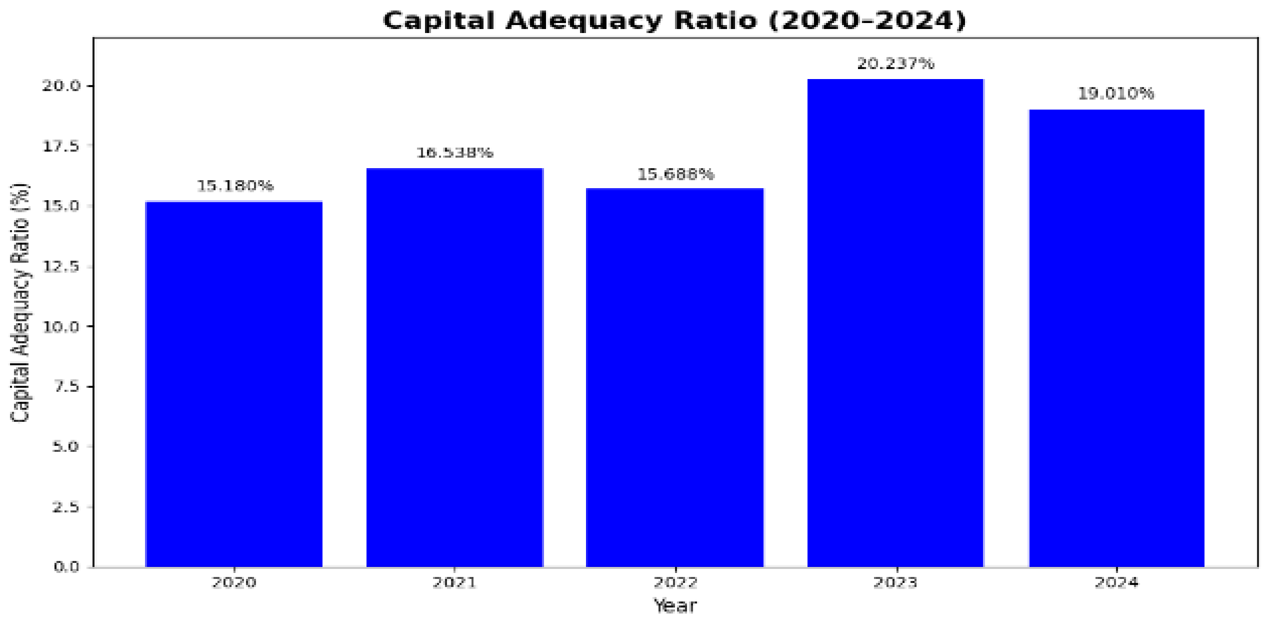
The Bank's Past Due Ratio (PDR) also showed a notable improvement, decreasing from 15.72% (or PHP 111.538 million) as of December 31, 2023, to 10.72% (or PHP 85.342 million) as of December 31, 2024. While the current PDR remains above the industry average of 9%, a significant portion of the past-due loans is classified as non-performing but is expected to be reclassified as current within the next two months. This projected reclassification suggests that many overdue loans are in the process of being regularized, which could further improve the Bank's asset quality and reduce credit risk exposure in the near future.

Overall, the data reflects a balanced approach to managing interest rate pressures—the Bank has successfully mitigated the impact of deposit withdrawals through selective rate adjustments while maintaining stable lending rates. This strategy, coupled with active loan marketing, has resulted in loan portfolio growth and improvements in asset quality, positioning the Bank to sustain future growth while navigating the challenges posed by a high-interest-rate environment.

Here are some key financial indicators for 2024:

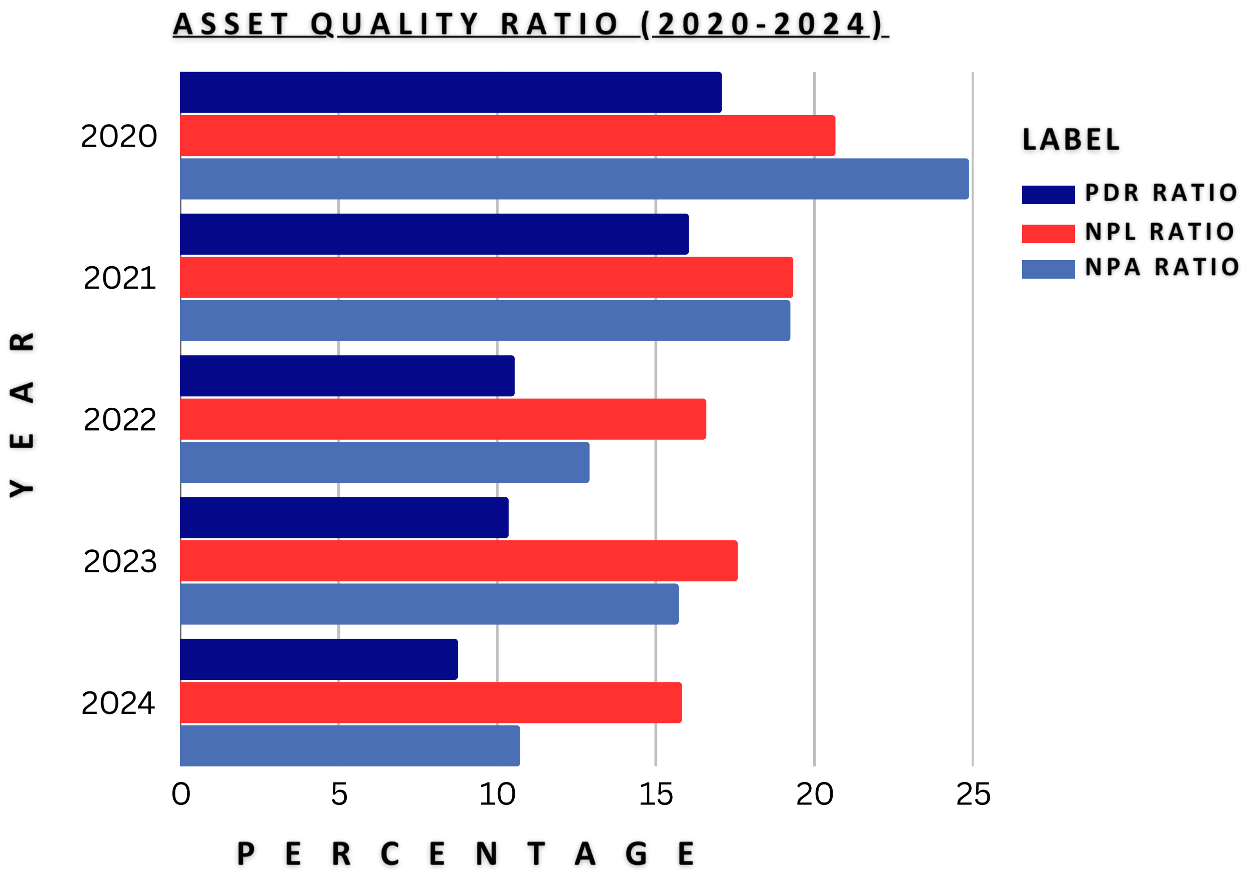
A. Capital Adequacy

The Capital Adequacy Ratio (CAR) stood at 19.01% in 2024, ensuring that the Bank remains well-capitalized and resilient. Notably, the Bank has maintained stable CAR levels even throughout the pandemic and has been able to declare dividends for the last five (5) years.



B. Asset Quality

The Bank has successfully increased its loan portfolio while improving asset quality. The Past Due Ratio (PDR), Non-Performing Loan (NPL) Ratio, and Non-Performing Asset (NPA) Ratio have all shown a downward trend, indicating stronger credit risk management.



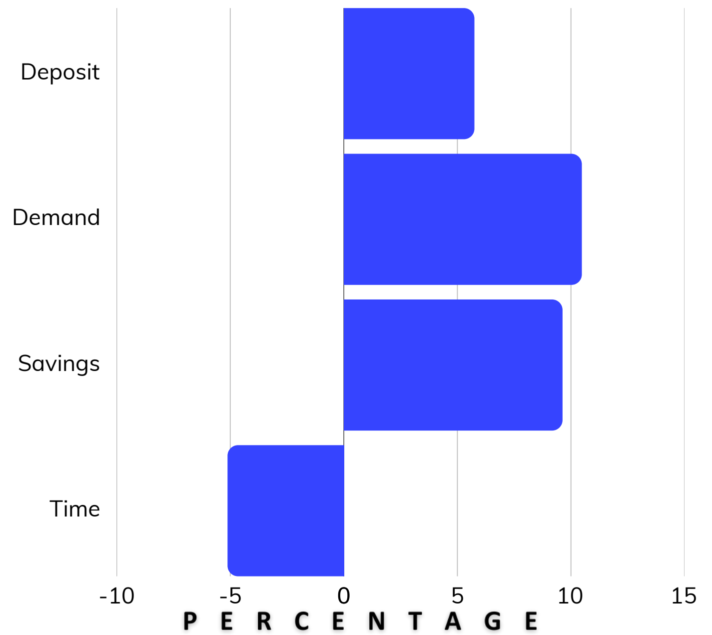
Year	Total Loan Portfolio	Past Due	PDR	Non-Performing Loans, Gross	NPL Ratio	Non-Performing Assets	NPA Ratio
2020	543,487,872	135,166,644	24.87%	92,848,123	17.08%	280,806,048	20.66%
2021	561,378,664	107,987,128	19.24%	90,022,191	16.04%	271,522,122	19.33%
2022	593,342,422	76,622,861	12.91%	62,594,981	10.55%	250,993,187	16.59%
2023	709,606,990	111,537,837	15.72%	73,485,992	10.36%	261,705,041	17.58%
2024	796,457,556	85,342,493	10.72%	69,772,841	8.76%	249,052,451	15.82%

C. Deposit Liabilities

Total deposit liabilities decreased by 5.75% (₱67.78M) from 2023 to 2024. The decline was primarily due to competition from higher interest rates offered by commercial and digital banks on time deposits. However, the Bank successfully increased its low-cost deposit products (Demand and Savings Deposits).

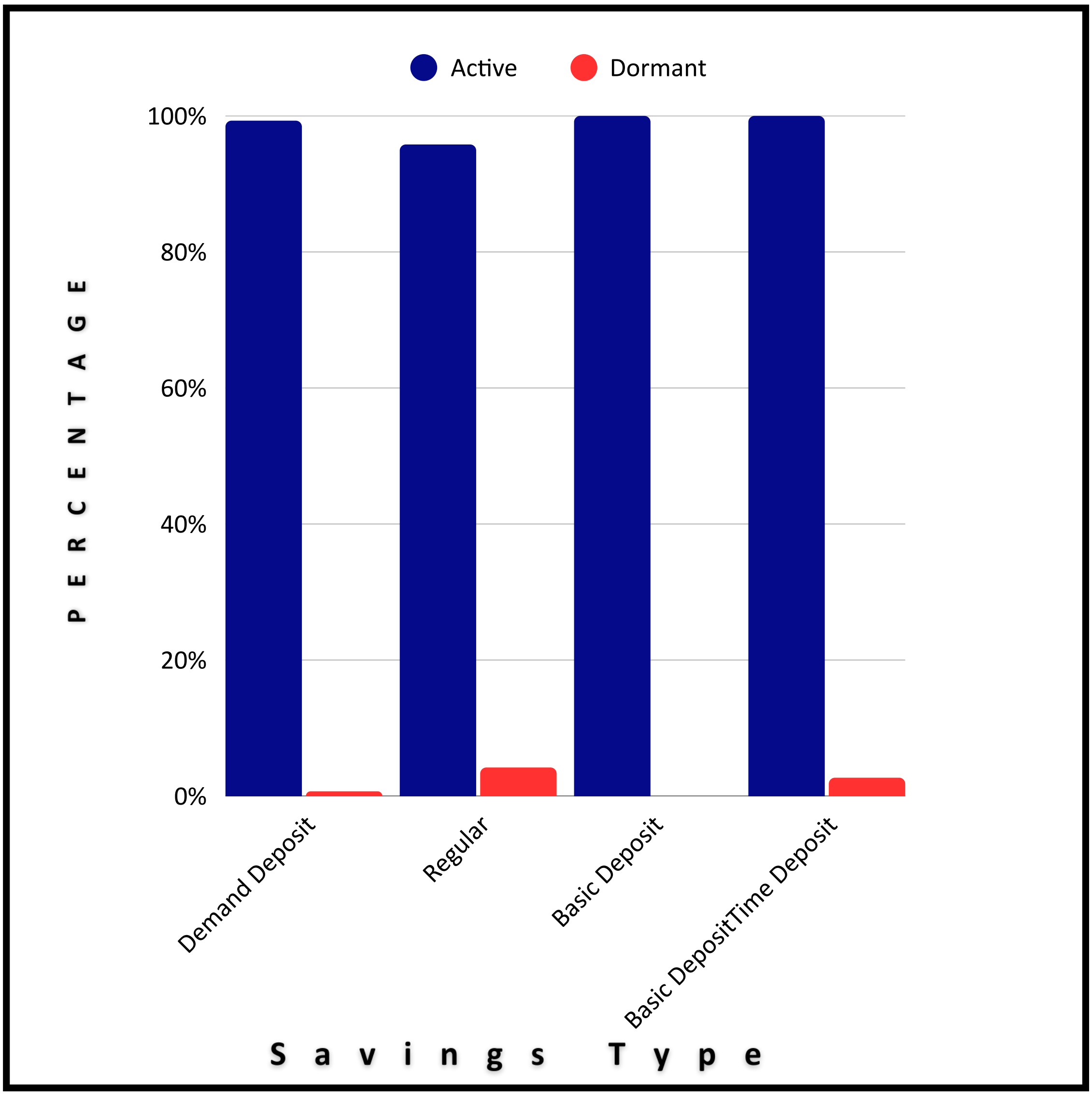
A major achievement was the launch of the Basic Savings Account (BSA) on July 1, 2024, aimed at promoting financial inclusion. This product has gained strong traction, with 3,745 accounts opened by December 31, 2024.

DEPOSIT LIABILITIES RATIO (2023-2024)



Breakdown of Deposit Liabilities for 2023 vs. 2024:

	Actual Balance		Variance	%
	31-Dec-24	31-Dec-23		
Deposit	**1,246,739,402**	**1,178,956,518**	**67,782,883**	**5.75%**
Demand	144,062,654	130,400,413	**13,662,241**	**10.48%**
Savings	801,131,589	730,753,782	**70,377,807**	**9.63%**
Time	301,545,159	317,802,323	**-16,257,164**	**-5.12%**

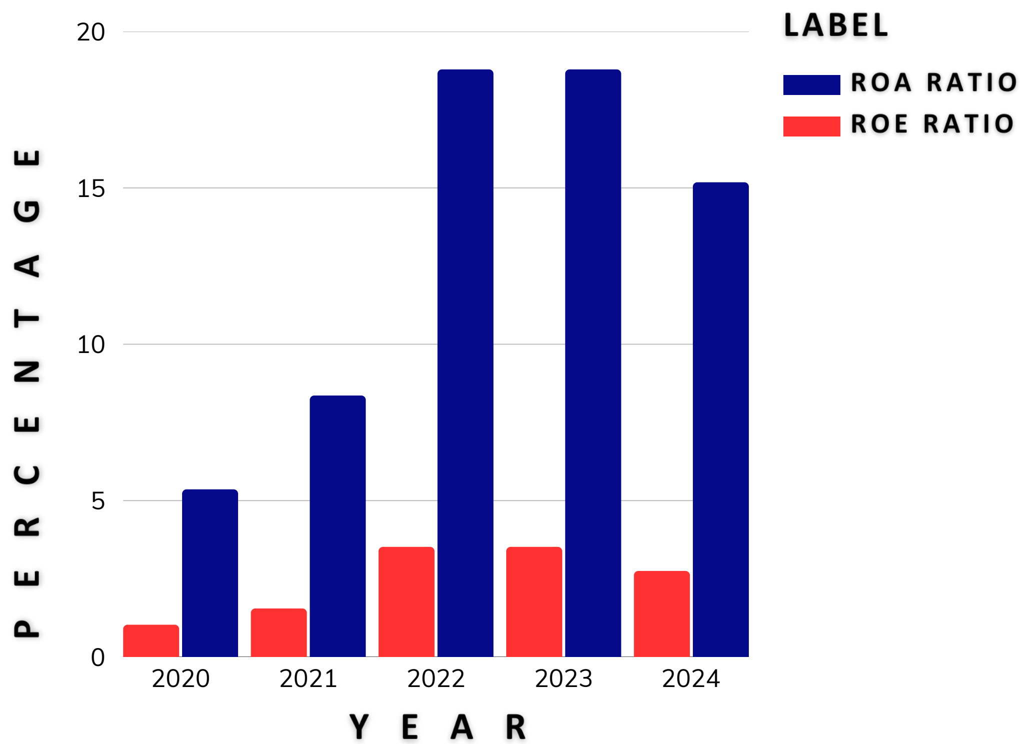


Savings Type	Active			Dormant			Total		
	Balance	#	%	Balance	#	%	Balance	#	%
1. Demand Deposit	143,111,354.22	205	99.3%	951,299.97	76	0.7%	144,062,654.19	281	11.56%
2. Regular	758,616,649.87	16,825	95.8%	32,891,725.06	7,413	4.2%	791,508,374.93	24,238	63.49%
3. Basic Deposit	9,623,214.09	3,745	100.0%				9,623,214.09	3,745	0.77%
4. Time Deposit	301,545,158.54	540	100.0%				301,545,158.54	540	24.19%
TOTAL	1,212,896,376.72	21,315	97.3%	33,843,025.03	7,489	2.7%	1,246,739,401.75	28,804	100.00%

D. Earnings Quality

1. Return on Assets (ROA) improved to 2.08% in 2024 from 1.39% in 2023, indicating higher profitability.
2. Return on Equity (ROE) increased to 14.42% in 2024, reflecting better shareholder returns.

INDUSTRY RATIO (2020-2024)



	MVSM		Industry Ratio - RBs	
Year	Return on Assets	Return on Equity	ROA	ROE
2020	0.90%	6.29%	1.03%	5.36%
2021	1.29%	9.41%	1.55%	8.36%
2022	1.23%	9.09%	3.52%	18.79%
2023	1.39%	9.69%	3.52%	18.79%
2024	2.08%	14.42%	2.75%	15.18%

E. Organizational and Institutional Highlights (2024)

MVSM Bank maintained an adequate manpower complement with minimal staff turnover. Employee engagement was prioritized through salary increases, bonuses, wellness activities, and training sessions focused on customer service, cybersecurity, AMLA compliance, and system operations. Major events included the 2024 Christmas Party and Annual Outing.

The Bank's Compliance Program remains robust, with ongoing monitoring led by the Chief Compliance Officer and her assistant to ensure adherence to internal policies and regulatory requirements.

The Internal Audit Department's request to extend its audit plan cycle from one to two years was approved by the Board, allowing greater focus on high-risk areas and more effective resource allocation.

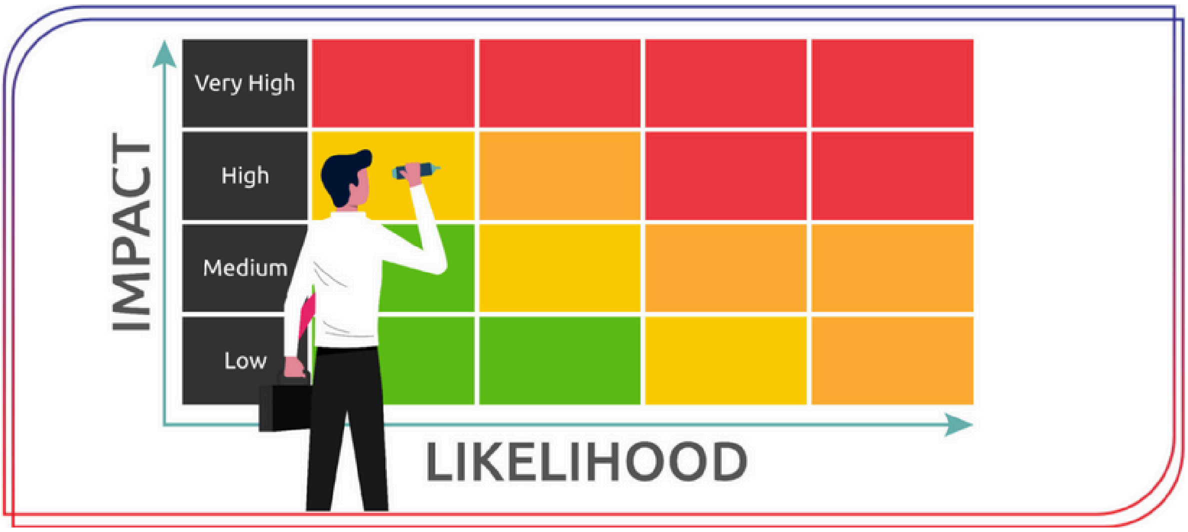
MVSM Bank celebrated its 70th anniversary, launched with a grand event on June 18, 2023, and culminating in June 2024. The Bank continues to strengthen its presence with plans to open a third Branch Lite Unit in Teresa, Rizal, and remains committed to its core values under the enduring taglines: "Trusted Since 1953" and "At Home Ka Dito." Marketing efforts aligned with this celebration will continue throughout the year.

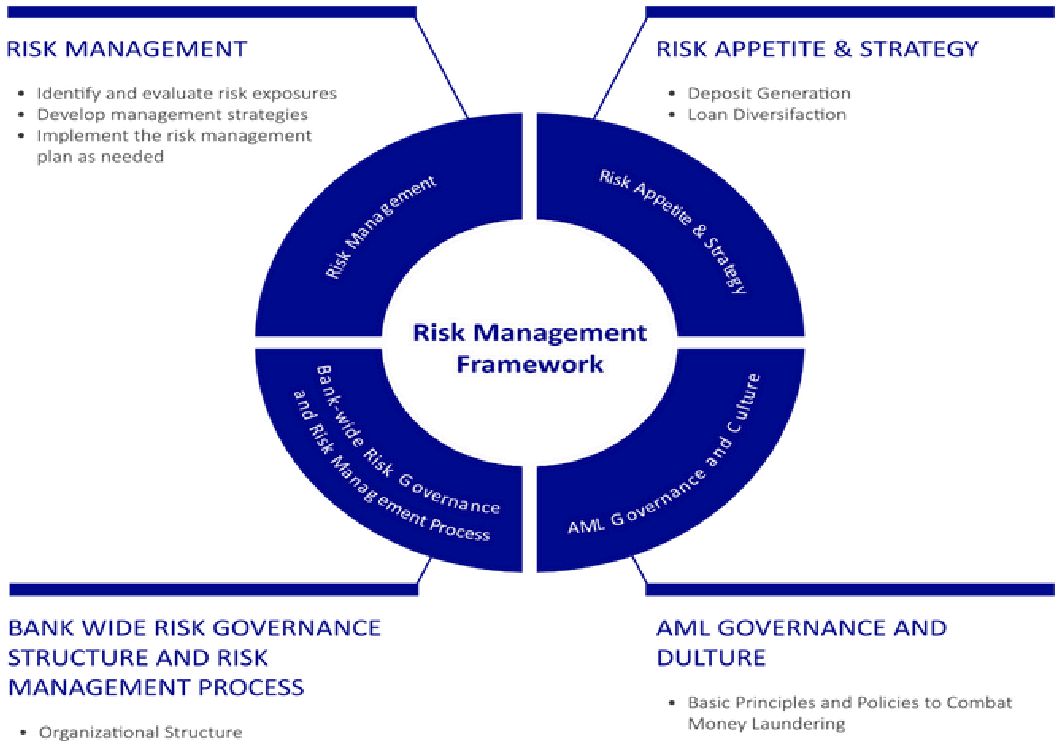
71 years

trusted since 1953

MVSM BANK
(a rural bank since 1953)

Risk Management Framework Adopted





This section highlights the Bank's Board-approved Risk Management framework and should include at a minimum the following information:

a. Overall risk management culture and philosophy

MVSM Bank, as a simple and non-complex institution, upholds a sound risk management culture anchored on prudent oversight by the Board of Directors through the Audit Committee. Risk management is integrated into the Bank's governance framework and forms part of the second line of defense.

The Audit Committee plays a central role in risk oversight. It:

1. Monitors the Bank's risk appetite and alignment with strategic goals;
2. Oversees the risk management framework and ensures corrective actions are taken promptly;
3. Evaluates risk exposures and develops appropriate mitigation strategies;
4. Ensures the risk function is adequately resourced and effective;
5. Reports regularly to the Board on the Bank's risk profile and recommended actions.

The Bank's risk management practices are guided by established policies and limits, which are periodically reviewed. Key areas of focus include operational, compliance, credit, liquidity, strategic, and reputational risks.

In support of these efforts, the Bank also:

1. Develops risk management strategies and business continuity plans;
2. Provides training and tools for risk awareness and culture-building;
3. Monitors regulatory and external developments to stay responsive to emerging risks.

Overall, MVSM Bank remains committed to a proactive and structured approach to managing risks, ensuring the institution's stability, resilience, and continued alignment with its mission and goals.

b. Risk Appetite and Strategy

1. Risk Appetite and Strategy

MVSM Bank maintains a conservative risk appetite guided by five key objectives:

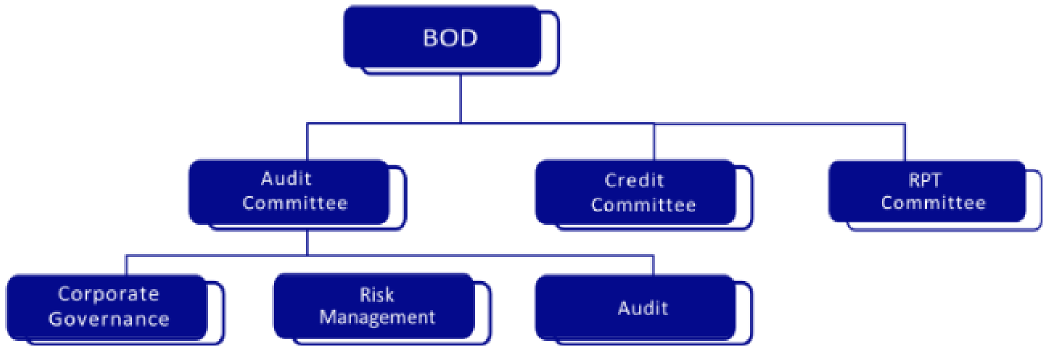
1. Upholding the highest ethical standards across the institution
2. Preserving long-term financial resilience
3. Applying prudent and conservative policies in managing public funds
4. Ensuring full compliance with legal and regulatory requirements
5. Maintaining a strong internal control system and business continuity, especially during extraordinary events

The Bank’s strategic direction remains focused on conservative lending and community-centered service. Rather than competing directly with commercial banks, MVSM Bank positions itself as a “boutique” institution where clients feel at home.

Expansion efforts are centered on opening Branch Lite Units in high-traffic areas and leveraging Fintech solutions through its modern core banking system. While future partnerships or mergers may be explored, the Bank remains committed to operating as a small, trusted, and community-based financial institution with consistent pricing policies.

c. Bank wide risk governance structure and risk management process

ORGANIZATIONAL STRUCTURE



The Audit Committee convenes monthly or as necessary, reporting its proceedings to the Board. It regularly engages with external auditors, Management, and Internal Audit to address key audit and risk matters.

a.) Audit Committee's Role in Risk Management:

The Committee advises the Board on the Bank's risk appetite, monitors management's adherence to risk parameters, and evaluates the overall risk culture.

b.) Internal Audit and Compliance:

These functions oversee the Bank's internal control environment, ensuring risks are effectively identified, analyzed, and managed. They also ensure accurate financial and regulatory reporting and full compliance with applicable laws and institutional policies.

c.) Senior Management's Role:

Senior management is responsible for executing the Board-approved risk strategy, developing risk management policies and procedures, and ensuring consistent application and awareness across all organizational levels.

d. AML governance and culture, and description of the overall Money Laundering (ML)/ Terrorist Financing (TF) risk management framework is adopted to prevent the use of the bank for ML/TF activities.

MVSM Bank upholds strong ethical standards and is fully committed to preventing the use of its services for money laundering (ML) and terrorist financing (TF) activities. Its AML framework is guided by the following principles:

a.) **High Ethical Standards** – All operations are conducted with integrity to protect both the Bank and the financial system.
b.) **Know Your Customer (KYC)** – The Bank ensures thorough customer identification, balancing financial inclusion with risk prevention.
c.) **Risk-Based Approach** – A robust AML/TF risk management system is in place to identify, assess, monitor, and control related risks.
d.) **Culture of Compliance** – All officers and employees are made aware of their AML obligations and operate under a principled compliance culture.
e.) **Full Cooperation with AMLC** – The Bank collaborates actively with the Anti- Money Laundering Council for effective implementation of the AMLA.

This governance structure reinforces MVSM Bank's commitment to responsible banking and regulatory compliance.

Corporate Governance

a. Overall corporate governance structure and practices

MVSM Bank is dedicated to strengthening its corporate governance by upholding accountability, integrity, transparency, and fairness toward shareholders and stakeholders. The Bank's governance framework encompasses systems, policies, and processes that promote ethical conduct and sound management.

The Audit Committee plays a key role in corporate governance by:

1. Reviewing and evaluating qualifications of Board nominees and other key appointments.
2. Ensuring Board effectiveness through regular performance evaluations of the Board, its Committees, and Executive Management, including annual self-assessments.
3. Making recommendations on director education, committee assignments, succession planning, and remuneration aligned with performance.
4. Establishing objective criteria to evaluate the Board's contribution to long-term shareholder value.

Corporate governance matters are routinely addressed in Audit Committee meetings to ensure ongoing oversight and improvement. The Audit Committee meets at least once a month or as the need arises and minutes are reported to the Board.

b. Selection process for the Board and Senior Management

Corporate governance matters are routinely addressed in Audit Committee meetings to ensure ongoing oversight and improvement. The Audit Committee meets at least once a month or as the need arises and minutes are reported to the Board.ns under R.A. No. 8791 and other applicable regulations. Independent directors are assessed for their ability to dedicate time and effectively fulfill their duties. The Bank applies fit and proper standards, emphasizing integrity, expertise, and relevant experience.

For senior management, the Board selects individuals who uphold the Bank's philosophy, vision, and core values. It is also responsible for replacing key officers when necessary and ensures a succession plan is in place for leadership continuity.

c. Board's overall responsibility

General responsibility of the MVSM Bank's Board of Directors

MVSM Bank's Board of Directors holds a position of trust and is accountable to multiple stakeholders, including stockholders, depositors, regulators, and the public. The Board is primarily responsible for setting and overseeing the Bank's strategic direction, risk management framework, corporate governance practices, and core values. It also monitors the performance of senior management to ensure effective day-to-day operations aligned with the Bank's objectives.

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

The Chairman establishes the principles of good governance in the entire organization;

undertakes every effort necessary to create awareness within the organization; provides guidelines that will direct Senior Management to attain best practices at every level of the organization; continuously monitor and evaluate Senior Management's performance in accordance with the Company's Mission and Vision.

e. Board Composition

Name of Directors	Type of Directorship	Principal Stockholder or Nominee	No. of Years Served as Directors	No. Shares	% of Shares Held to O/S Shares
Rufino SB. Javier	Chairman	Principal Stockholder	8 yrs. & 1 mo.	227,981	19.63%
Gene M. Sangalang	Vice-Chairman	Principal Stockholder	8 yrs. & 9 mos.	1,465	0.13%
Brigida Regina J. de Luna	Member	Principal Stockholder	12 yrs. & 5 mos.	227,979	19.63%
Noelle Riza D. Castillo	Member	Principal Stockholder	8yrs. & 6 mos.	919	0.08%
Cecilia M. Misola	Member	Principal Stockholder	2 yrs. & 6 mos.	1,465	0.13%
Edgardo M. Molina	Independent Director	Principal Stockholder	3 yrs. & 4 mos.	1,812	0.16%
Duane Von O. Sumo	Independent Director	Principal Stockholder	3 yrs. & 7 mos.	1,811	0.16%
Total Shares				***463,432***	39.91%
Total Outstanding Capital					*1,161,327*

f. Board Qualification

RUFINO SB. JAVIER

Age : 90
Position : Chairman
Nationality : Filipino

QUALIFICATION:
Bachelor of Laws (LLB)

GENE M. SANGALANG

Age : 58
Position : Chief Operations Officer/ Vice Chairman
Nationality : Filipino

QUALIFICATION:
BS Accounting

BRIGIDA REGINA J. DE LUNA

Age : 53
Position : Member
Nationality : Filipino

QUALIFICATION:
BS Business Economics

f. Board Qualification

CECILIA M. MISOLA

Age : 49
Position : Member
Nationality : Filipino

QUALIFICATION:
AB English/Bachelor of Laws (LLB)

EDGARDO M. MOLINA

Age : 68
Position : Independent Director
Nationality : Filipino

QUALIFICATION:
BS Accounting

NOELLE RIZA D. CASTILLO

Age : 56
Position : Member
Nationality : Filipino

QUALIFICATION:
BS Economis/Bachelor of Laws (LLB)

f. Board Qualification

VON DUANE O. SUMO

Age : 70
Position : Independent Director
Nationality : Filipino

QUALIFICATION:
BSBA Marketing

Some of the Trainings attended by the Board of Directors:

Seminar/Training	Participant	Conducted by	Date
Data Privacy Seminar	Noelle Riza D. Castillo	National Privacy Commission	1-Apr-24
RBSP Technology and Innovation Forum	Brigida Regina J. De Luna	BSP	May 24, 2024
67th Charter Anniversary Symposium - "Rural Bank Growing Together and Stronger to a Digital and Sustainable Future"	Gene M. Sangalang/ Edgardo Molina	RBAP - BACOLOD	June 05-05, 2024
Economic Briefing in BSP	Noelle Riza D. Castillo	Supreme Court of the Phils.-U.P. Law	Dec. 1, 2024
Mandatory Continuing Legal Education	Brigida Regina J. De Luna	RBAP-BSPC	December 06, 2024

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

(1.) Audit Committee:

Edgardo M. Molina	Chair
Duane Von O. Sumo	Member
Noelle Riza D. Castillo	Member

Its primary purpose is to support the Board of Directors in fulfilling its responsibility to ensure that management attains organizational objectives while maintaining an effective system of internal control and risk management.

(2.) Credit Committee:

Brigida Regina J. de Luna	Chair
Gene M. Sangalang	Member
Rufino SB Javier	Member

Its purpose is to oversee the credit and lending strategies and objectives of the Bank, including: (1) Oversee the credit risk management of the Bank, including reviewing internal credit policies and establishing portfolio limits; and (2) Review the quality and performance of the Bank's credit portfolio. The Committee shall also be responsible for any other matters delegated to it by the Board.

(3.) Related Party Transaction (RPT) Committee:

Duane Von O. Sumo	Chair
Edgardo M. Molina	Member
Cecilia M. Misola	Member

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

Its primary purpose is to support the Board of Directors in fulfilling its responsibility to ensure that all related parties are continuously identified, RPTs are monitored, and oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

h. Directors' attendance at Board and Committee meetings:

Name of Directors	Board Number of meetings		Audit Committee Number of Meeting		Credit Committee Number of Meeting	
	Attended	%	Attended	%	Attended	%
Rufino SB. Javier	12	100.00%				
Gene M. Sangalang	12	100.00%			14	100.00%
Brigida Regina J. de Luna	12	100.00%			14	100.00%
Cecilia M. Misola	10	83.33%				
Noelle Riza D. Castillo	12	100.00%	9	90.00%		
Edgardo M. Molina	7	58.33%	8	80.00%		
Duane Von O. Sumo	12	100.00%	10	100.00%		
Total Number of Meetings Held During the Year	*12*		*10*		*14*	

i. Changes in the Board of Directors

n/a

j. List of executive officers/senior management

	Name of Executive Officer/ Senior Management	Position	Qualification/ Experience in MVSM	Age	Nationality
1.	GENE M. SANGALANG	Chief Operations Officer	BSC Accounting	58	Filipino
2.	BRIGIDA REGINA J. DE LUNA	President/CEO	BS Business Economics	53	Filipino
3.	MARIA PATRICIA J. UY	Chief Customer Officer	BA European Languages	47	Filipino
4.	MARIA MILAGROS L. JAVIER	Chief Admin & Support Service Officer	BS Economics	46	Filipino
5.	ESTRELLA L. VILLENAS	Chief Compliance Officer	BBA Marketing	51	Filipino
6.	ANGELINA RAIDA A. SALAMAT	Treasurer/Manager	BSC Banking and Finance	46	Filipino
7.	LORENA S. TOLENTINO	Remedial Accts. Manager	BA Accountancy	61	Filipino
8.	JIMMY N. ARELLANO	Credit Risk Officer	BSC Accounting	50	Filipino
9.	JOEL V. ABAD	Senior Internal Auditor	BSBA Accounting	58	Filipino
10.	SARRAH JANE S. RAYMUNDO	Corporate Bookkeeper	BSBA - MANAGEMENT	34	Filipino
11.	SARAH JANE V. RIOS	Accounting head	BSBA - MANAGEMENT	40	Filipino
12.	LOUVELLE D. MAMORNO	Corporate Bookkeeper	BSBA - HR. Devt. Mgt.	34	Filipino

k. Performance Assessment Program

MVSM Bank conducts regular performance assessments to ensure the effectiveness of the Board, Committees, Unit Heads, and employees. These include:

1. Self-Assessments by the Board, Audit Committee, and Credit Committee, using structured rating systems and weighted scoring methods.
2. Performance Evaluation Reports are completed annually, with HR defining raters per position. Multiple-role employees (e.g., CCO, CRO) are rated using an average method.
3. Performance/Merit System awards 100 merit points annually, with deductions for errors or late submissions. Final merit scores inform salary increases and bonuses.

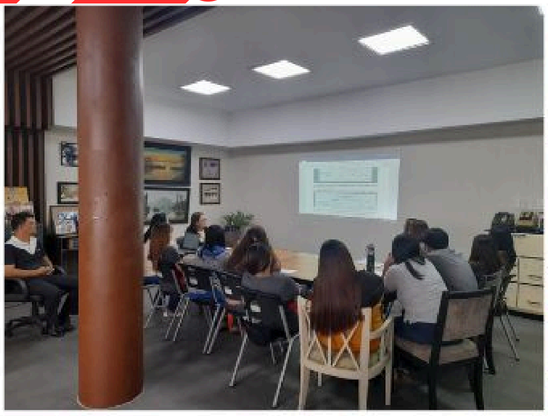
Assessment Schedule:

1. Board/Committee Self-Assessments: Annually before March elections.
2. Employee Evaluations: Annually in July; twice before regularization for new hires.
3. Merit System Evaluation: Annually before Strategic Planning in December.

Strategic Plan Review*:* Semi-annually, post-June and December.

Schedule of Assessment

Kind of Assessment	*Frequency of Assessment*
Self-Assessment/Evaluation – Board of Directors (BOD); BOD as a body; Audcom as a body; and Crecom as a body	Annually, before Annual Election of Board of Directors and Board Committee members (scheduled every 2nd Tuesday of March)
Performance Evaluation Report	For all Regular Employees - annually, every July after the reference cut-off month ending 30th of June (inclusive date from July 1 of the previous year up to June 30 of the current year); and For Newly Hired Employees – twice before regularization.
Performance/Merit System	Annually, usually done before Strategic Plan on/or before 1st week of December, awarding of the "BEST" employee in each category (BM, Cashier, Teller, Loan Processor, Bookkeeper, Messenger & Branch) will be done on the day of the Christmas Party.
Evaluation of the current Strategic Plan	Semi-Annual, usually done after June and December



I. Orientation and Education Program

Training and Development

MVSM Bank is committed to enhancing employee performance through continuous training and development programs. These include:

1. In-house training, external seminars, and job induction/orientation for new hires.
2. Regular refresher courses on key operational areas such as loans, tellering, bookkeeping, AMLA, and security, based on audit, operations, and compliance recommendations.
3. Talent Review outcomes and role changes guide seminar nominations to support employee growth.

Selected Seminars Attended (via RBAP Foundation):

1. Delinquency and Fraud Management
2. Internal Credit Risk Rating
3. Credit Analysis & Loan Packaging
4. Risk Management Basics
5. AMLA and Compliance Training
6. Business Continuity Management
7. Property Appraisal and Signature Verification
8. These initiatives support professional development and regulatory compliance across all levels of the Bank.

m. Retirement and Succession Policy

1. RETIREMENT

a) Compulsory retirement is set at age 65, while optional retirement is allowed at age 60 or after 20 years of service.

b) Retirement benefits are computed as one month's pay per year of service for officers with at least 15 years, and for all employees with at least 20 years of service.

2. SUCCESSION PLANNING GUIDELINES

The Bank has developed a Succession Planning Framework to ensure smooth continuity of operations.

a) It includes individual career paths based on factors such as tenure, training, performance, education, and demographics.

b) A Succession Planning Chart identifies potential replacements for key roles in case of absences, resignations, or retirements.

c.) This strategy helps management support employee development and maintain operational resilience.

n. Remuneration & Compensation policy

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

MVSM Bank adopts a structured and performance-aligned remuneration framework, composed of the following:

1. Fixed Remuneration

   a) Based on role, experience, seniority, education, and local market conditions.

   b) Paid mainly in cash.

2. Variable Remuneration

   a) Granted to most employees in proportion to performance at individual, departmental, and bank-wide levels.

   b) Designed to support long-term goals and shareholder value.

   c) Capped at 200% of fixed salary to ensure balance and prevent excessive risk-taking.

   d) Performance-based rewards are tied to sustainable contributions and customer value generation.

3. Other Remuneration

Includes health insurance, retirement benefits, SSS/PhilHealth/Pag-IBIG contributions, and financial assistance.

ii. Remuneration for Directors and Officers

1. Directors

   a) Receive reasonable per diems only, unless otherwise approved by stockholders.
   b) Total director remuneration must not exceed 10% of prior year's net income before tax.
   c) The Chairman may receive reimbursements and use of club facilities for business purposes.
   d) Remuneration policies are proposed by the Remuneration & Compensation Committee and approved by the Board.

2. Senior Management

   a) Compensation is determined by the Compensation Committee and approved by the Board, within stockholder-approved limits.
   b) Risk control personnel are compensated independently of the business units they monitor.

3. Officers

   Officer remuneration plans and policies are reviewed and recommended by the Committee, ensuring alignment with performance, bank policies, and regulatory standards.

o. Policies and procedures on related party transactions (RPT)

i. Overarching Policies and procedures for managing related part transactions

MVSM Bank adheres to a structured policy for managing Related Party Transactions (RPT) to ensure transparency and fairness.

Directors, officers, stockholders, and their related interests (DOSRI) may engage in transactions with the Bank, provided that these are conducted on terms no less favorable than those offered to others and are preferably secured by collateral.

Key Highlights:

1. Identification of Related Parties:

   The Bank annually reviews the biographical data of DOSRI to maintain an updated inventory of related parties after the Annual Stockholders' Meeting.

2. Scope of RPTs:

   Coverage includes credit transactions (on- and off-balance sheet), consultancy and service contracts, asset transfers, leases, borrowings, fund transfers, guarantees, and joint ventures.

3. Approval Process:

   All DOSRI transactions, regardless of amount, must be reviewed by the RPT Committee and approved by the Board via a formal resolution. The Compliance Officer prepares a monthly report detailing each transaction.

4. Monitoring:

   Ongoing RPTs are periodically reviewed by the Board/RPT Committee to ensure continued compliance with regulatory standards.

5. Conflict of Interest:

Directors with interests in a transaction must disclose relevant information but are prohibited from participating in discussions or approvals related to that transaction.

ii. Conglomerate structure

n/a

iii. Details of material RPTs as defined under Subsec. X136 of the MORB, including the nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments:

Material Related Party Transactions
For the Quarter Ended December 31, 2024

Parent Bank/OB & Subsidiary/Affiliates	Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount Contract Price	Terms	Rationale for Entering into Transaction
A. Bank/OB							
a. Subsidiaries and Affiliates							
b. DOSRI	RSJMLJ Corporation	Stockholders/Director	1/1/2024	Lease Contract*	103,781.85	1 yr	Building Rental- Head Office
	RSJMLJ Corporation	Stockholders/Director	1/1/2024	Lease Contract*	41,512.73	1 yr	Building Rental- Tanay
	Jali Corp.	Stockholders/Director	1/1/2024	Lease Contract*	41,512.73	1 yr	Building Rental- Concepcion
	RSJMLJ Corporation	Stockholders/Director	6/1/2024	Lease Contract*	131,786.48	1 yr	Building Rental- San Mateo
	RSJMLJ Corporation	Stockholders/Director	9/15/2024	Lease Contract*	59,684.21	1 yr	Building Rental- BLU
	Atty. Cecilia M. Misola	Director	3/2/2023	Consulting/Retainer Agreement**	30,000.00	2 yrs	Legal Consultancy
	Atty. Cecilia M. Misola	Director		Legal Related Expenses	P3,500-Manila/ 5,000-Province	Per Appearance	
	Atty. Noelle Riza Castillo	Stockholders/Director		Legal Related Expenses	P3,500-Manila/ 5,000-Province	Per Appearance	
	Nympha M. Buenaventur	Stockholder	9/15/2017	Borrowings	76,575.67	15 yrs	Loan Accommodation
	Nympha M. Buenaventur	Stockholder	12/22/2023	Borrowings	31,492.49	3 months	Loan Accommodation
	Duane Von Sumo	Independent Director	4/14/2023	Borrowings	17,936.41	2yrs	Loan Accommodation
c. Others							
B. Subsidiary 1							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							
C. Subsidiary 2							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							
D. Affiliate 1							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							
E. Affiliate 2							
a. Subsidiaries and Affiliates							
b. DOSRI							
c. Others							

Please indicate in the last column (rationale for entering into the transaction) if the counterparty was a non-related party at the time when the transaction was entered into.

* inclusive of w/tax

** exclusive of w/tax

Certified Correct:

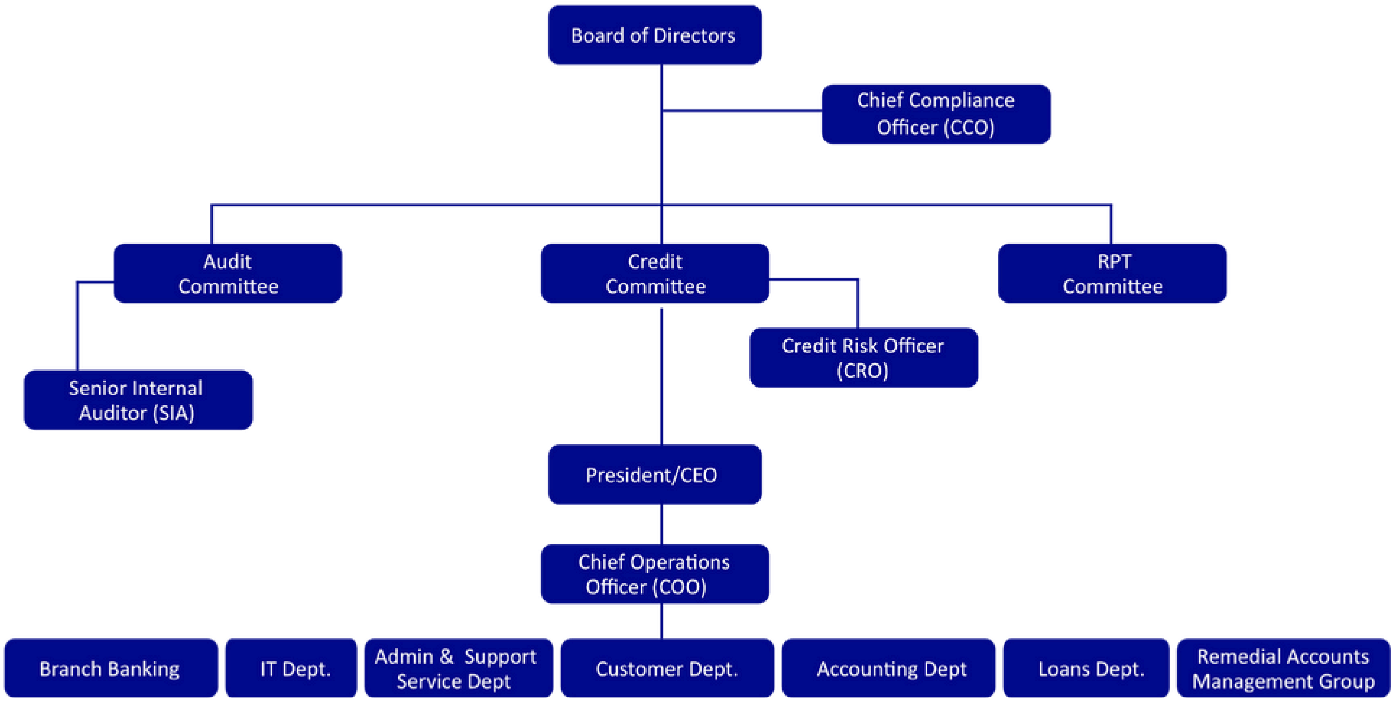
GENE M. SANGALANG

Vice President for Operation

p. Self-Assessment Function

i. Structure of the internal audit and compliance functions including its role, mandate/authority, and reporting process

Plantilla of Organization as of 31 December 2024:



a) Internal Auditor

The Internal Auditor reports directly to the Audit Committee and has unrestricted access to all bank activities, records, and personnel. The role is independent from the operations being audited, with the primary purpose of assisting the Board and management in ensuring effective governance. Key responsibilities include:

1. Verifying and validating the reliability of reports.
2. Recommending and monitoring internal controls.
3. Ensuring policies and procedures are properly implemented.
4. Performing independent evaluations of bank operations.
5. Providing recommendations to improve operational efficiency and risk management.

b) Compliance Officer

The Chief Compliance Officer (CCO) reports directly to the Board of Directors on compliance matters and ensures the Bank complies with applicable laws, rules, and regulations. Key responsibilities include:

1. Coordinating, monitoring, and facilitating compliance with BSP and other regulatory requirements.
2. Implementing and improving the compliance system and program.
3. Compiling relevant banking laws and regulations for implementation.
4. Maintaining open communication with regulatory bodies (e.g., BSP, PDIC, BIR, DOLE, SSS, etc.).
5. Conducting internal compliance education through meetings, seminars, and workshops.
6. Recommending updates to the compliance program when needed.

.

7. Seeking legal guidance when necessary.
8. Acting as the Data Protection Officer (DPO) in compliance with the Data Privacy Act of 2012 to oversee data protection and privacy compliance.

ii. Process adopted by the board to ensure effectiveness and adequacy of the internal control system

The Board ensures the adequacy and effectiveness of the internal control system through a structured evaluation process that includes the following key steps:

1. Understanding the Internal Control Structure

The process begins with gaining a comprehensive understanding of the Bank's:

a) Control environment
b) Control procedures
c) Accounting and internal control systems

This understanding is documented using tools such as internal control questionnaires, flowcharts, narrative descriptions, checklists, and decision tables.

2. Assessing Control Risk

The Board, through internal audit or external auditors, assesses the risk that internal controls may not prevent or detect material misstatements. This includes evaluating controls related to:

a.) Existence/Occurrence
b.) Completeness
c.) Rights and Obligations
d.) Valuation and Measurement
e.) Presentation and Disclosure

Control procedures include approvals, documentation, verification, reconciliations, and proper classification of transactions.

3. Testing and Evaluation of Controls

The effectiveness of internal controls is validated through:

a.) Compliance testing (inspection of documents, observations, inquiries)
b.) Evaluation of test results to determine if internal controls function as expected
c.) Reassessment of control risk, if weaknesses or deviations are found

4. Determining Audit Strategy

Based on the assessed control risk and inherent risk, auditors determine the necessary level of detection risk and perform substantive testing (detailed testing and analytical procedures). Stronger controls lead to fewer and less extensive audit procedures.

This systematic process ensures the reliability of financial reporting, operational efficiency, and regulatory compliance.

q. Dividend Policy

The Bank has adopted the following general policy on the declaration of dividends:
"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank."

Dividends allow shareholders to enjoy the fruits of a profitable business. A dividend is a payment to the shareholders of the Bank as a return on the shareholder's investment.

Declaration of dividends is approved by the Board of Directors of the Bank and does not need prior approval from the BSP but must be made in accordance to regulations set by the BSP.

r. Corporate Social Responsibility Initiatives

As part of the CSR, MVSM Bank continuously accepts on-the-job Trainees (OJT) or internships from various neighboring schools for their immersion before going to the real world of work. And other effort such as Book Donation and Gift Giving to the chosen beneficiaries of each branch:

s. Consumer Protection Practices

i. Role and responsibility of the Board and senior management for the development of consumer protection strategy and establishment of an effective oversight over the bank's consumer protection programs

The Bank is committed to strong consumer protection through effective governance and implementation of a Consumer Protection Risk Management System (CPRMS) and Consumer Assistance Mechanism (CAM). Identified risks are proactively managed, with minimal impact expected due to strong Board oversight and established controls.

Roles & Responsibilities of the BOARD & SENIOR MANAGEMENT:

1. BOARD OF DIRECTORS

The Board is primarily responsible for approving and overseeing the implementation of the Bank's consumer protection strategies. Its responsibilities include:

a.) Approving the CPRMS and CAM policies aligned with the Bank's business model and risk profile.

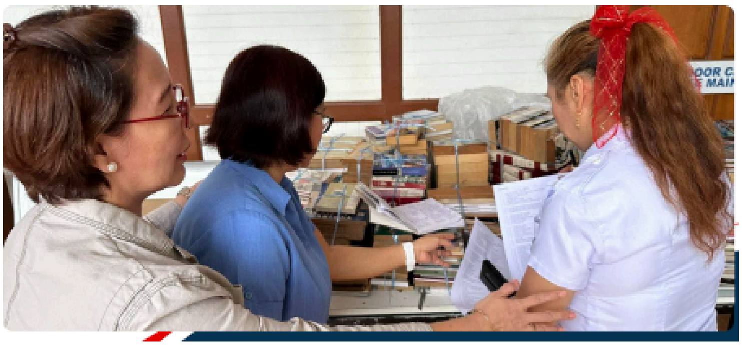
b.) Promoting a culture of ethical behavior and fair treatment of customers.

c.) Requiring regular reporting on consumer protection risks, CAM outcomes, and material consumer-related developments.

d.) Ensuring proper resources, staff training, and performance incentives are in place to support responsible conduct.

e.) Periodically reviewing the effectiveness and relevance of the CPRMS and audit mechanisms, especially during changes in the Bank's business or risk environment.

Book donation in Marikina Elementary School and Marikina Library last March 4, 2024



2. SENIOR MANAGEMENT

Senior Management ensures the effective implementation of consumer protection policies and manages day-to-day consumer protection activities. Key responsibilities include:

a.) Disseminating and enforcing CPRMS and CAM policies across all business units.
b.) Establishing robust monitoring systems to track and analyze consumer-related issues and risks.
c.) Implementing controls to quickly identify and resolve consumer concerns across all customer touchpoints.
d.) Addressing weaknesses and emerging risks promptly through corrective actions.
e.) Ensuring compliance with applicable regulatory expectations on consumer protection and internal audit processes.

ii. The consumer protection risk management system of the bank, the means by which a bank identify, measure, monitor, and control consumer protection risks inherent in its operations

The Bank employs a structured Consumer Protection Risk Management System (CPRMS) to identify, measure, monitor, and control consumer protection risks embedded in its operations.

Key elements of the system include:

1. Regular Monitoring and Assessment

The Bank conducts periodic evaluations of consumer protection activities using internal standards and industry benchmarks.

These reviews aim to ensure that controls are effective, operations are efficient, and consumer protection mechanisms are functioning as intended.

2. Reporting and Remedial Actions

Accurate and timely reports are submitted to Management to support informed decision-making. Deviations or inefficiencies identified during monitoring are assessed, and corrective actions are implemented to address root causes.

3. Risk Classification Framework

The Bank uses a dual classification system to assess consumer protection risks:

a.) By Likelihood of Occurrence:

- Rare – Unlikely to occur soon.
- Likely – Possible but not immediate.
- Certainly – Definite or imminent occurrence.

b.) By Level of Impact:

- Low – Minimal or negligible effect on the Bank.
- Medium – Moderate impact, within tolerable limits.
- High – Significant impact exceeding the Bank's risk threshold, with potential reputational consequences.

This structured risk management approach ensures that consumer protection risks are proactively managed and aligned with regulatory expectations and the Bank's operational complexity.

iii. The consumer assistance management system of the bank which shall include the consumer assistance policies and procedures as well as the corporate structure for handling complaints

The Bank goal is to provide consumers with the highest quality of service possible. Hereunder are the procedures that will be followed when the bank receives a complaint or query:

1. Complaints/queries are accepted by staff and endorsed to the branch managers;
2. Manager based on the query or complaint and acts on the matter immediately. If it cannot be resolved or answered immediately, the customer is asked to return at least two days after;
3. When complaint is not immediately resolved at branch level, the Audit Team (depending on complaint) conducts its own investigation about the complaint;
4. The report is prepared by the Audit Team to Operations. The investigation and report preparation to take at least three days;
5. When a complaint remains unresolved, the VP for Operation goes to the branch and final recommendation is made. Customers are not discouraged to inform BSP about their complaint.
6. Depending on the response of the BSP, the bank may again do its investigation or accept the matter to be closed.
7. Record/s of complaints resolved at branch level kept at the branch and communications coming from BSP are filed with the Compliance Unit.

Data Privacy

MVSM Bank is firmly committed to safeguarding the personal data of its clients, employees, and stakeholders. The Bank processes personal information in full compliance with the Data Privacy Act of 2012 (Republic Act No. 10173), its 2021 registration requirements, Implementing Rules and Regulations, and all applicable issuances from the National Privacy Commission (NPC). In doing so, the Bank ensures that the collection, use, retention, and disclosure of personal data are carried out in a manner that upholds the principles of transparency, legitimate purpose, and proportionality.


Republic of the Philippines
NATIONAL PRIVACY COMMISSION
CERTIFICATE
OF REGISTRATION

This is to certify that
MVSM BANK (A RURAL BANK SINCE 1953) INC.
with business address at #389 J. P. Rizal St., Sto. Nino, Marikina City, MARIKINA CITY, METRO MANILA

has duly complied with the registration requirements of the Data Privacy Act of 2012, its Implementing Rules and Regulations, and all related issuances. This certificate was issued under the seal of the Commission and serves only as proof of registration and not a verification of the contents of any document submitted in relation thereto.

The information on this certificate has been made part of the records of the Commission.

Effective until **27 April 2025**

ATTY. JOHN HENRY DU NAGA
Privacy Commissioner and Chairman

NPC Registration No.
PIC-001-348-2024

To strengthen its data protection governance, MVSM Bank has designated its Chief Compliance Officer as the concurrent Data Protection Officer (DPO). The DPO is duly registered with the NPC and is tasked with overseeing the implementation of the Bank's data privacy policies, ensuring adherence to privacy standards, and managing data breach response protocols.

Moreover, the Bank has successfully obtained NPC certification, signifying its compliance with mandatory data privacy registration requirements and its commitment to upholding the rights of data subjects through robust privacy and security practices.

t. Sustainability Framework

In 2023, MVSM Bank developed its environment & Social Governance (ESG) best practices. The board approved las 09 May 2023 and implementation of the Bank's Environmental and Social Risk Management System (ESRMS) together with the Sustainable Finance Framework (SSF) and Transition Plan to support its sustainability commitments and set out how it intends to raise Sustainable Financing Instruments (SFIs). The Board ensures that policies and procedures/manuals are aligned to the Bank's SFF and ESRMS (Corporate Governance, Risk Management, Credit and Operations/Branches, Strategic Plan of the Bank, and other policies and manuals):

1. Sustainability goals:
   - a.) Improve the bank's system and responses to climate change risks:
   - b.) Establish a foundation for future projects and improvements for the Bank's sustainability;
   - c.) Educate and foster community spirit towards an informed understanding of climate change and its related risks; and
   - d.) Identify and manage risks for the Bank and its clients with an informed understanding of climate change and other environment and social risks.
2. ESG Strategies
   - a.) Environment sustainability talks/webinars;
   - b.) Review and alignment of bank policies and procedures to its Sustainability Financing Framework (SFF) and Environment and Social Risk Management System (ESRMS);
   - c.) Conservation and recycling of Bank resources;
   - d.) Partnership with the Marikina Shoe Industry;
   - e.) Partnership with Environment Groups;

f.) Lending and Investment Programs for Environmental and Social Projects or Business; and

g.) Lending programs for people and businesses affected by natural calamities.

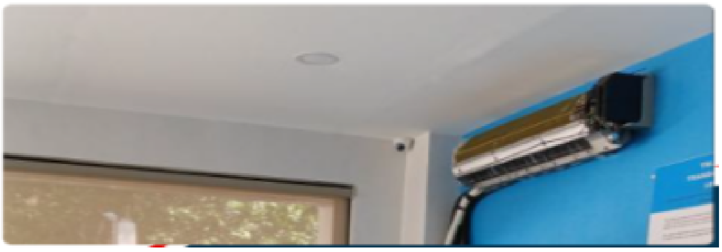
3. ESG Initiatives & Initiatives

CONSERVATION AND RECYCLING OF BANK RESOURCES

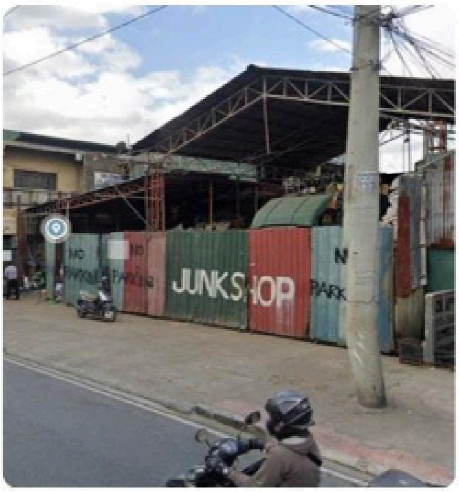
Solar Energy – Head Office & San Mateo Branch

Donated the worn-out and obsolete PCs to the Tzu Chi Foundation last August 30, 2024

Purchase of BYD with a hybrid engine and battery; and replacement of worn-out aircon to inverter type.

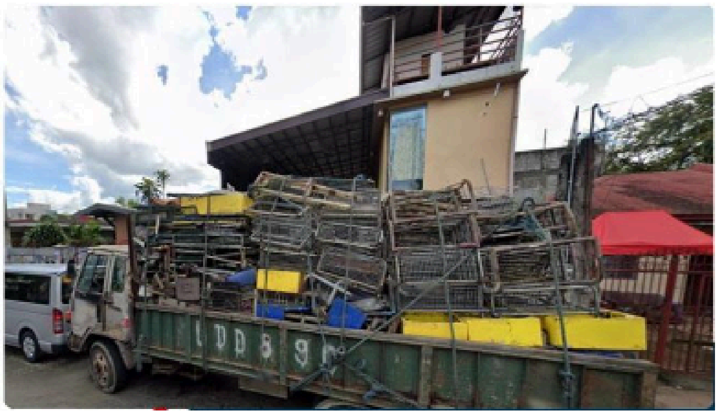


Albania



ESG Financed Project
"Materials Recovery Facility"

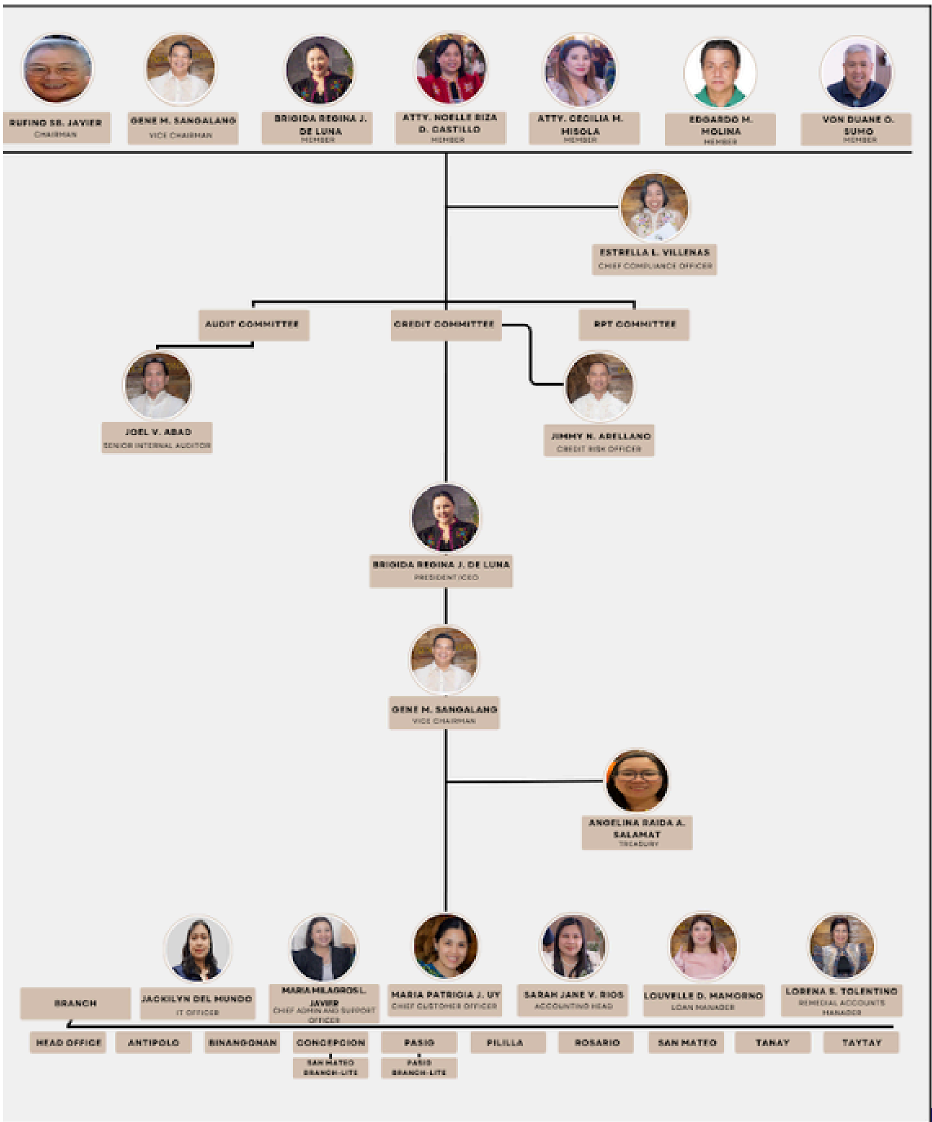
Salonga



Corporate Information

a. Organizational structure, including the name and position of key officers

- **BOARD OF DIRECTORS**



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

AS OF DECEMBER 31, 2024

Name of Stockholder / Subscriber Address	Nationality	No. of Shares	Amount	Ratio
COMMON SHARES - VOTING SHARES				
JAVIER, RUFINO SB	Filipino	227,981.00	22,798,100.00	19.63%
DE LUNA, BRIGIDA REGINA J.	Filipino	227,979.00	22,797,900.00	19.63%
UY, MA. PATRICIA J.	Filipino	227,979.00	22,797,900.00	19.63%
JAVIER, MA. MILAGROS L.	Filipino	227,979.00	22,797,900.00	19.63%
DE LUNA, EMMANUEL DEOGRACIAS H.	Filipino	120,818.00	12,081,800.00	10.40%
UY, ARCHIE LAWRENCE K.	Filipino	120,818.00	12,081,800.00	10.40%

c. List and description of products and services offered

1. Deposit

a. Demand Deposit

A non-interest-bearing account where in deposit transactions are made with a use of checkbooklet and withdrawal slips.

b. Regular Savings Deposit

An interest-bearing savings account wherein deposit transactions are made over the counter with the use of a passbook.

c. Mega/Time Deposit/Special Savings

An interest-bearing deposit account where in funds of a specific amount are given pre determined competitive rates for a fixed term.

d. Basic Deposit Account

A newly launched savings product with an interestbearing deposit account for the unbanked and low income sector for an affordable and easy to open account.

2. Loans

a. Business Loan
for business expansion, additional capital for business, start-up, etc.

b. Housing Loan
for home construction/renovations, purchase of house & lot, etc.

c. Personal Consumption Loans
for travel expenses, tuition fees and other personal needs.

d. SSS Pensioner Loans for personal needs of SSS Pensioners.

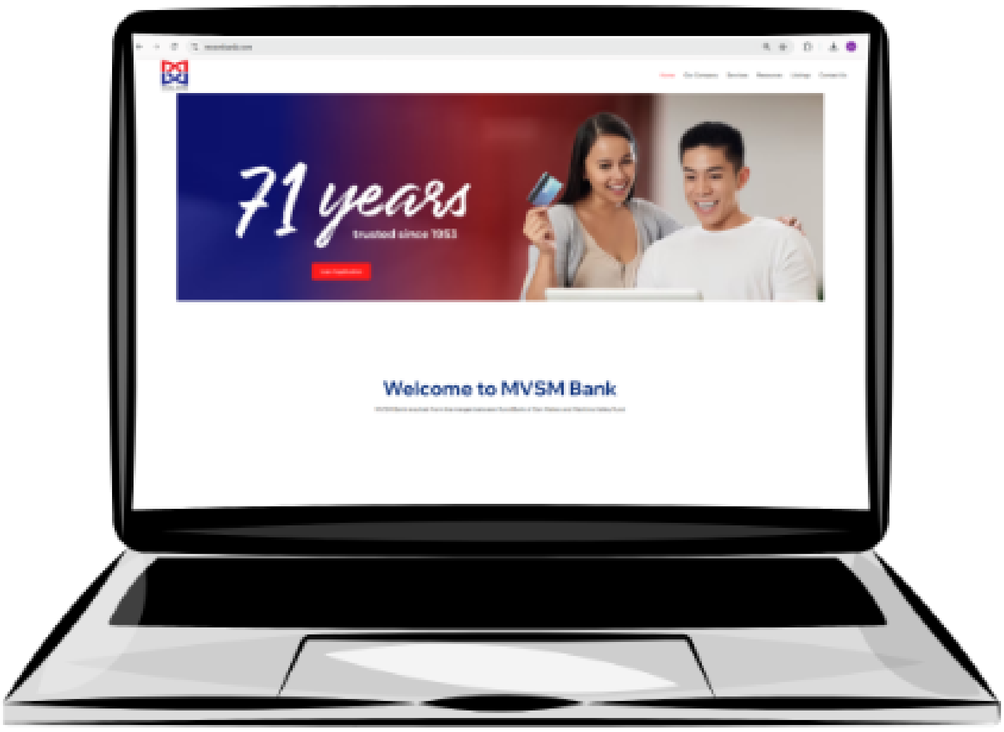
3. Money Remittance thru Western Union, i2i platform

4. Bills payment

Thru BAYAD CENTER Billers include the following merchants: Meralco, PLDT, Smart, Globe, PLDT, Skycable, Destiny Cable, Digitel, Manila Water, Maynilad, Manulife, Maxicare Healthcare Corporation, PAG-IBIG Fund, SSS, Grepalife, SunCelluar, Sunlife of Canada, World Vision Dev't. Foundation, etc.

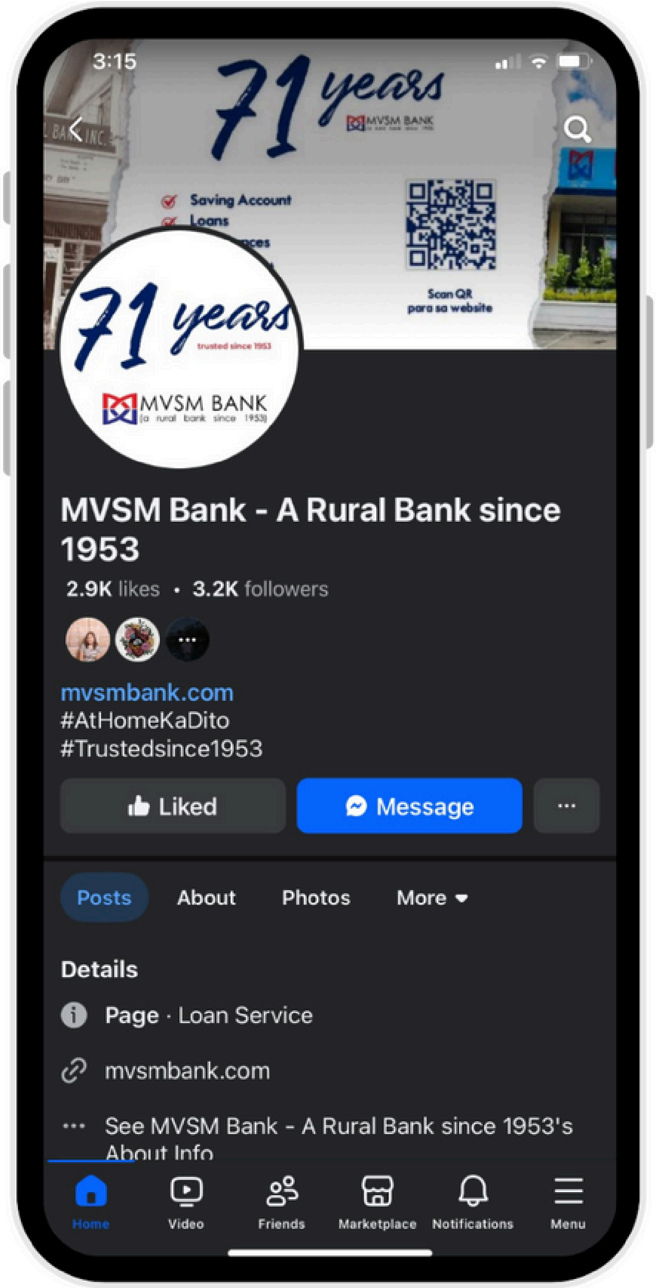
5. SSS Payment Agent
6. Pesonet Participant

d. Bank website



www.mvsmbank.com

Facebook Account:



https://www.facebook.com/mvsmbankofficial

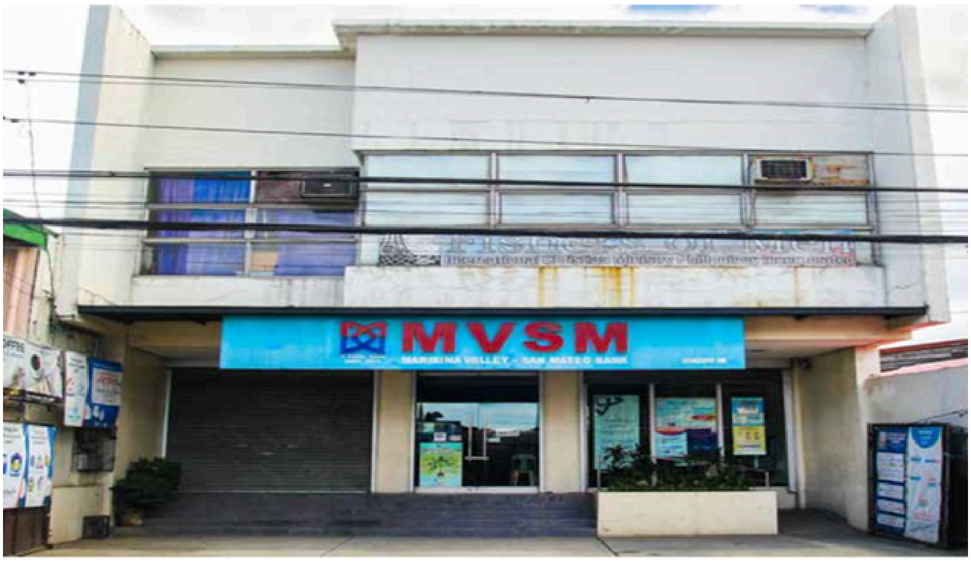
e. Listing of banking units

Branch	Address	Contact Person	Designation	Telephone #	Fax #	E-mail
Head Office	389 JP Rizal St Sto Niño Marikina City	Angelina Raida A. Salamat	Manager	8681-0075 / 6984	7501-8526	duviesalamat@mvsmbank.com
Antipolo	Makaya Bldg. Circumferential San Roque Antipolo City	Sylvia Legaspi	Branch Manager	8696-0897		sylvialegaspi@mvsmbank.com
Binangonan	Sta. Ursula St Binangonan Rizal	Michelle L. Cervo	Branch Manager	8652-2780		michellecervo@mvsmbank.com
Concepcion	713 JP Rizal Cor. Farmers Ave. Concepcion I Marikina City	April M. Manuel	Branch Manager	8645-5143	7369-6544	aprilmanuel@mvsmbank.com
San Mateo-Branch-lite	#76 Gen. Luna St., Ampid 1, San Mateo, Rizal	Janelle F. Fontamillas	Marketing Staff	8713-3531		branchlitesanmateo@mvsmbank.com
Pasig Mkt	Market Ave. Ninoy Aquino Park Pasig Public Market Pasig City	Arnel S. Malicdem	Branch Manager	8642-7760	8642-7056	arnelmalicdem@mvsmbank.com
Pasig Branch-lite	Lot 8B 37 C. Raymundo Ave., Caniogan, Pasig City	Jean B. Mariano	Marketing Staff	8723-6884		branchlite@mvsmbank.com
Pililla	Manila East Road Bagumbayan Pililla Rizal	Nancy R. Raquion	Branch Manager	8654-4441		nancyraquion@mvsmbank.com
Rosario	Goldiland building 189 Ortigas Avenue, Santa Lucia Pasig City	Cynthia Gersalina	Branch Manager	8656-1174		cynthiagersalina@mvsmbank.com
San Mateo	97 Gen. Luna St. Guitnang Bayan San Mateo	Nympha M. Buenaventura	Branch Manager	8948-0675	8470-3528	chiquibuenaventura@mvsmbank.com
Tanay	Ft Katapusan St. Plaza Aldea Tanay Rizal	Flora C. Ferido	Branch Manager	8654-5312		flora.ferido@mvsmbank.com
Taytay	341 Rizal	Gener Intal	Branch	8658-7139		gener.intal@mvsmbank.com

CORPORATE AND HEAD OFFICE

ANTIPOLO & BINANGONAN BRANCH

CONCEPCION BRANCH & SAN MATEO BRANCH-LITE UNIT



PASIG BRANCH & PASIG BRANCH-LITE UNIT

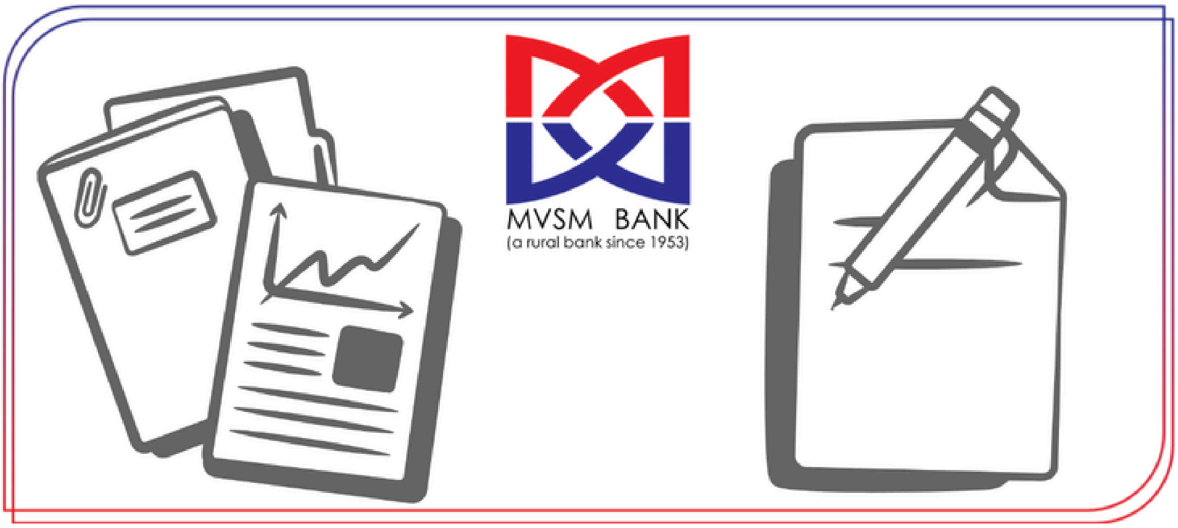
ROSARIO BRANCH, PASIG BRANCH AND PASIG BRANCH-LITE UNIT

TANAY BRANCH

TAYTAY BRANCH

SAN MATEO BRANCH

Audited Financial Statement (AFS) with Auditor's Opinion



The AFS for the calendar or fiscal year including the opinion of the external auditor of the bank should be presented in full in the Annual Report as attached.

a.) Summary of financial performance of the business segment for the year; Contribution of business segment to the total revenue of the bank during the year; Significant developments during the year including major activities (see attached AFS 2024 by Paguio, Dumayas & Associates, CPAs)

b.) Future plans/targets/objectives

1.) Future plans

The key initiatives for 2025 to drive continued growth and operational excellence.

a.) Increase profit by at least 10%;
b.) Increase deposit portfolio by at least 5%;
c.) Increase ROPA disposal by 5%;
d.) Expand digital transformation initiatives;
e.) Increase risk mitigation measures;

f.) Conduct risk analysis of new products/processes;
g.) Ensure compliance with BIR, BSP, PDIC, SSS and other regulatory bodies; and
h.) Optimize liquidity Management.

2.) Target & Objectives for the next five (5) year

Particulars	2024	2025	2026	2027	2028	2029
Loans	919,532,012.50	1,011,485,213.75	1,112,633,735.13	1,223,897,108.64	1,346,286,819.51	919,532,012.50
Deposits	1,309,076,371.84	1,374,530,190.43	1,443,256,699.95	1,515,419,534.95	1,591,190,511.70	1,309,076,371.84
Income	37,113,326.12	40,824,658.73	44,907,124.61	49,397,837.07	54,337,620.77	37,113,326.12

II. COMPLIANCE WITH APPENDIX 63C OF THE MORBDISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED STATEMENT OF CONDITION

A. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

CAR15_CAR1_S PART I. - SIMPLIFIED CALCULATION OF RISK-BASED CAPITAL ADEQUACY RATIO (In absolute amounts)

Item	Nature of Item	Account Code		Amount	
				a	b
				C0010	C0020
A.	Calculation of Qualifying Capital				
A.1	Tier 1 Capital (Sum of A.2 and A.3)	395000000000710000	R0010		224,251,614.98
A.2	Common Equity Tier 1 Capital	395000000000711000	R0020		204,254,814.98
A.3	Additional Tier 1 Capital	395000000000712000	R0030		19,996,800.00
A.4	Tier 2 Capital	395000000000720000	R0040		29,473,277.79
A.5	Total Qualifying Capital [Sum of A.1 and A.4]	395000000000700000	R0050		253,724,892.77
B.	Calculation of Risk-Weighted Assets				
B.1	Total Credit Risk-Weighted Assets [B.1(d) minus B.1(h)]	195931000000000000	R0060		1,196,907,223.93
(a)	Risk-Weighted On-Balance Sheet Assets	100000000000811000	R0070	1,196,907,223.93	
(b)	Risk-Weighted Off-Balance Sheet Assets	400000000000812000	R0080	0.00	
(c)	Counterparty Risk-Weighted Assets	110100000000813000	R0090	0.00	
(d)	Total Credit Risk Weighted Assets [Sum of B.1(a), B.1(b) and B.1(c)]	100000000000810000	R0100	1,196,907,223.93	
(e)	Deductions from Total Credit Risk-Weighted Assets				
(f)	General Loan Loss Provision (in excess of the amount permitted to be included in Tier 2 capital) [Part III.1, Item G.(1)(b) minus Part II, Item B.1 (7)]	175150500000000000	R0110	0.00	
(g)	Unbooked allowance for credit losses and other capital adjustments affecting asset accounts based on the latest report of examination as approved by the Monetary Board	365052000000711000	R0120	0.00	
(h)	Total Deductions [Sum of B.1(f) and B.1(g)]	165000000000810000	R0130	0.00	
B.2	Total Operational Risk-Weighted Assets	195000000000830000	R0140		137,492,811.93
B.3	Total Market Risk-Weighted Assets	100000000000820000	R0150		0.00
B.4	Total Risk-Weighted Assets [Sum of B.1, B.2 and B.3]	100000000000800000	R0160		1,334,400,035.86
C.	Minumum Capital Ratios				
C.1	RISK-BASED CAPITAL ADEQUACY RATIO [A.5 divided by B.4 multiply by 100]	990000000000000000	R0170		19.01
C.2	Common Equity Tier 1 Ratio [A.2 divided by B.4 multiply by 100]	990000000000000001	R0180		15.31
C.3	Capital Conservation Buffer [C.2 minus 6]	990000000000000002	R0190		9.31
C.4	Tier 1 Capital Ratio [A.1 divided by B.4 multiply by 100]	990000000000000003	R0200		16.81

MVSM Bank
a Rural Bank Since 1953

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **MVSM BANK (A RURAL BANK SINCE 1953), INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2024** and **2023**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC) and **R.S. BERNALDO & ASSOCIATES,** the independent auditor appointed by the stockholders for the years ended **December 31, 2024** and **2023**, respectively, have audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RUFINO SB. JAVIER
Chairman of the Board

BRIGIDA REGINA J. DE LUNA
President/CEO

ANGELINA RAIDA A. SALAMAT
Treasurer

Signed this 7th day of April 2025.

Head Office: 389 J.P. Rizal St., Sto. Niño Marikina City • Tel. No. 8681-0075
Branches: San Mateo Rizal: 8948-0675; BLU-Ampid: 8713-3531; Antipolo City: 8365-4277; Binangonan Rizal: 8556-0889; Concepcion, Marikina City 8367-9748; Pasig Market: 8562-3403; BLU-Pasig: 8723-6884; Pililla Rizal: 8721-6721; Rosario, Pasig City: 8522-0410; Tanay Rizal: 8654-5312; Taytay Rizal: 8281-5902
Website: http//www.mvsmbank.com

MVSM BANK (A RURAL BANK SINCE 1953) INC.
Marikina City – Philippines

FINANCIAL STATEMENTS
DECEMBER 31, 2024
(With Comparative Figures for 2023)

AND

INDEPENDENT AUDITOR'S REPORT ISSUED BY:

PDAC
PAGUIO, DUMAYAS
& ASSOCIATES, CPAS

Independent Member of
PrimeGlobal

PDAC
PAGUIO, DUMAYAS
& ASSOCIATES, CPAS
PrimeGlobal
3rd Floor Elizabeth Center Building, National Road., Brgy. Putatan, Muntinlupa City, Philippines
(02) 700 156 47
www.pdacgroup.com/pdac

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MVSM BANK (A RURAL BANK SINCE 1953), INC.
389 J.P. Rizal Street
Sto. Niño, Marikina City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MVSM BANK (A RURAL BANK SINCE 1953), INC.** (the Bank), which comprise the statement of financial position as at **December 31, 2024**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

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

Basis for Opinion

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

Other Matter

The financial statements of the Bank for the year ended December 31, 2023, were audited by another auditor, R.S. Bernaldo & Associates, who expressed an unmodified opinion on those statements on April 12, 2024.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and BSP Circular No. 1074

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the BSP under Circular No. 1074 and by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010 as disclosed in Notes 41, 42 and 43, respectively, to the financial statements is presented for purposes of filing with the BSP and BIR and is not a required part of the basic financial statements. Such information is the responsibility of the Management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)
Tax Identification Number 008-662-265-000
BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025
BOA Accreditation No. 5614, July 5, 2023 valid until February 28, 2026
BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. 5614-IC (Group A), valid for 2020 to 2024 financial statements audit
CDA Accreditation No. 124-AF, January 15, 2025 valid until January 14, 2030

For the Firm:

ATTY. EMMANUEL C. DUMAYAS
Managing Partner
CPA Certificate No. 116516
Tax Identification Number 935-206-660-000
BIR Accreditation No. 08-800011-002-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 116516-SEC (Group C), valid for 2021 to 2025 financial statements audit
BSP Accreditation No. 116516-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. 116516-IC (Group C), valid for 2020 to 2024 financial statements audit
PTR No. 4778907, issued on January 15, 2025, Muntinlupa City

April 7, 2025
Muntinlupa City, Metro Manila

NOT VALID WITHOUT SEAL

MVSM BANK (A RURAL BANK SINCE 1953), INC.
STATEMENT OF FINANCIAL POSITION
As at December 31, 2024
(With Comparative Figures for 2023)
(In Philippine Peso)

	Notes	2024	2023
ASSETS			
Cash and other cash items	6	**22,284,183**	18,312,288
Due from Bangko Sentral ng Pilipinas (BSP)	7	**1,451,837**	14,012,677
Due from other banks	8	**134,761,225**	107,462,457
Other financial assets at amortized costs	9	**283,413,840**	283,857,435
Loans and receivables - net	10,40	**789,429,677**	714,375,159
Financial asset at fair value through other comprehensive income	11	**85,000,000**	75,000,000
Bank premises, furniture, fixtures and equipment - net	12	**64,906,412**	60,283,812
Right-of-use assets - net	13	**14,010,660**	11,448,041
Investment properties - net	14	**170,195,604**	177,035,627
Other assets	15,40	**5,834,227**	7,433,115
TOTAL ASSETS		**1,571,287,665**	1,469,220,611
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposit liabilities	17	**1,246,901,402**	1,178,956,518
Bills payable	18	**10,600,000**	-
Income tax payable	31	**6,624,339**	4,017,392
Lease liabilities	19	**15,440,676**	12,619,301
Retirement liabilities - net	28	**8,354,164**	13,315,265
Deferred taxes - net	32	**7,981,594**	6,067,357
Other liabilities	20	**29,032,990**	25,774,993
TOTAL LIABILITIES		**1,324,935,165**	1,240,750,826
STOCKHOLDERS' EQUITY			
Capital stock	22	**136,129,500**	136,129,500
Surplus reserves	23	**23,497,516**	23,497,516
Revaluation reserves	24	**42,947,359**	35,399,686
Surplus free		**43,778,125**	33,443,083
TOTAL STOCKHOLDERS' EQUITY		**246,352,500**	228,469,785
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**1,571,287,665**	1,469,220,611

(See Notes to the Financial Statements)

MVSM BANK (A RURAL BANK SINCE 1953), INC.
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2024
(With Comparative Figures for 2023)
(In Philippine Peso)

	Notes	2024	2023
INTEREST INCOME			
Loans and receivables	*10*	**90,463,100**	73,174,089
Other financial assets at amortized cost	*9*	**9,031,790**	11,987,466
Due from other banks	*8*	**1,226,526**	166,567
		100,721,416	85,328,122
INTEREST EXPENSE			
Deposit liabilties	*17*	**6,404,406**	5,886,211
Bills payable	*18*	**102,688**	-
Lease liability	*13*	**1,129,206**	415,370
		7,636,300	6,301,581
NET INTEREST INCOME		**93,085,116**	79,026,541
PROVISION FOR EXPECTED CREDIT AND IMPAIRMENT LOSSES	*16*	**1,882,560**	2,852,081
NET INTEREST INCOME AFTER PROVISION		**91,202,556**	76,174,460
OTHER INCOME	*26*	**34,811,023**	24,042,625
TOTAL INCOME BEFORE OPERATING EXPENSE		**126,013,579**	100,217,085
OPERATING EXPENSES	*27*	**(83,979,188)**	(73,416,507)
INCOME BEFORE TAXES		**42,034,391**	26,800,578
INCOME TAX EXPENSE	*31*	**(9,921,683)**	(7,208,486)
NET INCOME		**32,112,708**	19,592,092
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Net unrealized fair value gains on investment securities at FA at FVOCI	*11*	**7,500,000**	12,750,000
Net remeasurement of post-employment defined benefit plan - net		**47,673**	(6,605,053)
TOTAL COMPREHENSIVE INCOME		**39,660,381**	25,737,039

(See Notes to the Financial Statements)

MVSM BANK (A RURAL BANK SINCE 1953), INC.
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2024
(With Comparative Figures for 2023)
(In Philippine Peso)

		Capital Stock		Surplus Reserves		Revaluation Reserves			
	Notes	Common Stock	Preferred Stock	Appraisal Increment	Regulatory	Net Unrealized Fair Value Gains on FA at FVOCI	Net Remeasurement on Retirement Benefit Obligation	Surplus Free	Total
Balances at January 1, 2023		116,132,700	19,996,800	21,493,367	2,004,149	38,475,000	(9,220,261)	22,018,761	210,900,516
Cash dividends declaration	*25*	-	-	-	-	-	-	(8,167,770)	(8,167,770)
Net income		-	-	-	-	-	-	19,592,092	19,592,092
Other comprehensive income		-	-	-	-	12,750,000	(6,605,053)	-	6,144,947
Balances at December 31, 2023, as previously presented	*22,23,24*	116,132,700	19,996,800	21,493,367	2,004,149	51,225,000	(15,825,314)	33,443,083	228,469,785
Prior period adjustment	*40*	-	-	-	-	-	-	3,054	3,054
Balances at January 1, 2024, as restated		**116,132,700**	**19,996,800**	**21,493,367**	**2,004,149**	**51,225,000**	**- 15,825,314**	**33,446,137**	**228,472,839**
Cash dividends declaration	25	-	-	-	-	-	-	(21,780,720)	(21,780,720)
Net income		-	-	-	-	-	-	32,112,708	32,112,708
Other comprehensive income		-	-	-	-	7,500,000	47,673	-	7,547,673
Balances at December 31, 2024	*22,23,24*	**116,132,700**	**19,996,800**	**21,493,367**	**2,004,149**	**58,725,000**	**(15,777,641)**	**43,778,125**	**246,352,500**

(See Notes to the Financial Statements)

MVSM BANK (A RURAL BANK SINCE 1953), INC.
STATEMENT OF CASH FLOW
For the Year Ended December 31, 2024
(With Comparative Figures for 2023)
(In Philippine Peso)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxes		**42,034,391**	26,800,578
Adjustments for:			
Interest income	*8,9*	**(10,258,315)**	(12,154,033)
Gain on sale of investment properties	*14*	**(9,638,944)**	(2,936,372)
Depreciation and amortization	*12,13,14*	**8,430,391**	6,754,026
Provision for impairment and credit losses	*10,16*	**1,882,560**	2,852,081
Retirement expense	*28*	**1,300,000**	826,011
Interest expense on lease liabilities	*13*	**1,129,206**	415,370
Write-off of ROU asset	*13*	**(151,941)**	246,000
Gain on sale of bank premises, furniture, fixture and equipment	*12*	**-**	(934,579)
Operating cash flow before changes in working capital		**34,727,348**	21,869,082
Increase in operating assets:			
Loans and receivables		**(83,239,346)**	(110,193,848)
Other assets		**1,692,521**	(1,752,319)
Increase (Decrease) in operating liabilities:			
Deposit liabilities		**67,944,884**	(85,829,420)
Other liabilities		**3,257,997**	(892,836)
Cash from (used in) operations		**24,383,404**	(176,799,341)
Interest received		**10,258,315**	12,154,033
Income taxes paid		**(7,943,404)**	(5,920,735)
Contribution to the plan asset		**(5,182,518)**	-
Retirement benefits paid		**(1,078,583)**	(195,835)
Net cash from (used in) operating activities		**20,437,214**	(170,761,878)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured other financial assets at amortized cost	*9*	**223,443,244**	313,319,311
Additional investments on other financial assets at amortized cost	*9*	**(222,999,649)**	(168,445,469)
Acquisition of bank premises, furniture, fixtures and equipment	*12*	**(11,103,449)**	(17,941,804)
Proceeds from cash sale of investment properties	*14*	**22,500,000**	574,200
Proceeds from disposal of bank premises, furnitures and equipment	*12*	**-**	956,655
Net cash from investing activities		**11,840,146**	128,462,893
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	*25*	**(19,602,648)**	(7,350,993)
Proceeds from bills payable	*18*	**10,600,000**	-
Final tax paid on dividends	*25*	**(2,178,072)**	(816,777)
Payment of lease liabilities	*19*	**(1,257,611)**	(1,189,383)
Interest paid on lease liabilities	*13*	**(1,129,206)**	(415,370)
Net cash used in financing activities		**(13,567,537)**	(9,772,523)
NET INCREASE (DECREASE) IN CASH AND OTHER CASH ITEMS		**18,709,823**	(52,071,508)
CASH AND OTHER CASH ITEMS AT JANUARY 1	*6,7,8*	**139,787,422**	191,858,930
CASH AND OTHER CASH ITEMS AT DECEMBER 31	*6,7,8*	**158,497,245**	139,787,422

(See Notes to the Financial Statements)

1. CORPORATE INFORMATION

The **MVSM BANK (A RURAL BANK SINCE 1953), INC.** (the "Bank"), was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on June 17, 1953. The Bank is the pioneer bank in the areas of San Mateo, Rizal and Marikina. The Bank's products and services are traditional deposits such as savings deposits, certificate of time deposits and demand deposits. The Bank also offers various types of loans such as commercial, agricultural, and personal loans. As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). As such, the Bank is required to comply with banking rules and regulations such as those relating to the maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP.

The Bank's activities are subject to the provisions of Republic Act (R.A.) No. 8791, The General Banking Law of 2000, and other related banking laws.

As at December 31, 2024, the Bank has ten (10) branches including its main branch and two (2) branch-lite units, which are strategically located in the National Capital Region and Region IV-A.

The Bank's registered office, which is also its principal place of business, is located at 389 J.P. Rizal Street, Sto. Niño, Marikina City and is domiciled in the Philippines.

Approval of Financial Statements

These financial statements were approved and authorized for issue by the Board of Directors on April 7, 2025.

2. ADOPTION OF NEW AND REVISED PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)

The Philippine Financial and Sustainability Reporting Standards Council (PFSRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and Philippine Financial Reporting Interpretations Committee (PFRIC) which have been approved by the PFSRSC and adopted by the SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Bank. When applicable, the adoption of the new standards was made in accordance with their transitional recognizes, otherwise the adoption is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

2.01 New and Revised PFRSs that are Effective for the Current Year

The following new standards impacting the Bank has been adopted in the annual financial statements for the year ended December 31, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7 Financial Instruments: *Disclosures* titled *Supplier Finance Arrangements*

  The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

  The amendments are not applicable to the Bank.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-Current*

  The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses or the information disclosed about those items.

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The Bank has adopted the amendments for the first time in the current year.

- Amendments to PAS 1, *Presentation of Financial Statements* – Non-current Liabilities with Covenants

  The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date.

  The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

  The Bank has adopted the amendments for the first time in the current year.

- Amendments to PFRS 16, *Leases* – Lease Liability in a Sale and Leaseback

  The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in PFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying PFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied PFRS 16.

The amendments are not applicable to the Bank.

2.02 New Standards, Interpretations and Amendments in Issue But Not Yet Effective

At the date of authorization of these financial statements, the Bank has not applied the following new and revised PFRS Standards that have been issued but are not yet effective.

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*

  The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

  The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

  The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

  When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

  The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include:
  - a spot exchange rate for a purpose other than that for which an entity assesses exchangeability
  - the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of PAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying PAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

In addition, the IASB made consequential amendments to PFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods.

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to PFRS 9 and PFRS 7

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 *Financial Instruments* and PFRS 7 *Financial Instruments: Disclosures* to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities.

The amendments to PFRS 9 and PFRS 7 will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted subject to any endorsement process.

- Annual Improvements to IFRS Accounting Standards – Volume 11

  This set includes minor amendments to 5 standards, aiming to enhance clarity and consistency:

  PFRS 1: First-time Adoption of International Financial Reporting Standards, which simplifies transition by permitting the use of cumulative translation differences from the previous GAAP as the deemed cost for translation adjustments.

  PFRS 7: Financial Instruments: Disclosures aligns the disclosure requirements with PFRS 9 for financial instruments with ESG-linked features.

  PFRS 9: Financial Instruments resolves classification inconsistencies and clarifies the treatment of fees for financial liability modifications, promoting greater consistency and accuracy in its application.

  PFRS 10: Consolidated Financial Statements clarifies accounting for asset sales or contributions between an investor and its associate or joint venture after a loss of control, ensuring consistency in consolidation and equity method adjustments.

  PAS 7: Statement of Cash Flows clarifies the classification of cash flows for interest paid and received under PFRS 9's hedge accounting, improving transparency for entities using hedging activities.

  The amendments are effective for annual periods beginning on or after January 1, 2026.

- PFRS 18 *Presentation and Disclosures in Financial Statements*

  PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some PAS 1 paragraphs have been moved to PAS 8 and PFRS 7. Furthermore, the IASB has made minor amendments to PAS 7 and PAS 33 Earnings per Share.

  PFRS 18 introduces new requirements to:
  - present specified categories and defined subtotals in the statement of profit or loss
  - provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
  - improve aggregation and disaggregation.

  An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

  The directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods.

- PFRS 19 *Subsidiaries without Public Accountability: Disclosures*

  PFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying PFRS Accounting Standards in its financial statements.

  A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

  PFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply PFRS 19 if, at the end of the reporting period:
- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

A subsidiary has public accountability if:
- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply PFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply PFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted.

If an entity elects to apply PFRS 19 for a reporting period earlier than the reporting period in which it first applies PFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to PFRS 19. If an entity elects to apply PFRS 19 for an annual reporting period before it applied the amendments to PAS 21, it is not required to apply the disclosure requirements in PFRS 19 with regard to Lack of Exchangeability.

The directors of the Bank are currently assessing the impact of these amendments.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), with modifications as required by the Manual of Regulations for Banks (MORB), issued by the Bangko Sentral ng Pilipinas (BSP).

3.02 Basis of Accounting

The financial statements are prepared on a going concern basis under the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. 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 when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2 *Share-based Payment*, leasing transactions that are within the scope of PFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 *Inventories* or value in use in PAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the 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 the 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.

3.03 Presentation and Functional Currency

Items included in the financial statements of the Bank are measured using Philippine Peso, the currency of the primary economic environment in which the Bank operates (the "functional currency"). All information presented in Philippine Peso has been rounded to the nearest peso, except when otherwise specified.

The Bank chose to present its financial statements using its functional currency.

3.04 Use of Judgments and Estimates

The preparation of the Bank's financial statements requires Management to make judgments, estimates and assumptions that affect the amounts reported in the Bank's financial statements and accompanying notes.

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 ongoing basis. These are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

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

3.05 Going Concern Assumption

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

4. MATERIAL ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Bank in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

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.

When measuring fair value the Bank takes into consideration 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.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the 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.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement
The Bank shall recognize a financial asset in its statement of financial condition when, and only when, the Bank becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank shall measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

4.02.02 Classification
a. *Financial Asset at Amortized Cost*

A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

The Bank's financial assets measured at amortized cost include due from BSP, due from other banks, loans and other receivables, and other financial assets at amortized cost.

i. Due from BSP and Other Banks
Due from BSP refers to the balance of the deposit account maintained with the BSP. Due from other banks pertain to cash deposits held at call with banks that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

ii. Loans and Other Receivables
Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes financial assets such as direct loans to customers.

Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

iii. Other Financial Assets at Amortized Cost
This pertains to treasury notes and retail treasury bonds which are fully guaranteed by the Philippine government. The contractual cash flow characteristics of this financial asset are solely for payments of principal and interest on the principal amount outstanding. While, the Bank's business model is to hold this financial asset in order to collect contractual cash flows. This is subsequently measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

b. *Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)*

The Bank makes an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in FVOCI.

Financial assets at FVOCI include unquoted equity securities pertain to golf club shares.

4.02.03 Effective Interest Method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments.

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Bank adopted the following approaches in accounting for impairment.

a. *General Approach*

The Bank applies general approach to due from BSP, due from other banks, other financial assets at amortized cost, and other receivables. At each reporting date, the Bank measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Bank measures the loss allowance equal to 12-month expected credit losses.

The Bank compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, unemployment and inflation rates, interest rate, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

The Bank determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Bank assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Bank does not apply the thirty (30) days past due rebuttable presumption because the Bank determines that there have been no significant increases in credit risk before contractual payments are more than thirty (30) days past due.

If the Bank has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Bank shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Bank recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Bank performs the assessment of significant increases in credit risk on collective basis for financial assets with collateral otherwise it is assessed on an individual basis.

The Bank does not apply the 90 days past due rebuttable presumption since based on the Bank's historical experience and aging schedules, past due amounts are still collectible even if over ninety (90) days.

The Bank determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

b. *Simplified Approach*

The Bank always measures the loss allowance at an amount equal to lifetime expected credit losses for loans receivables. The Bank determines that a customer is in default when it is already past due for 365 days and beyond.

This is consistent with their historical experience with their customers.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.02.05 Probability of Default (PD)
PD for the Bank's loan portfolio will be estimated through transition matrices using the borrower's days past due (DPD) information and movement. To have more granular and accurate estimation of PD, a borrower's monthly delinquency bucket movement will be traced, instead of annual delinquency bucket movement.

The delinquency bucket movement of the accounts must be properly traced in order to estimate the changes of a borrower to default. Account-level roll rates, also known as Markov chain model, use transition matrices to measure the movements in delinquency buckets in order to estimate PD.

Account-level roll rates predict the future outcome based on present state. The Markov transition or migration matrix is a square matrix that describe the probabilities of moving from one state to another in a dynamic system.

PFRS 9 requires that the ECL shall take into account all reasonable and supportable information such as historical experience, current conditions and forward-looking information. Management estimate overlay which includes quantitative overlay outside of the primary model and qualitative adjustments based on Management's evaluation of macro-level and portfolio-level factors shall be used by the Bank to adjust the historical data to reflect current expectations.

Macro-economic factors for overlay calculation may include any of the following:

1. Interest rate (short-term/average)
2. Foreign exchange rates (US dollar: Philippine Peso)
3. Unemployment
4. Inflation rate
5. GDP growth rate
6. Consumer Price Index

A grouping of exposures for collective assessment is performed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous. The grouping of exposures is as follows:

1. MSME
2. Housing

4.02.06 Loss Given Default (LGD)
LGD focuses on the written-off accounts, recoveries and cost incurred. For cost incurred during the recovery/workout period, these include, but not limited to, collection fees, legal fees and administrative costs. Net recovered amount (recoveries collected less cost incurred) shall be discounted in order to reflect the time value of money.

Appraised values of collaterals are determined by the Bank's internal and external appraisers acceptable by the BSP.

Cost to sell or recover pertains to the cost directly attributable to recover cash flows from defaulted loans.

Turn-around time is set at 5.7 years, 3 years and 0.5 years for loans with real estate mortgage, chattel mortgage and guarantee, respectively, as this represents the average estimated time that the Bank can resell/recover from such kind of collaterals after repossession at market price or appraised value as defined above.

4.02.07 Exposure at Default (EAD)
EAD pertains to the outstanding balance of the exposure including related accrued interests. EAD is extracted from the Bank's loan management system (LMS). From the LMS, the monthly contractual cash flows from reporting date until maximum period, are plotted to estimate and reflect the current and future month-end exposures the Bank expects to collect.

4.03 Bank Premises, Furniture, Fixtures, and Equipment

Bank premises, furniture, fixtures and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation.

Subsequent expenditures relating to an item of bank premises, furniture, fixtures and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Building held for use in the production or supply of goods or services, or for administrative purposes, is stated in the statement of financial condition at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional appraisers, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of land is credited to revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such revalued assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of those assets.

Land is not depreciated. Depreciation is computed on the straight-line method, based on the estimated useful lives of the assets as follows:

Building	20 years
Transportation equipment	5 years
Furniture, fixtures, and equipment	3 years
IT equipment	3 years

Leasehold rights and improvements are depreciated over the shorter between the improvements' useful life of twenty (20) years or the lease term.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

An item of bank premises, furniture, fixtures and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a bank premises, furniture, fixtures and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

4.04 Investment Properties

Investment properties pertain to Real and Other Properties Acquired (ROPA). Settlement of loans through foreclosure or dation in payment shall be booked under the ROPA account as follows:

(i) Upon entry of judgment in case of judicial foreclosure;
(ii) Upon execution of the sheriff's certificate of sale in case of extrajudicial foreclosure; and,
(iii) Upon notarization of the deed of dacion in case of dation in payment (dacion en pago)

If the carrying amount of ROPA exceeds ₱5,000,000, the appraisal of the foreclosed/purchased asset shall be conducted by an independent appraiser acceptable to the BSP.

ROPA is recognized as investment property when the asset is yet to be classified as asset held-for-sale. Investment properties are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any impairment in value.

Investment properties are acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment properties acquired is measured at the carrying amount of asset given up.

Expenditures incurred after the investment properties has been put into operations, such as repairs and maintenance costs, are normally charged against operations in the period in which the costs are incurred.

Allowance for impairment losses is recognized for any anticipated losses based on appraisal reports, current negotiations and programs to dispose these properties and the provisioning requirement of the BSP. The BSP requires banks to set up allowance for impairment losses based primarily on the holding period of the assets. Land, building and other non-financial assets not held for sale are impaired in accordance with Note 4.05.

Investment properties are derecognized when they have either been disposed of or are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment properties are recognized in the statement of comprehensive income under 'gain or loss on sale of assets' in the year of retirement or disposal.

4.05 Impairment of Assets

At each reporting date, the Bank assesses whether there is any indication that any assets other than deferred tax assets, assets arising from employee benefits, and financial assets that are within the scope of PFRS 9, Financial Instruments, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.06 Financial Liabilities

4.06.01 Initial Recognition and Measurement

The Bank recognizes a financial liability in its statement of financial condition when, and only when, the Bank becomes party to the contractual provisions of the instrument.

At initial recognition, the Bank measures a financial liability at its fair value minus transaction costs that are directly attributable to the acquisition or issue of the liability.

4.06.02 Classification

The Bank classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Bank's financial liabilities measured at amortized cost include deposit liabilities, bills payable, lease liabilities and other liabilities (except for withholding tax payable. and SSS, medicar and employee premium).

The Bank has no financial liabilities measured at fair value through profit or loss in both years.

4.06.03 Derecognition

The Bank removes a financial liability (or part of a financial liability) from its statement of financial condition when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expired).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.07 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.08 Employee Benefits

4.08.01 Short-term Benefits
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 given by the Bank to its employees include salaries and wages, employee benefits, directors' fee, and other benefits.

4.08.02 Post-employment Benefits
The Bank has funded and non-contributory retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses are recognized directly in other comprehensive income and is also presented under equity in the statement of financial condition.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

The asset that resulted from this calculation is a result of over funding or when an actuarial gain arises. It is recognized since it is a resource which the Bank controls and is available in the form of reduction in future contributions.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at each reporting period.

4.09 Provisions and Contingent Liabilities

4.09.01 Provisions
Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

4.09.02 Contingent Liabilities
Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within the control of the Bank.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

4.10 Revenue Recognition

The Bank recognizes revenue when (or as) the Bank satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.10.01 Interest Income and Expense
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as amortized cost, interest income is recorded at the effective interest rate. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.10.02 Rental Income
The Bank's policy for recognition of revenue from operating leases is described in Note 4.12.

4.10.03 Performance Obligations Satisfied at a Point in Time
If a performance obligation is not satisfied over time, the Bank satisfies the performance obligation at a point in time. The Bank considers indicators of the transfer of control, which include, but are not limited to, the following:

- The Bank has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Bank has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

Sale of goods encompasses the sale of investment properties.

4.10.04 Performance Obligations Satisfied Over Time
The Bank recognizes revenue over time, this is when the customers simultaneously receive and consume the benefits provided by the Bank's performance as the Bank performs.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Income from service charges are related to acquisition and origination of loan. These are amortized and recognized as income over the term of the loan.

4.11 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Bank.

The Bank recognizes expenses in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.12 Leases

4.12.01 The Bank as Lessee

The Bank considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Bank assesses whether the contract meets three key evaluations, which are whether:

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

Right-of-Use (ROU) Assets

At the commencement date, the Bank measures the ROU assets at cost, which comprises of:

- initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Bank;.and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Bank incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

ROU assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Bank depreciates the ROU assets on a straightline basis from the lease commencement date to the earlier of the end of the useful life of the ROU assets or the end of the lease term. The Bank also assesses the ROU assets for impairment when such indicators exist. The Bank has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing ROU assets and lease liabilities, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. ROU assets are presented as a separate line item on the statement of financial position.

Lease Liabilities

At the commencement date, the Bank measures the lease liabilities at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Bank uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liabilities comprise the following payments for the right to use the underlying assets during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Bank measures the lease liabilities by:

- increasing the carrying amount to reflect interest on the lease liabilities;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Bank recognizes the amount of remeasurement of the lease liabilities as an adjustment to the ROU assets. However, if the carrying amount of the ROU assets are reduced to zero and there is further reduction in the measurement of the lease liabilities, the Bank recognizes any remaining amount of the remeasurement in profit or loss.

Lease liabilities are presented as a separate line item on the statement of financial position.

4.12.02 The Bank as Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.13 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Bank that is preparing its financial statements. A person or a close member of that person's family is related to Bank if that person has control or joint control over the Bank, has significant influence over the Bank, or is a member of the key management personnel of the Bank or of a parent of the Bank.

An entity is related to the Bank if any of the following conditions applies:

- The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank is itself such a plan, the sponsoring employers are also related to the Bank.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Bank and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

Related party transactions (RPTs) shall refer to transactions or dealings with related parties of the BSFI, including its trust department regardless of whether or not a price is charged. These shall include, but not limited to the following:

- On-and off-balance sheet credit exposures and claims and write-offs;
- Investments and/or subscriptions for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchases and sales of assets, including transfer of technology and intangible items (e.g., research and development, trademarks and license agreements);
- Construction arrangements/contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities.

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

4.14 Taxation

Income tax expense represents the sum of the current and deferred taxes.

4.14.01 Current Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.14.02 Deferred Tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, and does not give rise to equal taxable and deductible temporary differences, at the time of the transaction. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Bank's investment property portfolios and concluded that none of the Bank's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to PAS 12 is not rebutted. As a result, the Bank has not recognized any deferred taxes on changes in fair value of the investment properties as the Bank is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

4.14.03 Current and Deferred Taxes for the Period
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax-effect is included in the accounting for business combination.

Pursuant to Section 4 (bbbb) of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2) and as implemented under Revenue Regulation No. 25-2020, the net operating loss of a business or enterprise for the taxable years 2020 and 2021 shall be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of Bayanihan 2, provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

In accordance with Republic Act (RA) No. 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), the salient provisions applicable to the Company are as follows:

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum Corporate Income Tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2024; and
3. The imposition of improperly accumulated earnings is repealed.

Further, pursuant to Sections 6, 7 and 13 of RA No. 11534, as implemented under Revenue Regulation Nos. 4-2021, 5-2021 and 8-2021, and as clarified by Revenue Memorandum Circular Nos. 65-2021 and 67-2021, RMC No. 69-2024 informs the public and all concerned that effective July 1, 2024:

1. The Minimum Corporate Income Tax (MCIT) rate for domestic and resident foreign corporations, including offshore banking units and regional operating headquarters, shall now revert to two percent (2%) based on gross income; and
2. The rate of Regular Corporate Income Tax (RCIT) for proprietary educational institutions and hospitals which are nonprofit shall now revert to ten percent (10%) of their taxable income.

4.14.04 Final Tax on Dividends

When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. Such an amount paid or payable to taxation authorities is charged to equity as part of the dividends.

4.15 Changes in Accounting Policies

The adoption of the new and revised standards and as disclosed in Note 2.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised 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.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

5.01.01 Revenue Recognition

The Bank's revenue recognition policies require Management to make use of estimates and assumptions that may affect the reported amounts of revenue. The Bank's revenue is recognized when earned, except interest on loans receivables on past due accounts which are recognized when a collection is actually made as provided under existing BSP MORB.

5.01.02 Distinction Between Investment Properties, Assets Held for Sale and Bank Premises, Furniture, Fixtures and Equipment

The Bank determines whether a property qualifies as investment properties and assets held for sale. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by the entity. Owner occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process. Foreclosed land and building will be classified as asset held for sale should the Management had an active program to locate buyers and sell the properties within one (1) year, otherwise, it is classified as investment properties.

As at December 31, 2024 and 2023, certain foreclosed land and building amounting to ₱170,195,604 and ₱177,035,627, respectively, were classified as investment properties, as disclosed in Note 14, since Management had no active program to locate buyers and sell the properties within one (1) year.

Accordingly, a building is classified under bank premises, furniture, fixtures and equipment since it is primarily used in the bank's operations. The carrying amount of the building amounted to ₱20,933,373 and ₱19,863,055 as at December 31, 2024 and 2023, respectively, as disclosed in Note 12. The Bank recognized rental income amounting to ₱1,419,581 and ₱1,178,368 in 2024 and 2023, respectively, on portion of bank premises leased out under operating leases, as disclosed in Notes 12, 26 and 29.

5.01.03 Assessment of Contractual Terms of a Financial Asset

The Bank determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Bank considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets (excluding financial assets at fair value through other comprehensive income) are solely payments of principal and interest, and consistent with the basic lending arrangement. As at December 31, 2024 and 2023, the Bank's financial assets measured at amortized cost amounted to ₱1,209,056,579 and ₱1,120,920,738, respectively, as disclosed in Note 35.04.

5.01.04 Assessment of Timing of Satisfaction of Performance Obligations

The Bank satisfies a performance obligation by transferring control of a promised service to the customer, which could occur over time or at a point in time.

Performance obligation from sale of investment properties is satisfied at a point in time, this is when there is a present right to payment for the asset, the customer has legal title to the asset, transfer physical possession of the asset, the significant risks and rewards of ownership of the asset, and acceptance by the same of the customer.

In 2024 and 2023, gain on sale of investment properties amounted to ₱9,638,944 and ₱2,936,371, respectively, as disclosed in Notes 14 and 26.

Management assessed that the performance obligation is satisfied over time for service charges and fees, this is when the customer simultaneously receive and consumes the benefits provided by the Bank's performance. In 2024 and 2023, income from service charges amounted to ₱9,009,891 and ₱9,390,396, respectively, as disclosed in Note 26.

5.01.05 Assessment of the Transaction Price and the Amounts Allocated to Performance Obligations
A performance obligation is a vendor's promise to transfer a service that is 'distinct' from other services identified in the contract.

Management assessed that the allocation of transaction price is not applicable since performance obligation when rendering of services is separate from sale of investment properties.

5.01.06 Assessment of Provision and Contingency
Judgment is exercised by Management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 4.09.

5.01.07 Determining Whether or Not a Contract Contains a Lease
In both years, Management assessed that various leasing arrangements disclosed in Note 29, qualified as leases since the contracts contain identified assets, the Bank has the right to obtain substantially all of the economic benefits, and the Bank has the right to direct the use of the identified assets throughout the period of use.

5.01.08 Assessment of Extension and Termination of Lease Terms
Lease term is the non-cancellable period for which the Bank has the right to use an underlying asset including optional periods when the Bank is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Bank considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Bank is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For lease contracts, as disclosed in Note 29, Management assessed that it is reasonably certain that it will exercise the extension option and not exercise the termination option and that the extension option is enforceable.

5.01.09 Assessment of Classification of Lease
The Bank determines whether a lease qualifies as an operating lease. In making its judgments, the Bank considers whether the risk and reward of the leased property will be transferred to the lessee. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

The Bank entered into a lease agreement as a lessor. The Management determined that it retains all significant risks and rewards of ownership of this property which are accounted for under operating lease. The rental income earned by the Bank from its properties, all of which is leased out under operating leases, amounted to ₱1,419,581 and ₱1,178,368 in 2024 and 2023, respectively, as disclosed in Notes 12, 26 and 29.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Reviewing Residual Values, Useful Lives and Depreciation Method of Bank Premises, Furniture, Fixtures and Equipment

The residual values, useful lives and depreciation method of the bank premises, furniture, fixtures and equipment are reviewed at least annually, and adjusted prospectively. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank premises, furniture and fixtures would increase the recognized operating expenses and decrease assets. The Bank uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits.

If there is an indication that there has been a significant change in the pattern used by which a Bank expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications that there has been a significant change in pattern used by the Bank to consume assets' future economic benefits. As at December 31, 2024 and 2023, the aggregate carrying amounts of the depreciable bank premises, furniture, fixtures and equipment amounted to ₱32,713,955 and ₱28,091,355, respectively, as disclosed in Note 12.

5.02.02 Asset Impairment

The Bank performs an impairment review when certain impairment indicators are present. Determining the fair value of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and other assets which require 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, right-of-use assets, investment properties and other assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Bank believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRSs.

In both years, Management believes that there is no indication of impairment on its bank premises, furniture, fixtures and equipment, right-of-use assets and other assets, except for land presented under 'investment properties' on which the Bank had recognized allowance for impairment amounting to ₱761,011 and ₱816,056 as at December 31, 2024 and 2023, respectively, as disclosed in Note 14 and 16.

As at December 31, 2024 and 2023, the aggregate carrying amounts of the aforementioned assets amounted to ₱254,946,902 and ₱254,987,585, respectively, as disclosed in Note 33.

<u>5.02.03 Estimating Allowance for Expected Credit Losses</u>
The Bank measured expected credit losses of its financial assets using an unbiased and probability-weighted amount and reasonable and supportable assumption that is available without undue cost or effort. The Bank assessed the past events, current conditions, and forecast economic conditions that may affect the counterparties' capacity to settle its obligation. The Bank assessed the external credit ratings, industry performance, and available financial information of counterparties.

The Bank determined that counterparty banks have low credit risk. Hence, the probability of default is immaterial. In both years, no provision for expected credit loss was recognized for from due from BSP, due from other banks, other financial assets at amortized cost.

The Bank uses performance of macro-economic factors and economy's outlook to assess the expected credit losses on its loans and other receivables.

The carrying value of loans and receivables are ₱789,429,677 and ₱714,375,159, net of allowance for expected credit losses on loans and receivables amounting to ₱30,320,986 and ₱30,757,055 as at December 31, 2024 and 2023, respectively, as disclosed in Note 10.

In 2024 and 2023, the Bank recognized provisions for expected credit losses on loans and other receivables amounting to ₱1,882,560 and ₱2,852,081, respectively, as disclosed in Note 11 and 16.

As of December 31, 2024 and 2023, the Bank's financial assets measured at amortized cost amounted to ₱1,209,056,579 and ₱1,120,920,738 respectively, as disclosed in Note 35.04.

<u>5.02.04 Deferred Tax Assets</u>
The Bank reviews the carrying amount at reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized prior to expiration.

In both years, Management believes that the Bank will be able to generate future taxable income against which the balances of deferred tax assets on effect of PFRS 16, allowance for expected credit losses and net retirement liabilities will be applied.

As at December 31, 2024 and 2023, the deferred tax assets recognized by the Bank amounted to ₱11,593,406 and ₱11,007,643, respectively, as disclosed in Note 32.

<u>5.02.05 Post-employment Benefits</u>
The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions are recognized as remeasurements in other comprehensive income and therefore, generally affect recorded obligation. 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.

For the years ended December 31, 2024 and 2023, retirement benefits expense amounted to ₱1,300,000 and ₱826,011, respectively, as disclosed in Notes 28.

In 2024 and 2023, the Bank recognized remeasurement gains (losses) on retirement benefit obligation, net of related tax, amounting to ₱47,673 gain and ₱6,605,053 loss, respectively and forms part of profit or loss and other comprehensive income as disclosed in Note 28.02.

Accordingly, retirement benefits obligation amounted to ₱8,354,164 and ₱13,315,265, as at December 31, 2024 and 2023, respectively, as disclosed in Note 28.02.

As at December 31, 2024 and 2023, remeasurement losses on retirement liabilities, net of related tax amounted to ₱15,777,641 and ₱15,825,314, respectively, as disclosed in Note 28.02.

5.02.06 Estimating Fair Value of Land and Building Presented under Bank Premises, Furniture, Fixtures and Equipment and Investment Properties
The fair value of land and building have been arrived on the basis of a valuation carried out with reference to Philippine Valuation Standards. The valuation was determined by using Sales Comparison Approach.

As at December 31, 2024 and 2023, the fair value of land presented under bank premises, furniture, fixtures and equipment amounted to ₱32,192,457, as disclosed in Notes 12 and 34.02. In 2024 and 2023, the aggregate fair value of land and building classified under investment properties amounted to ₱288,619,697, as disclosed Notes 14 and 34.02.

5.02.07 Estimating the Appropriate Discount Rate to Use
The Bank measures the lease liabilities at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Bank uses the incremental borrowing rate.

Management used its incremental borrowing rate of 7.00% and 2.97% in 2024 and 2023, respectively, to measure the present value of its lease liabilities since the implicit rate was not readily available.

6. CASH AND OTHER CASH ITEMS

For the purpose of the statements of cash flows, cash include cash in-vault. Check and other cash items 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.

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

		2024		2023
Cash in-vault	₱	**20,430,416**	₱	17,390,789
Check and other cash items		**1,853,767**		921,499
	₱	**22,284,183**	₱	18,312,288

7. DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)

This account represents the balance of the deposit account maintained with the Bangko Sentral ng Pilipinas (BSP) to satisfy reserve requirements and facilitate the clearing of interbank claims. The Bank's Due from BSP account does not earn interest.

Pursuant to Section 251 of the Manual of Regulations for Banks (MORB), as amended by BSP Circular No. 1175, series of 2023, and further amended by Circular No. 1201, series of 2024, the Bank is required to maintain its statutory reserve requirements as follows:

- 2024: Zero percent (0%)
- 2023: One percent (1%)

Furthermore, Section 252 of the MORB clarifies that such deposit accounts with the BSP do not function as regular current accounts. The BSP permits drawings from these accounts solely for the settlement of obligations with the BSP or for withdrawals to meet cash requirements.

Additionally, in accordance with Section 2, Paragraph (b) of Appendix 100, a zero allowance for exposures under Stage 1 shall be rare and expected only for exposures with a zero percent (0%) credit-risk weight under the Risk-Based Capital Adequacy Framework. Such exposures include Philippine peso-denominated obligations of the Philippine National Government and the BSP. Accordingly, the Bank's Due from BSP account is classified as having zero credit-risk exposure.

As at December 31, 2024, and 2023, the Bank's deposit account with the BSP amounted to ₱1,451,837 and ₱14,012,677, respectively, in compliance with BSP reserve requirements.

8. DUE FROM OTHER BANKS

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its working funds.

Details are as follows:

		2024		2023
Commercial banks				
Time deposit	₱	**21,762,867**	₱	34,200,000
Demand		**14,085,340**		9,990,555
Savings		**7,347,436**		6,911,678
	₱	**43,195,643**	₱	51,102,233
Government banks				
Demand	₱	**88,849,423**	₱	56,350,224
Savings		**2,716,159**		10,000
	₱	**91,565,582**	₱	56,360,224
	₱	**134,761,225**	₱	107,462,457

The balance of this account represents savings, time and demand deposit accounts with other local banks.

Annual interest rates on these deposits ranges from 0.05% to 5.625% in 2024 and 2023.

In 2024 and 2023, interest earned and received from other banks amounted to ₱1,226,526 and ₱166,567, respectively.

9. OTHER FINANCIAL ASSETS AT AMORTIZED COST

The composition of other financial assets at amortized cost as at December 31, 2024 and 2023 are as follows:

		2024		2023
Government securities	₱	**283,283,840**	₱	283,727,435
Corporate debt securities		**130,000**		130,000
	₱	**283,413,840**	₱	283,857,435

These securities are carried at amortized cost since the Bank intends to hold these securities to collect contractual cash flows.

The reconciliation of the carrying amounts of other financial assets at amortized cost are as follows:

		2024		2023
Balance at January 1	₱	**283,857,435**	₱	428,731,277
Additions		**222,999,649**		168,445,469
Maturities		**(223,443,244)**		(313,319,311)
Balance at December 31	₱	**283,413,840**	₱	283,857,435

Interest income generated from these investments amounted to ₱9,031,790 and ₱11,987,466 in 2024 and 2023, respectively. Interest rates on these investment financial assets ranges from 1.84% to 6.40% per annum in 2024 and 2023.

10. LOANS AND RECEIVABLES – net

This account is comprised of:

		2024		2023
Loans and discounts	₱	**796,671,086**	₱	709,609,299
Unearned service fees		**(213,530)**		(2,309)
Allowance for expected credit losses		**(25,772,200)**		(25,572,146)
	₱	**770,685,356**	₱	684,034,844
Other receivables				
Sales contract receivables	₱	**14,162,214**	₱	24,048,412
Accrued interest receivables		**5,631,242**		4,815,133
Accounts receivables		**3,499,651**		6,661,679
Allowance for expected credit losses		**(4,548,786)**		(5,184,909)
	₱	**18,744,321**	₱	30,340,315
	₱	**789,429,677**	₱	714,375,159

Sales contract receivables represent the balance of the selling price of assets owned or acquired under an agreement wherein the title to the said assets shall only be transferred to the buyer upon full payment. Additions to the sale contract receivable amounted to ₱352,279 and ₱5,484,000 which arose from the sale of repossessed assets on instalment in 2024 and 2023, respectively.

Annual interest earned for loans and sales contract receivables range from 6.06% to 20.00% in 2024 and 2023. Accounts receivable are non-interest bearing, unsecured and are generally payable upon demand.

The total interest earned on loans and receivables amounted to ₱90,463,100 and ₱73,174,089 in 2024 and 2023, respectively.

All of the Bank's loans and receivables have been reviewed for impairment. Certain loans and other receivables were found to be impaired, and provisions have been recognized accordingly.

The breakdown of total loans and discounts, net of unearned service fees, as to secured and unsecured are as follows:

		2024		2023
Secured:				
Real estate mortgage	₱	**782,281,443**	₱	575,900,682
Hold-out-deposits		**3,448,974**		7,885,619
Chattel		**1,013,144**		3,193,224
	₱	**786,743,561**	₱	586,979,525
Unsecured		**9,927,525**		6,362,899
	₱	**796,671,086**	₱	593,342,424

A reconciliation of allowance for expected credit losses as at December 31, 2024 and 2023 are as follows:

	Note		2024		2023
Balance at January 1		₱	**30,757,055**	₱	30,956,471
Provisions during the year			**1,882,560**		2,852,081
Write-off			**(1,304,240)**		-
Adjustments	*16*		**(930,448)**		(3,051,497)
Reversals			**(83,941)**		-
Balance at December 31		₱	**30,320,986**	₱	30,757,055

Adjustments on allowance pertain to the transfer of allowance to investment properties as a result of foreclosures.

The breakdown of allowance for expected credit losses on loans and other receivables is shown below:

		2024		2023
Loans and discounts	₱	**25,772,200**	₱	25,572,146
Sales contract receivables		**3,335,776**		3,971,899
Accounts receivable		**1,213,010**		1,213,010
	₱	**30,320,986**	₱	30,757,055

Classification of allowance for expected credit losses of loans and discounts as follows:

		2024		2023
Specific	₱	**17,792,290**	₱	19,474,796
Collective		**7,979,910**		6,097,350
	₱	**25,772,200**	₱	25,572,146

Movements of loans and discounts during 2024 are as follows:

		Stage 1		Stage 2		Stage 3		Total
Balances, January 1, 2024	₱	598,071,463	₱	38,051,844	₱	73,485,993	₱	709,609,299
Transfers from stage 1 to stages 2 and 3		3,318,739		-		(3,318,739)		-
Transfers from stage 2 to stages 1 and 3		20,865,042		(15,569,651)		(5,295,391)		-
Transfers from stage 3 to stages 1 and 2		2,011,561		(6,912,541)		4,900,980		-
New assets originated or purchased		403,070,787		-		-		403,070,787
Assets derecognized or repaid		(316,009,000)		-		-		(316,009,000)
Balances, December 31, 2024	₱	**711,328,592**	₱	**15,569,652**	₱	**69,772,842**	₱	**796,671,086**

Movements of loans and discounts during 2023 are as follows:

		Stage 1		Stage 2		Stage 3		Total
Balances, January 1, 2023	₱	352,416,280	₱	178,209,582	₱	62,800,297	₱	593,426,159
Transfers from stage 1 to stages 2 and 3		10,607,419		(17,542,794)		6,935,375		-
Transfers from stage 2 to stages 1 and 3		57,978,624		(122,614,944)		64,6446,320		-
Transfers from stage 3 to stages 1 and 2		54,028,902		-		(54,028,902)		-
New assets originated or purchased		294,437,100		-		-		294,437,100
Assets derecognized or repaid		(171,396,862)		-		(6,857,098)		(178,253,960)
Balances, December 31, 2023	₱	598,071,463	₱	38,051,844	₱	73,485,993	₱	709,609,299

Non-Performing Loans (NPLs) classified as secured and unsecured are as follows:

		2024		2023
Secured	₱	**67,438,806**	₱	59,781,293
Unsecured		**1,024,963**		1,733,347
	₱	**68,463,769**	₱	61,514,640

Breakdown of non-performing loans based on days outstanding are as follows:

		2024		2023
Past due accounts				
91 – 180 days	₱	**49,788,738**	₱	33,743,243
Over 180 days		**18,675,031**		27,771,397
	₱	**68,463,769**	₱	61,514,640

As at December 31, 2024 and 2023, NPLs not fully covered by allowance for expected credit losses are as follows:

		2024		2023
Total non-performing loans	₱	**68,463,769**	₱	61,514,640
Non-performing loans covered by allowance for expected credit losses		**(17,663,315)**		5,803,547
	₱	**50,800,454**	₱	55,711,093

Information regarding the Bank's NPLs (based on Section 304 of the MORB) are as follows:

		2024		2023
Gross NPLs	₱	**68,463,769**	₱	61,514,640
Ratio of gross NPLs to gross TLP (%)		**8.59%**		8.67%
Net NPLs		**50,800,454**		55,711,093
Ratio of gross NPLs to gross TLP (%)		**6.38%**		7.85%
Ratio of total allowance for expected credit losses to gross NPLs (%)		**37.64%**		41.57%
Ratio of specific allowance for expected credit losses on gross TLP to gross NPLs (%)		**25.99%**		31.66%

Status of loans, net of unearned service fees, per product line for 2024 are as follows:

		Performing		Non-performing		Total
Gross carrying amount	₱	**726,684,714**	₱	**69,772,842**	₱	**796,457,556**
Allowance for expected credit losses		**(22,904,261)**		**(2,867,939)**		**(25,772,200)**
Net carrying amount	₱	**703,780,453**	₱	**66,904,903**	₱	**770,685,356**

Status of loans, net of unearned service fees, per product line for 2023 are as follows:

		Performing		Non-performing		Total
Gross carrying amount	₱	636,120,998	₱	73,485,992	₱	709,606,990
Allowance for expected credit losses		(15,837,595)		(9,734,551)		(25,572,146)
Net carrying amount	₱	620,283,403	₱	63,751,441	₱	684,034,844

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Financial asset at fair value through other comprehensive income (FVOCI) as at December 31, 2024 and 2023 consists of unquoted equity securities amounting to ₱85,000,000 and ₱75,000,000, respectively.

The Bank has designated the said financial asset as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. These unquoted equity securities pertain to golf club shares.

As at December 31, 2024 and 2023, the fair values of the Bank's golf shares were determined based on the latest club share quotes from the leading and largest broker of proprietary golf club shares in the Country.

The reconciliation of the carrying amounts of the Bank's financial assets at FVOCI for 2024 and 2023 are shown below:

	Note		2024		2023
Cost		₱	**6,700,000**	₱	6,700,000
Accumulated change in fair value					
Balance at the beginning of the year		₱	**68,300,000**	₱	51,300,000
Fair value gains - net			**7,500,000**		12,750,000
Deferred tax	32		**2,500,000**		4,250,000
Balance at December 31		₱	**78,300,000**	₱	68,300,000
		₱	**85,000,000**	₱	75,000,000

Fair value gains, net of tax, in the Bank's financial assets at FVOCI amounting to ₱7,500,000 and ₱12,750,000, were recognized as an adjustment in other comprehensive income and presented in the statement of comprehensive income, under items that will not be reclassified subsequently to profit or loss. As at December 31, 2024 and 2023, net accumulated unrealized fair value gains on financial asset at FVOCI amounted to ₱58,725,000 and ₱51,225,000, respectively, as disclosed in Note 24.

12. BANK PREMISES, FURNITURE, FIXTURES, AND EQUIPMENT – net

The total carrying amounts and revalued amounts of the Bank's bank premises, furniture, fixtures, and equipment as at December 31, 2024 and 2023 are as follows:

		2024		2023
At revalued amount				
Land	₱	**32,192,457**	₱	32,192,457
At cost				
Building	₱	**20,933,373**	₱	19,863,055
Transportation equipment		**4,867,837**		3,815,786
Furniture, fixtures and equipment		**4,517,728**		3,441,647
Leasehold, rights and improvements		**2,395,017**		970,867
	₱	**32,713,955**	₱	28,091,355
	₱	**64,906,412**	₱	60,283,812

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

As at December 31, 2024 and 2023, the Bank has no outstanding contractual commitments to acquire certain bank premises, furniture, fixtures and equipment.

The Bank determined that there are no indication that an impairment loss has occurred on its bank premises, furniture, fixtures and equipment.

12.01 At Revalued Amount

The details of land carried at revalued amount are shown below:

		2024		2023
Revalued amount				
Cost	₱	**10,699,090**	₱	10,699,090
Accumulated change in fair value		**21,493,367**		21,493,367
	₱	**32,192,457**	₱	32,192,457

The valuation was determined by using Sales Comparison Approach. The effective date of the valuation is April 18, 2012. In both years, the Management determines that there is no decline in the value of the Bank's land.

12.02 At Cost

The carrying amounts of the Bank's bank premises, furniture, fixtures and equipment are as follows:

		Building		Transportation Equipment		Furniture, Fixtures and Equipment		Leasehold, Rights and Improvements		IT Equipment		Total
Cost												
Balance, January 1, 2024	P	34,520,677	P	11,677,188	P	17,542,418	P	6,646,884	P	791,516	P	71,178,683
Additions		2,002,500		2,398,000		5,184,615		1,518,334		-		11,103,449
Disposals		-		-		(5,439,434)		(1,312,009)		(791,516)		(7,542,959)
Balance, December 31, 2024	**P**	**36,523,177**	**P**	**14,075,188**	**P**	**17,287,599**	**P**	**6,853,209**	**P**	**-**	**P**	**74,739,173**
Accumulated depreciation												
Balance, January 1, 2024	P	14,657,622	P	7,861,402	P	14,100,771	P	5,676,017	P	791,516	P	43,087,328
Depreciation		932,182		1,345,949		4,108,534		94,184		-		6,480,849
Disposals		-		-		(5,439,434)		(1,312,009)		(791,516)		(7,542,959)
Balance, December 31, 2024	**P**	**15,589,804**	**P**	**9,207,351**	**P**	**12,769,871**	**P**	**4,458,192**	**P**	**-**	**P**	**42,025,218**
Carrying Amounts	**P**	**20,933,373**	**P**	**4,867,837**	**P**	**4,517,728**	**P**	**2,395,017**	**P**	**-**	**P**	**32,713,955**

	Building	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold, Rights and Improvements	IT Equipment	Total
Cost						
Balance, January 1, 2024	₱ 22,090,677	₱ 13,408,988	₱ 14,736,448	₱ 5,638,884	₱ 791,516	₱ 56,666,513
Additions	12,430,000	1,268,000	3,235,804	1,008,000	-	17,941,804
Disposals	-	(2,999,800)	(429,834)	-	-	(3,429,634)
Balance, December 31, 2024	₱ 34,520,677	₱ 11,677,188	₱ 17,542,418	₱ 6,646,884	₱ 791,516	₱ 71,178,683
Accumulated depreciation						
Balance, January 1, 2024	₱ 13,693,783	₱ 9,181,841	₱ 12,859,458	₱ 5,588,257	₱ 791,516	₱ 42,114,855
Depreciation	963,839	1,657,285	1,671,147	87,760	-	4,380,031
Disposals	-	(2,977,724)	(429,834)	-	-	(3,407,558)
Balance, December 31, 2024	₱ 14,657,622	₱ 7,861,402	₱ 14,100,771	₱ 5,676,017	₱ 791,516	₱ 43,087,328
Carrying Amounts	₱ 19,863,055	₱ 3,815,786	₱ 3,441,647	₱ 970,867	₱ -	₱ 28,091,355

In both years, additions to bank premises, furniture, fixtures, and equipment were paid in cash. In 2024 and 2023, fully depreciated assets with acquisition cost of ₱13,370,406 and ₱22,400,000 are still being used in operations.

The Bank recognized rental income amounting to ₱1,419,581 and ₱1,178,368, in 2024 and 2023, respectively, on portion of bank premises leased out under operating leases, as disclosed in Notes 26 and 29.02.

In both years, the Bank has determined that there is no indication that an impairment has occurred on its bank premises, furniture, fixtures and equipment.

In 2024, the Bank disposed of certain bank premises, furniture, fixtures, and equipment with no carrying amount. No consideration was received, and no gain on sale was recognized, as disclosed in Note 26. In 2023, proceeds amounting ₱956,655 were received from the disposal and sale of bank premises, furniture and fixture resulting in a gain on sale of ₱934,579.

13. RIGHT-OF-USE ASSETS – net

The carrying amounts of the Bank's right-of-use assets as at December 31, 2024 and 2023 are as follows:

		2024		2023
Cost				
Balance, January 1	₱	15,680,777	₱	16,769,753
Addition		3,933,202		2,405,815
Adjustments		(1,067,653)		(3,494,791)
Balance, December 31	₱	18,546,326	₱	15,680,777
Accumulated Depreciation				
Balance, January 1	₱	4,232,736	₱	5,793,159
Depreciation		1,668,308		1,688,368
Adjustments		(1,365,378)		(3,248,791)
Balance, December 31	₱	4,535,666	₱	4,232,736
Carrying amount	₱	14,010,660	₱	11,448,041

Amounts recognized in profit or loss are as follows:

		2024		2023
Depreciation expense on right-of-use asset	₱	1,668,308	₱	1,688,368
Interest expense on lease liabilities		1,129,207		415,370
	₱	2,797,515	₱	2,103,738

The details of the lease contracts are disclosed in Note 29.

As at December 31, 2024 and 2023, lease liabilities related to ROU assets amounted to ₱15,440,676 and ₱12,619,301, respectively, as disclosed in Note 19.

In 2024, the Bank wrote off ROU assets and accumulated depreciation related to expired lease contract resulted to a gain on write-off of ROU assets amounted to ₱297,725, as disclosed in Note 26.

Adjustments in 2023 pertain to write-off of expired lease contract in 2022. Loss on write-off of ROU assets amounted to ₱246,000, as disclosed in Note 27.

In both years, the Bank has determined that there is no indication that impairment has occurred on its right-of-use assets.

14. INVESTMENT PROPERTIES – net

The details of the Bank's investment properties as at December 31, 2024 and 2023 are shown below:

	Notes		Land		Building		Total
Cost							
Balances, January 1, 2024		₱	172,837,895	₱	5,601,198	₱	178,439,093
Additions			6,607,108		3,759,058		10,366,166
Disposal			(11,523,861)		(6,177,307)		(17,701,168)
Balances, December 31, 2024		**₱**	**167,921,142**	**₱**	**3,182,949**	**₱**	**171,104,091**
Accumulated depreciation							
Balances, January 1, 2024		₱	-	₱	587,410	₱	587,410
Depreciation	*30*		-		281,234		281,234
Disposal			-		(721,168)		(721,168)
Balances, December 31, 2024		**₱**	**-**	**₱**	**147,476**	**₱**	**147,476**
Accumulated impairment							
Balances, January 1, 2024		₱	816,056	₱	-	₱	816,056
Reclassification	*16*		(55,045)		-		(55,045)
Balances, December 31, 2024		**₱**	**761,011**	**₱**	**-**	**₱**	**761,011**
Carrying Amounts		**₱**	**167,160,131**	**₱**	**3,035,473**	**₱**	**170,195,604**

	Note		Land		Building		Total
Cost							
Balances, January 1, 2023		₱	165,678,246	₱	14,090,705	₱	179,768,951
Additions			8,987,952		672,448		9,660,400
Disposal			(1,828,303)		(9,161,955)		(10,990,258)
Balances, December 31, 2023		₱	172,837,895	₱	5,601,198	₱	178,439,093
Accumulated depreciation							
Balances, January 1, 2023		₱	-	₱	178,348	₱	178,348
Depreciation	*30*		-		685,627		685,627
Disposal			-		(276,565)		(276,565)
Balances, December 31, 2023		₱	-	₱	587,410	₱	587,410
Accumulated impairment							
Balances, January 1 to January 1 to December 31, 2023		₱	816,056	₱	-	₱	816,056
Carrying Amounts		₱	172,021,839	₱	5,013,788	₱	177,035,627

As at December 31, 2024 and 2023, there were no foreclosed investment properties subject to redemption period by the borrowers.

Expense incurred in acquiring these investment properties amounted to ₱2,442,813 and ₱1,550,016 in 2024 and 2023, respectively, are recorded as acquired asset expense, as disclosed in Note 27.

Gain on sale of investment properties amounted to ₱9,638,944 and ₱2,936,371 in 2024 and 2023, respectively, as disclosed in Note 24. Out of the total selling price, ₱22,500,000 was paid in cash and the remaining will be paid in instalment.

In 2023, the Bank disposed certain investment properties resulting in a gain on sale on those properties amounting to ₱2,936,372, as disclosed in Note 26. Out of the total selling price, ₱574,000 was paid in cash and the remaining will be paid in instalment.

The Bank has carried out a review of the recoverable amounts of its investment properties and determined that there is indication that an impairment loss has occurred on some its investment properties. The aggregate fair values of land and building classified under investment properties amounting to ₱288,619,697 as at December 31, 2024 and 2023, as disclosed in Note 31.02. These values were determined based on valuations conducted by both internal and external appraisers.

15. OTHER ASSETS – net

Changes in the allowance for credit and impairment losses are summarized as follows:

	Note		2024		2023
Prepaid expenses		₱	**2,698,540**	₱	2,289,115
Miscellaneous			**3,135,687**		5,144,000
	40	₱	**5,834,227**	₱	7,433,115

Prepaid expenses comprise of prepayments for insurance, health care, uniforms and prepayments for real property taxes.

Miscellaneous include advance deposits, stationaries and supplies. Advance deposits include refundable deposits for the lease of various branches of the Bank from several parties.

16. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

Changes in the allowance for credit and impairment losses are summarized as follows:

	Notes		**Loans and receivables**		**Investment properties**		**Total**
Balances, January 1, 2024		₱	30,757,055	₱	816,056	₱	31,573,111
Additions	*10*		1,882,560		-		1,882,560
Write-off	*10*		(1,304,240)		-		(1,304,240)
Adjustments	*10,14*		(930,448)		(55,045)		(985,493)
Reversal	*10*		(83,941)		-		(83,941)
Balances, December 31, 2024		₱	**30,320,986**	₱	**761,011**	₱	**31,081,997**

	Note		Loans and receivables		Investment properties		Total
Balances, January 1, 2023		₱	30,956,471	₱	816,056	₱	31,772,527
Additions	*10*		2,852,081		-		2,852,081
Adjustments	*10*		(3,051,497)		-		(3,051,497)
Balances, December 31, 2023		₱	30,757,055	₱	816,056	₱	31,573,111

17. DEPOSIT LIABILITIES

The components of deposit liabilities are as follows:

		2024		2023
Savings	₱	**801,293,589**	₱	730,753,782
Time		**301,545,159**		317,802,323
Demand		**144,062,654**		130,400,413
	₱	**1,246,901,402**	₱	1,178,956,518

Annual interest rates ranges from 0.06% to 4.50% in 2024 and 2023. Interest expense on deposit liabilities amounted to ₱6,404,406 and ₱5,886,211 in 2024 and 2023, respectively. Accrued interest expense amounted to ₱374,689 and ₱141,634 as at December 31, 2024 and 2023, respectively, as disclosed in Note 20.

Under BSP regulations, demand deposits, savings deposits and time deposits of the Bank are subject to statutory reserve, as disclosed in Note 6, equivalent to 0% and 1% in 2024 and 2023, respectively. As at December 31, 2024 and 2023, the Bank is in compliance with such regulations.

18. BILLS PAYABLE

Bills payable includes funds borrowed from Land Bank of the Philippines (LBP).

The movements in bills payable are as follows:

		2024		2023
Balance at the beginning of the year	₱	**-**	₱	-
Proceeds		**10,600,000**		-
Repayments		**-**		-
Balance at the end of the year	₱	**10,600,000**	₱	-

The effective interest of bills payable for year ended December 31, 2024 was 7.500%. Interest expense from bills payable for the year ended December 31, 2024 amounting to ₱102,688.

As of December 31, 2024, the Company's bills payable represents short-term borrowings from LBP to finance working capital requirements and maintain desired liquidity position. These borrowings bear an effective interest rate of 7.500%. Interest expense related to bills payable recognized during the year amounted to ₱102,688.

19. LEASE LIABILITIES

The Bank, as a lessee, entered into various leasing arrangements as disclosed in Note 29. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2024	2023	**2024**	2023
Not later than one (1) year	P **2,413,011**	P 1,943,777	P **1,911,564**	P 1,533,738
Later than one (1) year but not later than five (5) years	**10,652,153**	8,313,475	**8,423,227**	7,334,068
Later than five (5) years	**8,304,137**	3,874,176	**5,105,885**	3,751,495
	P **21,369,301**	P 14,131,428	P **15,440,676**	P 12,619,301
Discount	**(5,928,625)**	(1,512,127)	**-**	-
Present value of minimum lease payments	**15,440,676**	12,619,301	**15,440,676**	12,619,301
Less: Current lease liabilities	**1,375,566**	1,533,738	**1,375,566**	1,533,738
Non-current lease liabilities	P **14,065,110**	P 11,085,563	P **14,065,110**	P 11,085,563

Movements in the account are as follows:

	Note	**2024**	2023
Balance, January 1		P **12,619,301**	P 11,529,106
Additions		**3,933,202**	2,279,578
Finance cost incurred		**1,129,206**	415,370
Finance cost paid		**(1,129,206)**	(415,370)
Payments to lease liabilities		**(1,257,611)**	(1,189,383)
Adjustments	25	**145,784**	-
Balance, December 31		P **15,440,676**	P 12,619,301

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The effective interest rate contracted approximates 5.97% and 2.95% in 2024 and 2023, respectively.

The Bank is compliant with the terms and conditions of the lease contracts.

20. OTHER LIABILITIES

This account consists of:

		2024		2023
Accounts payable	₱	**22,218,151**	₱	19,637,976
Accrued liabilities		**4,051,320**		3,819,355
Accrued interest expense		**374,689**		141,634
Withholding taxes payable		**242,573**		314,705
SSS, medicare and employee premium		**141,243**		114,864
Miscellaneous		**2,005,014**		1,746,459
	₱	**29,032,990**	₱	25,774,993

Accounts payable include insurance payables and payables for real and other properties redemption.

Miscellaneous include overages and payable to Bayad center. These are payments of customers for the bills using bayad center which will be remitted by the Bank to Bayad Center's account.

21. RELATED PARTY TRANSACTIONS

Nature of relationship of the Bank and its related parties are disclosed below:

Related Parties	Nature of Relationship
Stockholders	Directors, Officers, Stockholders and Related Interests
Directors	Directors, Officers, Stockholders and Related Interests
Officers	Directors, Officers, Stockholders and Related Interests

21.01 Loans to Directors, Officers, Stockholders and Related Interests

In the ordinary course of business, the Bank entered into loan and other transactions with its certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risk. Under current banking regulations, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of investments in the Bank. On the aggregate, loans to DOSRI should not exceed the Bank's total capital funds or 15% of the Bank's total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risks as defined in the regulations.

The movements of loans receivable from related parties are as follows:

		2024		2023
Balance, January 1	₱	**1,177,832**	₱	1,598,784
Loan issuances		**126,005**		-
Collections		**(1,147,927)**		(420,952)
	₱	**155,910**	₱	1,177,831

Interest income related to these loans in 2024 and 2023 are included as part of interest income presented in statement of comprehensive income. These loan receivables are interest-bearing with fixed interest rates of 6.06% to 10.00% payable in 120 days to 20 years.

Outstanding DOSRI loans pertain to loans receivables from various stockholders and officers.

The Bank has no unsecured, past due and non-accruing DOSRI loans as at December 31, 2024 and 2023. The DOSRI loans have been reviewed for impairment. No impairment loss was recognized on these loans in 2024 and 2023.

Section 342 of the MORB, provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such Bank as representative of the bank/quasi-bank. As at December 31, 2024 and 2023, the Bank is in compliance with these requirements.

21.02 Deposit Liabilities

Certain related parties have deposits with the Bank amounting to ₱61,966,030 and ₱60,057,152 as at December 31, 2024 and 2023, respectively. These are related to related parties with outstanding loan balances with the Bank, as discussed on Note 21.01. Interest expense from these deposits liabilities of related parties in 2024 and 2023 are included as part of the interest expense presented in the statement of comprehensive income.

21.03 Rentals

Certain branches of the Bank were leased from the Bank's stockholders which amounted to ₱3,060,411 and ₱4,343,820 in 2024 and 2023, respectively, as disclosed in Note 29.01.02.

21.04 Renumeration of Key Management Personnel

Key management personnel are those personnel of the Bank having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

The Bank provided remuneration to its key management personnel as part of short-term benefits disclosed in Note 27, amounting to ₱5,929,042 and ₱805,650 in 2024 and 2023, respectively. The Bank also provided remuneration to director's amounting to ₱1,248,947 and ₱1,013,452 in 2024 and 2023, respectively, as disclosed in Note 28.

21.05 Revenue Regulation No. 34-2020

The Bank is not covered by the requirements and procedures for related transactions provided in RR No. 34-2020.

22. ISSUED CAPITAL

The issued capital of the Bank are as follows:

		2024		2023
Common stock	₱	**116,132,700**	₱	116,132,700
Preferred stock		**19,996,800**		19,996,800
	₱	**136,129,500**	₱	136,129,500

22.01 Common Stock

Shown below are the details of common stock:

	2024			2023		
	Shares		**Amount**	Shares		Amount
Authorized ₱100 par value per share	**1,300,000**	**₱**	**130,000,000**	1,300,000	₱	130,000,000
Issued and fully paid	**1,161,327**	**₱**	**116,132,700**	1,161,327	₱	116,132,700

Ordinary shares carry one (1) vote per share and a right to dividends.

22.02 Preferred Stock

Shown below are the details of preferred stock:

	2024			2023		
	Shares		**Amount**	Shares		Amount
Authorized ₱100 par value per share	**200,000**	**₱**	**20,000,000**	200,000	₱	20,000,000
Issued and fully paid	**199,968**	**₱**	**19,996,800**	199,968	₱	19,996,800

Preferred shares of the Bank are non-voting, non-cumulative, non-participating and redeemable at the option of the issuer.

23. SURPLUS RESERVES

Surplus reserves composed of the following:

		2024		2023
Appraisal increment	₱	**21,493,367**	₱	21,493,367
Regulatory		**2,004,149**		2,004,149
	₱	**23,497,516**	₱	23,497,516

23.01 Appraisal Increment Reserves

As at December 31, 2024 and 2023, the appraisal increment arises from the revaluation of land at revalued amount with carrying amount of ₱32,192,457. Had the land be measured on historical basis, the carrying amount would have been ₱10,699,090, as disclosed in Note 12. When the revalued land is sold, the portion of the appraisal increment that relates that asset, as is effectively realized, is transferred directly to retained earnings. The appraisal increment arising from the revalued land as at December 31, 2024 and 2023 amounted to ₱21,493,367, as disclosed in Note 12.

23.02 Regulatory Reserves

Pursuant to the requirements of the BSP under Circular No. 1011, the Bank shall recognize general loan loss provisions equivalent to one percent of all outstanding loans as at the end of the reporting period, except for the accounts considered as credit risk-free under the existing BSP regulations. In cases when the computed ECL on those exposures is less than the one percent general loan loss provisions required, the deficiency is recognized through appropriation from the Bank's available surplus. Regulatory reserve as at December 31, 2024 and 2023 amounted to ₱2,004,149.

24. REVALUATION RESERVES

Surplus reserves composed of the following:

	Notes		2024		2023
Net unrealized fair value gains on FA at FVOCI	*11*	₱	**58,725,000**	₱	51,225,000
Net remeasurement on retirement benefit obligation	*28*		**(15,777,641)**		(15,825,314)
		₱	**42,947,359**	₱	35,399,686

25. DIVIDENDS DECLARED

On January 9, 2024, the BOD approved the declaration of cash dividends of 10% per share for both common stock and preferred stock or a total dividend amounting to ₱13,612,950, to be distributed to stockholders of record as at December 31, 2023 in proportion to their stockholdings.

Additionally, on May 14, 2024, the BOD further approved the declaration of cash dividends of 6% per share or a total dividend payment amounting to ₱8,167,770, likewise to be distributed to stockholders of record as at December 31, 2023 in proportion to their respective stockholdings.

On June 13, 2023, the BOD approved the declaration of cash dividends of ₱5 per share for both common stock and preferred stock amounting to ₱5,806,635 and ₱999,840, respectively, to be distributed to stockholders of record as at May 31, 2023 in proportion to their stockholdings.

Cash dividend declaration amounted to ₱21,780,720 and ₱8,167,770 while dividend payments to stockholders amounted to ₱19,602,648 and ₱7,350,993, net of final tax of ₱2,178,072 and ₱816,777, in 2024 and 2023, respectively.

26. OTHER INCOME

Components of other income are as follows:

	Notes		2024		2023
Gain on sale of investment properties	*14*	₱	**9,638,944**	₱	2,936,372
Service charges			**9,009,891**		9,390,396
Grant from ADB			**5,405,806**		-
Rental	*12,29*		**1,419,581**		1,178,368
Gain on write-off of ROU assets and liability			**151,941**		-
Miscellaneous			**9,184,860**		10,537,489
		₱	**34,811,023**	₱	24,042,625

During 2024, the Bank received financial assistance from Asian Development Bank (ADB) amounting to ₱5,405,806. The financial assistance was intended to provide opportunities for financial institutions, starting with rural banks, to incorporate fintech solutions as a tool for greater financial inclusion of underserved and unbanked groups in the Philippines (the "FIT Program"). Pursuant to Article IX, Section 34(a) of the Agreement between the Asian Development Bank and the Government of the Republic of the Philippines Regarding the Headquarters of the Asian Development Bank ("PH-ADB Agreement"), signed on December 22, 1966, ADB, including its property, operations, and transactions, is exempt from all forms of taxation, whether direct or indirect, national or local, as well as from any obligation to pay, withhold, or collect any tax.

Miscellaneous other income composed of penalties, rental income and commissions from payments of life insurance. Gain on sale of bank premises, furniture, fixture and equipment amounted to nil and ₱934,579 in 2024 and 2023, respectively.

Details of Gain on write-off of ROU assets and liability are as follows:

	Notes		2024		2023
Gain on write-off of ROU assets	*14*	₱	**297,725**	₱	-
Loss on write-off of lease liability	*19*		**(145,784)**		-
		₱	**151,941**	₱	-

27. OPERATING EXPENSES

The account is composed of the following operating expenses:

	Notes		2024		2023
Employee benefits	*28*	₱	**38,434,664**	₱	33,856,136
Depreciation and amortization	*30*		**8,430,391**		6,754,026
Rental	*29*		**5,687,887**		6,149,185
Information technology			**4,220,910**		442,092
Outside services			**3,881,725**		3,751,943
Insurance			**3,474,521**		3,329,193
Utilities			**3,308,307**		3,381,238
Acquired asset expense	*12*		**2,442,813**		1,550,016
Repairs and maintenance			**2,010,477**		1,414,682
Transportation and travel			**1,870,345**		1,794,875
Professional fees			**1,842,408**		1,414,218
Taxes and licenses			**1,818,663**		2,118,013
Supplies			**1,548,104**		1,476,062
Fuel and lubricants			**1,513,938**		1,591,126
Representation and entertainment			**1,003,500**		921,342
Donations and charitable contributions			**583,655**		102,400
Membership and dues			**563,524**		437,795
Advertising and promotions			**493,233**		253,985
Supervision and fees			**248,134**		325,377
Fees and commission			**185,877**		345,825
Loss on write-off of ROU assets	*13*		**-**		246,000
Miscellaneous			**416,112**		1,760,978
		₱	**83,979,188**	₱	73,416,507

Information technology pertains to software licenses, hardware acquisitions, and IT service subscriptions. The account significantly increased during the year primarily due to acquisition of new core banking system, upgrades to existing infrastructure, and implementation of new software.

Miscellaneous operating expense pertains to bank charges, security services and seminars.

28. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised:

		2024		2023
Short-term benefits	₱	**37,134,664**	₱	33,030,125
Retirement benefits		**1,300,000**		826,011
	₱	**38,434,664**	₱	33,856,136

28.01 Short-term Benefits

Breakdown of compensation and benefits are as follows:

		2024		2023
Salaries and wages	₱	**21,663,725**	₱	20,104,094
Fringe benefits		**10,373,442**		8,915,270
SSS, medicare and other contributions		**2,522,790**		2,197,846
Director's fee		**1,248,947**		1,013,452
Medical, dental and hospitalization		**1,325,760**		799,463
	₱	**37,134,664**	₱	33,030,125

28.02 Retirement Benefits

The Bank has a single retirement plan under the regulatory framework of the Philippines. Under R.A. No. 7641, the Bank is legally obliged to provide a minimum retirement pay for qualified employees upon retirement. The framework, however, does not have a minimum funding requirement. The Bank's benefit plan is aligned with this framework.

The Bank has defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits equal to thirty (30) days pay per year of service on attainment of a normal retirement age of sixty (60). The payments for the unfunded benefits are borne by the Bank as it falls due. Plan assets held by trustee are governed by a trust agreement between the latter and the Bank.

The plan shall be administered by a trustee appointed by the Bank who shall be responsible for the general administration of the plan. The trustee may create a Retirement Committee or seek the advice of a counsel and may appoint an investment manager or managers to manage the fund, an independent accountant to audit the fund and an actuary to value the fund.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on January 26, 2024 by ActuarualExponents, Inc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the PUCM.

In both years, there was no plan amendment and curtailment in the Bank's retirement plan.

The Bank is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Bank's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Bank to the Retirement Fund.

The principal assumptions used for purposes of the actuarial valuation were as follows:

	2024	2023
Discount rate	**4.00%**	4.00%
Salary increase rate	**5.00%**	5.00%

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

		2024		2023
Current service cost	₱	**767,389**	₱	1,130,048
Interest on:				
Defined benefit obligation		**967,924**		634,408
Fair value of plan assets		**(435,313)**		(938,445)
	₱	**1,300,000**	₱	826,011

The amounts included in the statement of financial condition arising from the Bank's obligation in respect of its defined benefit plans are as follows:

		2024		2023
Present value of defined benefit obligation	₱	**24,854,822**	₱	24,198,092
Less: Fair value of plan assets		**16,500,658**		10,882,827
	₱	**8,354,164**	₱	13,315,265

To conform with the provisions of PAS 19-R that the amount recognized as defined benefit obligation shall be net of the fair value of plan asset at the reporting dates.

Movements in the present value of the defined benefit obligation in the current period are as follows:

		2024		2023
Balance, January 1	₱	**24,198,092**	₱	15,860,194
Current service cost		**767,389**		1,130,048
Interest cost		**967,924**		634,408
Benefits paid from working capital		**(1,078,583)**		(195,835)
Benefits paid from plan assets		**-**		(1,414,884)
Remeasurement loss		**-**		8,184,162
	₱	**24,854,822**	₱	24,198,092

Movements in the remeasurement losses on retirement liabilities, net of deferred taxes, recognized in other comprehensive income (OCI):

		2024		2023
Cumulative loss in OCI, January 1	₱	**15,825,314**	₱	9,220,261
Remeasurement loss		**(63,563)**		8,806,737
Deferred tax		**15,890**		(2,201,684)
	₱	**15,777,641**	₱	15,825,314

Movements in the fair value of plan assets are as follows:

		2024		2023
Fair value of plan assets, January 1	₱	**10,882,827**	₱	11,981,842
Interest income		**435,313**		938,445
Remeasurement loss		**-**		(622,576)
Benefits paid through plan assets		**-**		(1,414,884)
Contribution		**5,182,518**		-
	₱	**16,500,658**	₱	10,882,827

Summary of movements in the net defined benefit liability:

		2024		2023
Balance, January 1	₱	**13,315,265**	₱	3,878,352
Contribution to plan asset		**(5,182,518)**		-
Retirement expense		**1,300,000**		826,011
Benefits paid from working capital		**(1,078,583)**		(195,835)
Remeasurement loss		**-**		8,806,737
	₱	**8,354,164**	₱	13,315,265

<u>Funding Arrangements</u>
The Bank is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Bank's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Bank to the Retirement Fund.

The Bank is exposed to a number of risks through its defined benefit plan. The most significant risks are detailed below:

<u>Asset-Liability Matching Strategies to Manage Risks</u>
The Bank ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the benefit schemes. Within this framework, the Bank's ALM objective is to match assets to the retirement obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Bank actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. The group has not changed the processes used to manage its risks from previous periods. The Bank does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in the current year consists of debt instrument. The group believes that debt instrument offers the best returns over the long term with an acceptable level of risk.

<u>Volatility Risk</u>
The plan liabilities are calculated using a discount rate based on the Bankers Association of the Philippines (BAP), PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) as at the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

As the plans mature, the Bank intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The assets are composed of debt instruments, domestic equities and cash equivalents. The government bonds represent investments in Philippine government securities only.

However, the Bank believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long-term strategy to manage the plans efficiently.

<u>Investment Risk</u>
Investment risk is the risk that investments on plan assets will result to a lower return than originally expected. This risk emanates on the premise that funded defined benefit plans should be arranged on the basis of Asset-Liabilities Matching principle.

Thus, plan assets and future contributions are invested in such a way that it will generate return to cover-up future payments of defined benefit obligations and interest costs. These plan activities expose the Bank to sensitivity in investment risks that would result to lower plan assets and higher defined benefit obligations should the performance of the investment portfolio falls below the inflation rate, interest rates and other economic conditions.

Investment risk is mitigated through proper investment planning and concentration of investments. Plan assets as at December 31, 2024 and 2023 are concentrated both on government securities which account for 64% of the total plan assets.

29. LEASE AGREEMENTS

29.01 The Bank as a Lessee

The Bank has the following leases. Except for short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use assets and lease liabilities.

29.01.01 Lease payments not recognized as a liability

Right-of-use assets, as disclosed in Note 13, are detailed as follows:

		2024		2023
City of Pasig	₱	**9,230,747**	₱	9,403,098
Pasig Rotunda Retail Corporation		**1,516,155**		2,044,943
Spouses Ely Macaya and Florida C. Macaya		**3,263,758**		-
	₱	**14,010,660**	₱	11,448,041

Lease liabilities, as disclosed in Note 16, are detailed as follows:

		2024		2023
City of Pasig	₱	**10,394,882**	₱	10,503,065
Pasig Rotunda Retail Corporation		**1,679,039**		2,116,236
Spouses Ely Macaya and Florida C. Macaya		**3,366,755**		-
	₱	**15,440,676**	₱	12,619,301

City of Pasig

In 2021, the Bank entered into a lease agreement with City of Pasig for the lease of commercial building located infront of Public Market of Pasig City. The lease term is ten (10) years starting from February 1, 2021 to January 31, 2031 with monthly rental of ₱102,620, exclusive of VAT and withholding tax. An escalation rate of 5% shall be applied every year.

Pasig Rotunda Retail Corporation

In 2023, the Bank entered into a lease agreement with Pasig Rotunda Retail Corporation for the lease of commercial building known as Pasig Rotunda Building located at Pasig Boulevard Extension, C. Raymundo Avenue, Caniogan, Pasig City. The lease term is five (5) year commencing on April 1, 2023 to March 31, 2028 with monthly rental of ₱42,079, exclusive of VAT and withholding tax. An escalation rate of 5% shall be applied every year. The lease agreement may be renewed by giving the lessor a written notice of its intent to renew within 60 days prior to the expiry date of the lease term.

The Bank shall pay an advance rental equivalent to three (3) months amounting to P126,237 and shall be applied on the first three (3) months. Security deposit equivalent to three months rent shall also be paid to the lessor. The security deposit shall be returned to the Bank within 60 days after completing the lease period, provided that the bank has settled all the obligations with the lessor.

Spouses Ely Macaya and Florida C. Macaya

In 2024, the Bank entered into a lease agreement with spouses Ely Macaya and Florida C. Macaya for the lease of two (2) ground floor apartment doors with Mezzanine for commercial purposes. The lease term is ten (10) years starting from January 1, 2024 to December 31, 2034 with monthly rental of ₱40,000, net of withholding tax.

29.01.02 Lease payments not recognized as a liability

The Bank has elected not to recognize lease liabilities for short term leases (leases of expected term of twelve (12) months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liabilities is as follows:

Rent expense, as disclosed in Note 27, are detailed as follows:

		2024		2023
Related parties	₱	**3,060,411**	₱	4,343,820
Third parties		**2,627,476**		1,805,365
	₱	**5,687,887**	₱	6,149,185

29.02 The Bank as a Lessor

Operating leases relate to bank premises with average lease term of one (1) year. The property rental income earned, by the Bank from its properties, all of which is leased out under operating leases, amounted to ₱1,419,581 and ₱1,178,368 for the years ended 2024 and 2023 respectively, as disclosed in Notes 12 and 26.

30. DEPRECIATION AND AMORTIZATION

Breakdown of depreciation and amortization, as disclosed in Note 27, is as follow:

	Notes		2024		2023
Bank premises, furniture, fixtures and equipment	*12*	₱	**6,480,849**	₱	4,380,031
Right-of-use assets	*13*		**1,668,308**		1,688,368
Investment properties	*14*		**281,234**		685,627
		₱	**8,430,391**	₱	6,754,026

31. INCOME TAXES

Income Tax Recognized in Profit or Loss

The components of income tax expense for the year ended December 31, 2024 and 2023 are as follows:

		2024		2023
Current tax expense	₱	**(7,513,266)**	₱	(4,236,991)
Deferred tax benefit		**(3,037,085)**		(3,085,362)
Final income tax at 20%		**628,668**		113,867
	₱	**(9,921,683)**	₱	(7,208,486)

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2024 and 2023 is as follows:

		2024		2023
Accounting profit	₱	**42,034,391**	₱	26,800,578
Tax expense at 25%	₱	**(10,508,598)**	₱	(6,700,145)
Adjustment for income subject to lower tax rates		**(472,505)**		(46,854)
Tax effects of the following:				
Non-taxable income (Article IX, Section 34)		**1,351,451**		-
Non-deductible interest expense		**(641,144)**		-
Non-taxable income – interest income from loans to HCG		**318,641**		-
Non-taxable gain on write-off of ROU assets and lease liability		**37,985**		-
Non-deductible fines and penalties expense		**(7,513)**		-
Non-deductible expenses		**-**		(914,681)
Adjustments on deferred taxes		**-**		(148,510)
Non-taxable income		**-**		601,704
	₱	**(9,921,683)**	₱	(7,208,486)

Total Income Tax Payable

The details of income tax payable during the year are as follows:

		2024
Income tax due	₱	**7,513,266**
Less: Tax credit		
Prior years	₱	34,384
Tax payments from previous quarter		547,105
Tax payments from previous quarter under MCIT		-
Creditable withholding tax 1st to 3rd quarter		-
Creditable withholding tax 4th quarter		307,438
Total tax credit	₱	888,927
Total amount payable (overpayment)	₱	**6,624,339**

32. DEFERRED TAXES – net

Below is the offsetting of deferred tax assets and deferred tax liabilities:

		2024		2023
Deferred tax assets	₱	**11,593,406**	₱	11,007,643
Deferred tax liabilities		**(19,575,000)**		(17,075,000)
	₱	**(7,981,594)**	₱	(6,067,357)

32.01 Deferred Tax Assets (DTA)

The component of the Bank's deferred tax assets with respective movement are as follows:

		Effects of PFRS 16		Allowance for Expected Credit Losses		Retirement Benefit Obligation - net		Total
Balance at December 31, 2023	₱	138,129	₱	7,435,865	₱	1,118,098	₱	8,692,092
Recognized in profit or loss		154,687		(49,854)		9,034		113,867
Recognized in other comprehensive income		-		-		2,201,684		2,201,684
Balance at December 31, 2023	₱	292,816	₱	7,386,011	₱	3,328,816	₱	11,007,643
Recognized in profit or loss		102,674		470,640		55,354		628,668
Recognized in other comprehensive income		-		-		(15,890)		(15,890)
Adjustment		-		(27,015)		-		(27,015)
Balance at December 31, 2024	₱	**395,490**	₱	**7,829,636**	₱	**3,368,280**	₱	**11,593,406**

32.02 Deferred Tax Liability (DTL)

Deferred tax liabilities arise from unrealized fair value gains on financial assets at FVOCI. In 2024 and 2023, deferred tax recognized in other comprehensive income amounted to ₱2,500,00 and ₱4,250,000, respectively, as disclosed in Note 11. As at December 31, 2024 and 2023, deferred tax liability amounted to ₱19,575,000 and ₱17,075,000, respectively.

33. MATURITY PROFILE OF ASSETS AND LIABILITIES

The following tables present the assets and liabilities by contractual maturity and settlement dates as at December 31, 2024 and 2023:

	2024		
	Due Within One (1) Year	**Due Beyond One (1) Year**	**Total**
Financial Assets:			
Cash and other cash items	₱ 22,284,183	₱ -	₱ 22,284,183
Due from BSP	1,451,837	-	1,451,837
Due from other banks	134,761,225	-	134,761,225
Other financial assets at amortized cost	136,990,024	146,423,816	283,413,840
Loans and other receivables – net	15,374,094	774,055,583	789,429,677
Financial assets at FVOCI	-	85,000,000	85,000,000
	₱ 295,487,269	₱ 231,423,816	₱ 526,911,085
Non-financial Assets:			
Bank premises, furniture, fixtures and equipment – net	₱ -	₱ 64,906,412	₱ 64,906,412
Right-of-use assets – net	-	14,010,660	14,010,660
Investment properties – net	-	170,195,604	170,195,604
Other assets	5,834,226	-	5,834,226
	₱ 5,834,226	₱ 249,112,676	₱ 254,946,902
Total Assets	₱ 301,321,495	₱ 480,536,492	₱ 781,857,987
Financial Liabilities:			
Deposit Liabilities	₱ 1,175,129,617	₱ 71,771,785	₱ 1,246,901,402
Bills payable	10,600,000	-	10,600,000
Lease liabilities	1,375,566	14,065,110	15,440,676
Other liabilities	28,649,174	-	28,649,174
	₱ 40,624,740	₱ 14,065,110	₱ 54,689,850
Non-financial Liabilities:			
Income tax payable	₱ 6,815,932	₱ -	₱ 6,815,932
Retirement liabilities – net	-	8,417,727	8,417,727
Deferred taxes – net	-	7,669,042	7,669,042
Other liabilities	383,816	-	383,816
	₱ 7,199,748	₱ 16,086,769	₱ 23,286,517
Total Liabilities	₱ 47,824,488	₱ 30,151,879	₱ 77,976,367

	2023		
	Due Within One (1) Year	Due Beyond One (1) Year	Total
Financial Assets:			
Cash and other cash items	₱ 18,312,288	₱ -	₱ 18,312,288
Due from BSP	14,012,677	-	14,012,677
Due from other banks	107,462,457	-	107,462,457
Other financial assets at amortized cost	116,852,451	167,004,984	283,857,435
Loans and other receivables – net	125,167,899	590,420,270	715,588,169
Financial assets at FVOCI	-	75,000,000	75,000,000
	₱ 381,807,772	₱ 832,425,254	₱ 1,214,233,026
Non-financial Assets:			
Bank premises, furniture, fixtures and equipment – net	₱ -	₱ 60,283,812	₱ 60,283,812
Right-of-use assets – net	-	11,448,041	11,448,041
Investment properties – net	-	177,035,627	177,035,627
Other assets	6,220,105	-	6,220,105
	₱ 6,220,105	₱ 248,767,480	₱ 254,987,585
Total Assets	₱ 388,027,877	₱ 1,081,192,734	₱ 1,469,220,611
Financial Liabilities:			
Deposit Liabilities	₱ 1,116,069,437	₱ 62,887,081	₱ 1,178,956,518
Lease liabilities	1,533,738	11,085,563	12,619,301
Other liabilities	25,345,424	-	25,345,424
	₱ 1,142,948,599	₱ 73,972,644	₱ 1,216,921,243
Non-financial Liabilities:			
Income tax payable	₱ 4,017,392	₱ -	₱ 4,017,392
Retirement liabilities – net	-	13,315,265	13,315,265
Deferred taxes – net	-	93,355,266	6,067,357
Other liabilities	429,569	-	429,569
	₱ 4,446,961	₱ 19,382,622	₱ 23,829,583
Total Liabilities	₱ P1,147,395,560	₱ 93,355,266	₱ 1,240,750,826

34. FAIR VALUE MEASUREMENTS

34.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Bank's financial assets and finance liabilities as at December 31, 2024 and 2023 are presented below:

	2024		2023	
	Carrying Amount	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:				
Cash and other cash items	₱ 22,284,183	₱ 22,284,183	₱ 18,312,288	₱ 18,312,288
Due from BSP	1,451,837	1,451,837	14,012,677	14,012,677
Due from other banks	134,761,225	134,761,225	107,462,457	107,462,457
Other financial assets at amortized cost	283,413,840	283,413,840	283,857,435	283,857,435
Loans and other receivables – net	789,429,677	789,429,677	715,588,169	715,588,169
Financial assets at FVOCI	85,000,000	85,000,000	75,000,000	75,000,000
	₱ 1,316,340,762	₱ 1,316,340,762	₱ 1,214,233,026	₱ 1,214,233,026
Financial Liabilities:				
Deposit liabilities	₱ 1,246,901,402	₱ 1,246,901,402	₱ 1,178,956,518	₱ 1,178,956,518
Bills payable	10,600,000	10,600,000	-	-
Lease liabilities	15,440,676	15,440,676	12,619,301	12,619,301
Other liabilities	28,649,174	28,649,174	25,345,243	25,345,243
	₱ 1,301,591,252	₱ 1,301,591,252	₱ 1,216,921,062	₱ 1,216,921,062

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

- Due to either short-term or demand feature of financial assets and financial liabilities other than the loans and other receivables, financial assets at FVOCI and deposit liabilities, Management believes that carrying values approximate the fair values.
- Financial assets at FVOCI is an equity security measured based on the latest club share quotes from the leading and largest broker of proprietary golf club shares in the Country.
- Loans and other receivables – fair values of the Bank's loans and other receivables are estimated using the effective interest method less any allowance for impairment and principal repayment or reduction and using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate their fair values.
- Due to demand nature of deposits liabilities, Management believes that the carrying amounts approximate their fair values.
- Management believes that the carrying amount of lease liabilities approximates its fair value since this was discounted using the Bank's incremental borrowing rate at the date of initial application.

34.02 Fair Value Determinations of Assets

The following provides an analysis of assets and liabilities that are measured at fair value on a non-recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which inputs to valuation techniques are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within the 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.

34.02.01 Fair Value Hierarchy
Shown below are the fair values of assets:

Recurring Fair Value Measurements

		Level 1		Level 2		Level 3		Total
2024								
Land	**₱**	**-**	**₱**	**-**	**₱**	**32,192,457**	**₱**	**32,192,457**
2023								
Land	₱	-	₱	-	₱	32,192,457	₱	32,192,457

Fair Value Disclosure

		Level 1		Level 2		Level 3		Total
2024								
Investment properties	**₱**	**-**	**₱**	**-**	**₱**	**288,619,697**	**₱**	**288,619,697**
2023								
Investment properties	₱	-	₱	-	₱	288,619,697	₱	288,619,697

34.02.02 Valuation Technique used to Derive Level 3 Fair Value
Land

The fair values are carried out with reference to Philippine Valuation Standards. Sales comparison approach is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

Investment Properties

The fair value was derived using the market comparison approach. Market comparison approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets. Under market comparison approach, the most significant input into this valuation is the price per square meter.

34.02.03 Highest and Best Use
The Bank's non-financial assets are composed of land and building under 'bank premises, furniture, fixtures and equipment' and 'investment properties' being idle and held for capital appreciation and land and building held for use in the production or supply of goods or services, or for administrative purposes. However, as at December 31, 2024 and 2023, the Bank assessed the highest and best use of the foregoing assets from the perspective of market participants. The land and building could be sold. On other hand, land and building under 'investment properties' are held to be sold in the future. Management is currently assessing probable options by which it can derive best benefits from the property.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.01 Risk Management System

All financial institutions assume some amount of risk as part of normal operations. It is the policy of the Bank to manage and control the amount of risk it assumes. The primary objectives of the Bank's asset/liability management process include consistent earnings-to-growth plan and Net Worth to Assets within acceptable and controllable levels of the following main risks:

- Interest Rate Risk (IRR) – is identified on mismatches on maturities. It measures interest rate risk by identifying gaps between repricing dates of assets and liabilities.
- Liquidity Risk – current and prospective risk to earnings or capital arising from Bank's inability to meet its obligations when they come due without incurring unacceptable losses.
- Credit Risk – involves the possible financial losses of the Bank resulting from default of its borrowers or from the depreciation in value of the assets acquired by the Bank in settlement of loans.

Other risks are measured from time to time. Their importance is also a key to the Bank's continued successful operations. The Management reviews these risks at least annually, and more often as conditions may warrant.

- Market risk – risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions such as market movements.
- Operations Risk – arises from the failure and inefficiency of the Bank's internal policies, system failure and human error that result in unexpected loss to the Bank, inadequacy in management reporting system, weakness in organization set up and poor management oversight.
- Legal risk – the potential loss due to non-existent, incomplete, incorrect and unenforceable documentation that the Bank use to protect and enforces right under the law on obligations and contracts.
- Compliance Risk – the risk to earnings or capital arising from violations of, or non-conformity with laws, rules, regulations, prescribed practices, internal policies, and procedures.
- Reputation Risk – occurs when the Bank is seen or perceived to be poorly prepared to deal with its operational difficulties or when it seems to lack the ability to operate normally and efficiently during crises.

Technology Risk – arises from the inefficiency and insufficiency of the Bank's electronic or computerized systems and its existing technology in use to process its transactions.

35.02 Liquidity and Funds Management

35.02.01 Liquidity

Liquidity is measured in terms of having sufficient funds available at all times, to meet fully and promptly, the legitimate demands for money made on the bank arising from deposit withdrawal, presentation of cheques, maturing investments, draws under committed loan facilities, and other financial commitments. The Bank needs to assure depositors that they can withdraw their funds when desired, borrowers of the availability of funds to meet legitimate demands for credit expansion, and employees of the Bank stability and longevity. It must be remembered however that too much liquidity will have a negative impact on profitability, while too little liquidity will increase the risk of insolvency. The Bank is deemed to have adequate liquidity when it can obtain sufficient cash promptly and at a reasonable rate (cost). The determination of the adequacy of the Bank's liquidity position depends upon an analysis of the Bank's position relative to the following factors: (i) historical funding requirements; (ii) current liquidity position; (iii) anticipated future funding needs; (iv) present and anticipated asset quality; (v) present and future earnings capacity; and (vi) sources of funds.

35.02.02 Funding
Forecasting future events is essential to adequate liquidity planning. Sound financial management can help buffer negative changes in the Bank's economic climate and accentuate positive ones. Forecasting of future events is very subjective and fraught with potential error. Management must therefore develop contingency plans in case its projections are wrong. Effective contingency planning involves identifying minimum and maximum liability needs and weighing the alternative courses of action designed to meet the needs. Monthly cash flow projections will be sought from large customers.

The following are alternative ways the Bank can meet its liquidity needs: (i) increase core (retail) deposits; (ii) acquire interbank deposits; (iii) sell large time or notice deposits in domestic money market; (iv) borrow from lender of last resort (BSP); (v) borrow the Inter-Bank Market; (vi) lengthen the average life of the bank's liabilities portfolio; (vii) maintain unused lines of credit with other financial institutions; and (viii) loan participations.

The Management reviews annually, as part of the annual budget preparation, or as often as necessary, the Bank's deposit structure in relation to volume and trend of various types of deposits, maturity distribution of time deposits and rates paid compared to rates offered by competitors.

35.02.03 Analysis of Financial Liabilities by Remaining Contractual Maturities
The table below shows the maturity profile of Bank's financial liabilities as at December 31, 2024 and 2023 based on contractual undiscounted repayment obligations:

	2024			
	On Demand	**Within One (1) Year**	**Beyond One (1) Year**	**Total**
Deposit liabilities				
Savings	₱ 801,293,589	₱ -	₱ -	₱ 801,293,589
Time	-	301,545,159	-	301,545,159
Demand	144,062,654	-	-	144,062,654
Bills payable	-	10,600,000	-	10,600,000
Lease liabilities	-	1,375,566	14,065,110	15,440,676
Other liabilities	-	28,649,174	-	28,649,174
	₱ 945,356,243	₱ 342,169,899	₱ 14,065,110	₱ 1,301,591,252

	2023			
	On Demand	Within One (1) Year	Beyond One (1) Year	Total
Deposit liabilities				
Savings	₱ 730,753,782	₱ -	₱ -	₱ 730,753,782
Time	-	254,915,242	62,887,081	317,802,323
Demand	130,400,413	-	-	130,400,413
Lease liabilities	-	1,943,777	12,187,651	14,131,428
Other liabilities	-	25,345,424	-	25,345,424
	₱ 861,154,195	₱ 282,204,443	₱ 75,074,732	₱ 1,218,433,370

35.02.04 Expected Maturity of Financial Asset
The following table details the Bank's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Bank's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate		**On Demand**		**Within one (1) Year**		**More than one (1) year to five (5) years**		**Total**
December 31, 2024									
Cash and other cash items	-	₱	22,284,183	₱	-	₱	-	₱	22,284,183
Due from BSP	-		1,451,837		-		-		1,451,837
Due from other banks	0.05% to 3.75%		112,998,358		-		21,762,867		134,761,225
Other financial asset at amortized cost	1.84% to 6.40%		-		138,005,358		145,408,482		283,413,840
Loans and other receivables – net	6.06% to 25.00%		-		15,374,094		774,055,583		789,429,677
Financial asset at FVOCI			-		-		85,000,000		85,000,000
		₱	136,734,378	₱	138,005,358	₱	252,171,349	₱	526,911,085

	Weighted Average Effective Interest Rate		On Demand		Within one (1) Year		More than one (1) year to five (5) years		Total
December 31, 2023									
Cash and other cash items	-	₱	18,312,288	₱	-	₱	-	₱	18,312,288
Due from BSP	-		14,012,677		-		-		14,012,677
Due from other banks	0.05% to 3.75%		73,262,457		22,200,000		12,000,000		107,462,457
Other financial asset at amortized cost	1.30% to 6.40%		-		116,852,451		167,004,984		283,857,435
Loans and other receivables – net	6.06% to 25.00%		-		125,167,899		590,420,270		715,588,169
Financial asset at FVOCI	-		-		-		75,000,000		75,000,000
		₱	105,587,422	₱	264,220,350	₱	844,425,254	₱	1,214,233,026

35.03 Market Risk Management

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, exchange rates, market prices and volatilities. The Bank assumes market risk from consumer and corporate loans, position taking, and trading and investment activities.

The strategy for controlling market risk shall involve: (i) stringent control and limits; (ii) regular reporting of positions; and (iii) regular review of all control and limits.

35.03.01 Interest Rate Risk Management
Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustments within a specified period. The most important source of interest rate risk is the Bank's lending, funding and investments activities, where fluctuations in interest rates are reflected in interest margins and earnings.

35.03.01.01 Asset Allocation Strategies
Interest rate risk is managed through (1) investments (2) loan pricing, and (3) deposit pricing. Asset/Liability policies and strategies is formulated upon the examination of how interest rate risk affect overall business risk, i.e., capital risk, and liquidity risk, credit risk, interest rate risk. After review of the current situation, the Board of Directors devised various strategies to minimize risk while maximizing earnings and net worth. The following methods for managing the asset/liability mix are reviewed: (i) buying and selling assets; (ii) changing liability structure and mix; (iii) balance sheet growth, structure, and maturity; and (iv) hedging.

The proper strategy depends on the current level of risk, the time frame, and the current interest rate environment. If the Bank determines that there is a good chance that interest rates will increase, an attempt is made to extend fixed-rate liabilities to longer maturities while purchasing variable rate assets in order to widen the net interest margin. If it is perceived that interest rates will decline, an attempt is made to shorten fixed rate liabilities while securing longer-term fixed-rate assets in order to increase the net interest margin. Asset maturities will be managed as a result of the liability structure to maintain compliance within the ranges detailed.

35.03.01.02 Sensitivity Analysis
The sensitivity analyses have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the financial assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 10% increase is used when reporting interest rate risk internally to key management personnel and this represents Management's assessment of the reasonably possible change in interest rates. There is no material impact of changes in interest rates on equity for the years ended December 31, 2024 and 2023.

Due from other banks represent funds deposited with domestic banks which are used by the Bank as part of its working funds. Deposits earn interest for these deposits from 0.05% to 3.75%.

35.04 Credit Risk Management

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation. The Bank is exposed to credit risks from due from BSP, due from other banks, other financial assets at amortized cost, and loans and other receivables.

The Bank's credit risk shall be consistent with separate written policies and procedures. The credit policies include the Bank's credit structure, target markets, credit evaluation, administration and monitoring and collection guidelines. Moreover, the Bank continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Bank's policy is to deal only with creditworthy counterparties. In addition, for certain type of loans, collateral and required to mitigate credit risk.

Financial assets measured at amortized cost are as follows:

	2024	2023
Due from BSP	₱ **1,451,837**	₱ 14,012,677
Due from other banks	**134,761,225**	107,462,457
Other financial assets at amortized costs	**283,413,840**	283,857,435
Loans and other receivables – net	**789,429,677**	715,588,169
	₱ **1,209,056,579**	₱ 1,120,920,738

The Bank's assessment of expected credit loss on due from BSP and due from other banks is detailed as follows:

	December 31, 2024		December 31, 2023	
	Gross Carrying Amount	**Estimated credit losses**	Gross Carrying Amount	Estimated credit losses
Due from BSP	₱ **1,451,837**	₱ **-**	₱ 14,012,677	₱ -
Due from other banks				-
Commercial	**43,195,643**	**-**	51,102,233	-
Government	**91,565,582**	**-**	56,360,224	-
	₱ **136,213,062**	₱ **-**	₱ 121,475,134	₱ -

The Bank believes that the assessed amount of ECL above is immaterial. As at December 31, 2024 and 2023, expected credit losses on due from BSP and due from other banks amounted to nil.

35.04.01 Loan Portfolio – Expected Credit Loss
The calculation of allowance for expected credit losses of Loan Portfolio is currently based on the methodologies provided in the PFRS 9.

35.04.02 Probability of Default
The probability of default is measured over either 12-month or the lifetime of a financial instrument.

35.04.03 Maximum Exposure to Credit Risk Before Collateral Held or Other Credit Enhancements

An analysis of the maximum exposure to credit risk without taking into account any collateral held or other credit enhancements is shown below:

	2024	2023
Due from BSP	₱ **1,451,837**	₱ 14,012,677
Due from other banks	**134,761,225**	107,462,457
Loans and other receivables	**789,429,677**	715,588,169
	₱ **925,642,739**	₱ 837,063,303

35.04.04 Concentration by Industry
The table below show the industry sector analysis of the Bank's financial assets in gross amounts before and after taking into account the fair value of the loan collateral held or other credit enhancements:

	2024	2023
Consumption	₱ **24,435,037**	₱ 35,069,598
Micro, small and medium enterprise	**346,024,840**	301,045,715
Agricultural	**25,259,535**	25,830,895
Housing purposes	**391,564,602**	346,399,025
Other loans	**9,387,072**	1,264,066
	796,671,086	709,609,299
Less: Allowance for expected credit losses	**25,772,200**	25,572,146
	₱ **770,898,886**	₱ 684,037,153

35.04.05 Collateral and Other Credit Enhancements

The Bank holds collateral against loans and other receivables in the form of real estate. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is assessed to be impaired. Generally, collateral is held over loans and advances to the Bank. Collateral is usually not held against investment securities, and no such collateral was held as at December 31, 2024. The Bank is not permitted to sell or repledge the collateral held in the absence of default by the owner of the collateral.

35.04.06 Credit Quality per Class of Financial Assets

Loans, receivables and other financial assets are either classified as High Grade, Standard Grade and Substandard Grade depending on the inherent risks or weaknesses noted on the accounts during credit evaluation periodically conducted following the credit classification criteria of the BSP.

High Grade credits are those accounts that do not have greater than normal risk or do not have potential weaknesses. Lumped under this category are credits covered by hold-out on deposits and sovereign guarantees, following the Bank's Internal Credit Risk Rating System.

Standard Grade credits represent accounts that are current in status and not impaired with risk rating of 4 to 5.

Substandard Grade credits represent accounts that display potential weaknesses, by the occurrence of limited or random delinquency/default, which when left unattended, may affect the repayment of the loan and increase credit risk to the Bank.

The Bank's borrower's risk rating system considers the combination of application data, internal as well as external data. Presented below are the characteristics of each of the Bank's risk rating/grade:

1 - Excellent. Borrower pays as agreed, no history of delinquencies. Payment source is sustainable, with strong trends in operation. The borrower meets earnings and payment expectations. There are no disruptions from external factors. Management shows competence under the present business model.
2 - Strong. Borrower pays as agreed, no history of delinquencies. Strong liquidity, borrower meets earnings and payment expectations. There are no disruptions from external factors. Management shows competence under the present business model.
3 - Good. Borrower pays as agreed, no history of default in the last 12 months. The borrowing base/payment source fully supports the line of credit. Account meets expectations, with no disruptions from external factors. Management shows competence under the present business model.
4 - Satisfactory. Borrower pays as agreed. Liquidity is adequate to marginal. Expectations are generally met. There are known sources of external disruptions but effects can be anticipated. There may be recent departures or lack of key personnel.
5 - Acceptable. Liquidity may be marginal or, certain operating trends could show a decline but neither would seriously jeopardize repayment. Expectations not always met. The business model may change with new external factors. There are uncertainties in business environment. Turnover and unfilled management positions may be chronic.
6 - Watchlisted. May occasionally turn past due for 30-60 days but will likely revert to current. Liquidity is marginal. Earnings and payment expectations are not met. Some defaults occur. There are identified external factors that have a negative effect on operations. The Bank changes its business model with negative implications (for both shareholders and lenders).
7 - Especially Mentioned. There is evidence of weakness in financial condition and credit worthiness. Credit evaluation should show a negative risk rating. Financial difficulties are expected and credit exposure is at risk. Negative external factors are affecting the business. The borrower's ability or willingness to service the debt is in doubt.
8 - Sub-standard. Credit evaluation estimates up to 50% probability of default. Collection of principal and/or interest becomes questionable. The operation cannot support the present debt burden. Second way out (collateral) is weak or insufficient. Managerial record is unfavorable or characteristically weak.

9 - Doubtful. The extent of loss to creditors still cannot be quantified but is likely to be significant. The borrower is unable or unwilling to service the debt even over an extended period. Loss is unavoidable despite efforts by both borrower and creditor. Managerial record is unfavorable or characteristically weak.
10 - Loss. The prospect of re-establishment of credit-worthiness is remote. Debt servicing is remote. The lender is taking steps to foreclose on available collateral. 100% loss is set for unsecured loans. Loss may not be easily determined but is not practical to defer a write-off. The borrower and/or his co-makers are insolvent.

	2024					
	Neither Past Due nor Specifically Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Due from BSP	₱ 1,451,837	₱ -	₱ -	₱ -	₱ -	₱ 1,451,837
Due from other banks	134,761,225	-	-	-	-	134,761,225
Other financial assets at amortized cost	283,413,840	-	-	-	-	283,413,840
Loans and other receivables - net	711,328,592	-	-	15,569,652	69,772,842	796,671,086
	₱ 1,130,955,494	₱ -	₱ -	₱ 15,569,652	₱ 69,772,842	₱ 1,216,297,988

	2023					
	Neither Past Due nor Specifically Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Due from BSP	₱ 14,012,677	₱ -	₱ -	₱ -	₱ -	₱ 14,012,677
Due from other banks	107,462,457	-	-	-	-	107,462,457
Other financial assets at amortized cost	283,857,435	-	-	-	-	283,857,435
Loans and other receivables - net	598,071,462	-	-	38,051,844	73,485,993	709,609,299
	₱ 1,003,404,031	₱ -	₱ -	₱ 38,051,844	₱ 73,485,993	₱ 1,114,941,868

The table below shows the aging analysis of past due but not impaired loans and other receivables per class that the Bank held as at December 31, 2024 and 2023. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2024			2023		
	90-180 days	Over 180 days	Total	90-180 days	Over 180 days	Total
Loans and discounts	**₱ 20,681,493**	**₱ 27,403,374**	**₱ 48,084,867**	₱ 7,882,635	₱ 38,963,125	₱ 46,845,760

The banks restructured loans amounted to ₱76,940,065 and ₱72,566,113 as at December 31, 2024 and 2023, respectively.

36. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Bank manages its capital to ensure that the Bank will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Bank consists of equity of the Bank (comprising capital stock, additional paid-in capital, revaluation surplus, remeasurement losses on retirement liabilities and surplus free).

Based on Manual of Regulations for Banks under Section 121, as amended by BSP Circular 1151 series of 2022, Amendments to the Minimum Capitalization of Rural Banks, the Bank is required to meet the capital requirement amounting to ₱120,000,000.

As at December 31, 2024 and 2023 the Bank's total capital stock is ₱136,129,500. As at December 31, 2024 and 2023, the bank is in compliance with such regulation. The Bank's Board of Directors reviews the capital structure of the Bank on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The Bank's capital structure is as follows:

	2024	2023
Common stock	₱ **136,129,500**	₱ 136,129,500
Surplus reserves	**23,497,516**	23,497,516
Revaluation reserves	**42,947,359**	35,399,686
Surplus free	**43,805,140**	32,841,379
	₱ **246,379,515**	₱ 227,868,081

Under Section 34 of R.A. No. 8791/Section 125 of the MORB, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

In addition, in compliance with the risk-based capital ratio, the Bank, shall maintain a minimum adjusted risk-based CAR covering combined credit risk and market risk of ten percent (10%) calculated on solo and on consolidated basis which is expressed as a percentage of qualifying capital to risk-weighted assets which includes credit risk and market risk-weighted assets. The components of this calculation are as follows:

- Market risk-weighted assets are the sum of the capital charges for all market risk categories calculated using either the standardized approach or the internal models approach [multiplied by 125% for those calculated using the standardized methodology to be consistent with the higher capital charge for credit risk, i.e., ten percent (10%) as opposed to BIS recommended eight percent (8%) multiplied by 10. (The multiplier 10 is the reciprocal of the BSP required minimum capital adequacy ratio for credit risk of ten percent (10%). The effect is to convert the sum of the market risk capital charges into a risk-weighted assets equivalent which can then be directly added to the total credit risk-weighted assets).

- Credit risk-weighted assets are the total risk weighted assets calculated in accordance with Appendix to Section 125, less the part calculated for on-balance sheet debt securities and equities in the trading book. (The credit risk-weighted assets for on-balance sheet debt securities and equities are deducted because they represent an element now covered by the market risk capital charge).

- Operational risk-weighted assets are risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Operational risk capital charge is calculated as the three (3)-year average of the simple summation of the regulatory capital charges across each of the business lines in each year. In any given year, negative capital charges (resulting from negative gross income) in any business line may offset positive capital charges in other business lines without limit. However, where the aggregate capital charge across all business lines within a given year is negative, then figures for that year shall be excluded from both the numerator and denominator. The resultant operational risk capital charge is to be multiplied by 125% before multiplying by ten (10) [i.e., the reciprocal of the minimum capital ratio of ten percent (10%)].

- Qualifying capital consist of Tier 1 capital which comprised of paid-up common stock, surplus and surplus reserves and Tier 2 capital elements in which upper. Tier 2 capital is composed of net unrealized gains on available for sale equity securities and general loan loss provision.

The Bank deducted from the total of Tier 1 capital the total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI; unsecured loans and deferred income tax.

The Bank did not deduct any from Tier 2 capital.

36.01 Capital Management

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

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

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

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to DOSRI;
(c) deferred tax asset;
(d) goodwill, if any;
(e) sinking fund for redemption of redeemable preferred stock; and
(f) other regulatory deductions.

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

As at December 31, 2024 and 2023, the Bank is in compliance with the current banking regulation.

The regulatory capital is analyzed into two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the total of Tier 1 and Tier 2 capital.

Tier 1 Capital and Tier 2 of the Bank are defined as follows:

a. Tier 1 Capital includes the following:
    i. paid up common stock,
    ii. additional paid-up capital
    iii. surplus,
    iv. surplus reserves, and
    v. undivided profits (for domestic banks only).

Subject to deductions for:
i. deferred income tax.
b. Tier 2 Capital includes:
  i. perpetual cumulative preferred stock,
  ii. appraisal increment reserve – bank premises
  iii. general loan loss provision.

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

Information regarding the Bank's "unimpaired capital" as at December 31, 2024 and 2023 is shown below:

		2024		2023
Tier 1 Capital	₱	**260,192,796**	₱	205,229,230
Tier 2 Capital		**29,473,278**		27,590,718
Gross qualifying capital		**289,666,074**		232,819,948
Total risk-weighted assets	₱	**1,195,885,482**	₱	1,150,439,934
Total capital ratio		**24.22%**		20.24%
Tier 1 ratio		**20.09%**		17.84%

The breakdown of the Bank's risk-weighted assets as at December 31, 2024 and 2023 are as follows:

		2024		2023
Credit risk-weighted assets	₱	**1,195,599,944**	₱	1,026,105,642
Operational risk-weighted assets		**137,492,812**		124,334,292
	₱	**1,333,092,756**	₱	1,150,439,934

As at December 31, 2024 and 2023, the Bank's capital adequacy ratio (CAR) and capital is in compliance with the regulatory requirements.

The Bank's policy is to maintain a strong capital base to maintain stockholders, creditors and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

There have been no material changes in the Bank's management of capital during those years.

The BSP sets also another measure of Bank's liquidity by minimum liquidity ratio. Under the existing BSP regulations, the Bank's minimum liquidity ratio is expressed as a percentage of eligible stock of liquid assets to its total qualifying liabilities.

a. The stock of liquid assets shall consist of:
  i. cash on hand,
  ii. eligible debt securities,
  iii. deposits in other banks, and
  iv. Interbank loans receivables with contractual maturity dates that fall within the next 30 calendar days.

b. The qualifying liabilities shall consist of the following:

- Total liabilities, where the following obligations are subject to the conversion factors as stated below:
  - i. Retail current and regular savings deposits with outstanding balance per account of P500,000 and below subject to 50% conversion factor,
  - ii. deposits where the account holder has no contractual or legal discretion to withdraw said deposit or pre-terminate the account within the next 30 calendar days, borrowings that are non-callable in, or have contractual maturity dates beyond, the next calendar days, and
  - iii. obligations arising from operation expenses.

- Irrevocable obligations under off-balance sheet items, such as:
  - i. guarantees issued,
  - ii. trade related guarantees,
  - iii. letters of credit, and
  - iv. other committed credit lines.

Information regarding the Bank's "minimum liquidity ratio" as of December 31, 2024 and 2023 is shown below (amounts in thousands except for MLR figure):

		2024		2023
Stock of liquid assets	₱	**440,057**	₱	422,723
Qualifying liabilities		**1,320,826**		1,237,125
Minimum Liquidity ratio	₱	**33.32%**	₱	34.17%

As of December 31, 2024 and 2023, the Bank's minimum liquidity ratio is in compliance with the regulatory requirements.

37. NON-CASH TRANSACTIONS

The Bank entered into the following non-cash investing and financing activities which are not reflected in the statements of cash flows:

		2024		2023
Additions to investment properties	₱	**10,366,166**	₱	9,660,400
Additions to ROU assets		**3,933,202**		2,405,815
Additions to lease liabilities		**3,933,202**		2,279,578
Sale of investment properties through sale contract receivable		**352,279**		5,484,000

38. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities are as follows:

		2024		2023
Balance, January 1	₱	**12,619,301**	₱	11,529,106
Changes from financing cash flows Dividend declarations		**21,780,720**		8,167,770
Additions to lease liabilities		**3,933,202**		2,279,578
Finance cost incurred on lease liabilities		**1,129,206**		415,370
Finance cost paid on lease liabilities		**(1,129,206)**		(415,370)
Final tax on dividends		**(2,178,072)**		(816,777)
Payment to lease liabilities		**(1,257,611)**		(1,189,383)
Dividends paid		**(19,602,648)**		(7,350,993)
	₱	**15,294,892**	₱	12,619,301

39. CORRECTION OF PRIOR PERIOD ERRORS

The financial statements of the Bank were restated at the beginning of 2024 to reflect the adjustments resulting from accounts reconciliation performed by the Bank during the year. The corresponding adjustments on the following accounts were made as follows:

		December 31, 2023 as previously stated		Prior period errors		January 1, 2024, as restated
Surplus Free	₱	(33,443,083)	₱	(3,054)	₱	(33,446,137)
Due from BSP		14,012,677		(143,172)		13,869,505
Other Liabilities		(25,774,993)		13,600		(25,761,393)
Loans and other receivables - net		714,375,159		(26,774)		714,348,385
Cash and other cash items		18,312,288		159,400		18,471,688
	₱	**687,482,048**	**₱**	**-**	**₱**	**687,482,048**

The Management determined that the correction of errors during the year was necessary to state the balances to their correct amounts.

40. RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. The reclassification includes the following:

		December 31, 2023, as previously presented		Reclassification		December 31, 2023, currently presented
Loans and other receivables - net	₱	715,588,169	₱	(1,213,010)	₱	714,375,159
Other assets		6,220,105		1,213,010		7,433,115
	₱	721,808,274	₱	-	₱	721,808,274

Management believes that the above reclassification resulted to a better presentation of accounts and did not have any impact on prior year's profit or loss.

41. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under the Manual of Regulations for Banks (MORB), to be disclosed as part of the notes to financial statements based on BSP Circular 1074, Amendments to Regulations on Financial Audit of Banks.

41.01 Basic Quantitative Indicators of Financial Performance

The key financial performance indicators of the Bank are shown below (in %):

	2024	2023
Return on average equity	**13.53%**	9.69%
Return on average assets	**2.11%**	1.37%
Net interest margin	**8.08%**	7.33%
TIER 1 Capital ratio	**20.09%**	17.84%
Capital adequacy ratio	**21.72%**	19.43%
Minimum liquidity ratio	**33.32%**	34.17%

41.02 Capital Instruments Issued

The Bank has no capital instruments issued in both years.

41.03 Significant Credit Exposures

As at December 31, 2024 and 2023, information on the concentration of credit as to industry or economic sector is as follows:

		2024	%		2023	%
Real estate activities	₱	**490,020,918**	**61.51%**	₱	423,677,340	59.71%
Construction		**106,468,048**	**13.36%**		105,598,232	14.88%
Wholesale and retail trade, repair of motor vehicles and motorcycles		**62,589,277**	**7.86%**		48,926,604	6.89%
Agriculture, forestry and fishing		**25,259,535**	**3.17%**		25,830,895	3.64%
Undifferentiated Production Activities of			**0.00%**			
Private Households		**22,036,329**	**2.77%**		25,783,542	3.63%
Education		**20,841,231**	**2.62%**		21,757,476	3.07%
Transportation and storage		**18,733,982**	**2.35%**		20,323,345	2.86%
Manufacturing		**9,538,947**	**1.20%**		10,285,183	1.45%
Primarily for personal use Purposes		**2,398,709**	**0.30%**		9,286,056	1.31%
Accommodation and food service activities		**21,824,789**	**2.74%**		9,137,344	1.29%
Human health and social work activities		**6,020,777**	**0.76%**		4,574,673	0.64%
Administrative and support services activities		**1,214,653**	**0.15%**		2,073,912	0.29%
Arts, entertainment and recreation		**324,293**	**0.04%**		978,104	0.14%
Electricity, gas, steam and air conditioning supply		**12,526**	**0.00%**		112,527	0.02%
Financial and insurance activities		**-**	**0.00%**		-	0.00%
Other service activities		**9,387,072**	**1.18%**		1,264,066	0.18%
	₱	**796,671,086**	**100.00%**	₱	709,609,299	100.00%

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry on economic sector exceeds 30% of the total loan portfolio. During 2024 and 2023, concentration of credit exists to real estate activities.

41.04 Breakdown of Total Loans as to Security and Status

The table below shows the breakdown of loans and discounts as to secured and unsecured and as to the type of security as at December 31, 2024 and 2023:

		2024	%		2023	%
Loan secured by:						
Real estate	₱	**782,281,443**	**98.19%**	₱	695,030,093	97.95%
Deposit hold-out		**3,448,974**	**0.43%**		4,579,574	0.64%
Chattel		**1,013,144**	**0.13%**		1,002,730	0.14%
Secured		**786,743,561**	**98.75%**		700,612,397	98.73%
Unsecured		**9,927,525**	**1.25%**		8,996,902	1.27%
	₱	**796,671,086**	**100.00%**	₱	709,609,299	100.00%

41.05 Information on Related Party Loans

In the ordinary course of business, the Bank entered into loan and other transactions with its certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risk. Under current banking regulations, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of investments in the Bank. On the aggregate, loans to DOSRI should not exceed the Bank's total capital funds or 15% of the Bank's total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risks as defined in the regulations.

The following table shows information relating to DOSRI accounts of the Bank:

Particulars		DOSRI Loans			Related party loans (inclusive of DOSRI Loans)		
		2024		2023		**2024**	2023
Outstanding Loans	₱	**155,910**	₱	1,177,832	₱	**155,910**	₱ 1,246,470
Percent of DOSRI/ Related Party loans to total loan Portfolio		**0.02%**		0.17%		**0.02%**	0.18%
Percent of unsecured DOSRI/ Related Party? Loans to total DOSRI/ Related Party Loans		**0.00%**		0.00%		**0.00%**	0.00%
Percent of past due DOSRI/Related Party loans to total DOSRI/ Related Party loans		**0.00%**		0.00%		**0.00%**	0.00%
Percent of non-performing DOSRI/ Related Party loans to total DOSRI/ Related Party loans		**0.00%**		0.00%		**0.00%**	0.00%

41.06 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

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

41.07 Commitments and Contingent Liabilities

As at December 31, 2024 and 2023, the Bank has no contingencies and commitments arising from off-balance sheet items, transaction-related contingencies, short-term self-liquidating trade-related contingencies arising from movement of goods, sale and repurchase agreements not recognized in the statement of financial condition; interest and foreign exchange-rate related items; and other commitments.

41.08 Breakdown of Exposures to Trustees, Officers and their Related Interest (TORI)

The Bank has no outstanding loans to TORI as at December 31, 2024 and 2023.

42. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15 – 2010

The Bureau of Internal Revenue (BIR) has released a new revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

42.01 Taxes, Duties and Licenses Paid or Accrued

The details of the Bank's taxes and licenses fees paid or accrued in 2024 are as follows:

42.01.01 Documentary Stamp Tax
The Bank's documentary stamp tax paid during the year amounted to ₱267,170 arising from time deposits and lease agreements in pursuant to new documentary stamp tax rates under RA 10963 or the TRAIN Law of 2017.

42.01.02 Other Taxes and Licenses
An analysis on the Bank's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Permits	₱	459,998
Gross receipts tax		284,854
Real estate tax		21,137
Registration		14,720
Other taxes and licenses		740,733
	₱	**1,521,442**

Taxes and licenses were charged directly to operating expenses.

42.01.03 Withholding Taxes
An analysis on the Bank's withholding taxes paid or accrued during the year is as follows:

Expanded withholding taxes	₱	752,986
Final withholding taxes – dividends		1,361,295
Final withholding taxes – interest payments		2,041,943
Withholding tax on compensation and benefits		684,919
Final withholding tax – fringe benefits		16,046
	₱	**4,857,189**

The interest expense paid to peso savings deposit, time deposit and deposit substitutes were subjected to final withholding tax of 20%.

42.01.04 Tax Assessments
As at December 31, 2024, the Bank has no outstanding cases in any court or bodies outside of the BIR.

43. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19 – 2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said Regulation:

43.01 Revenue

The Bank's revenue for the taxable year pertain to interest income from loans and other receivables amounted to ₱90,463,100.

43.02 Interest Expense

The Bank's interest expense from deposit liabilities and borrowed funds are as follows:

Interest expense	₱	6,404,406
BIR limit		(2,051,663)
	₱	**4,352,743**

43.03 Taxable Other Income

The Bank's other income for the taxable year is as follows:

Gain on sale of investment properties	₱	9,638,944
Service charges		9,009,891
Rental		1,419,581
Miscellaneous		14,590,666
	₱	**34,659,082**

43.04 Itemized Deductions

Employee benefits	₱	38,213,247
Rental		8,074,704
Depreciation and amortization		6,762,083
Information technology		4,220,910
Outside services		3,881,725
Insurance		3,474,521
Utilities		3,308,307
Acquired asset expense		2,442,813
Repairs and maintenance		2,010,477
Transportation and travel		1,870,345
Professional fees		1,842,408
Taxes and licenses		1,788,613
Supplies		1,548,104
Fuel and lubricants		1,513,938
Representation and entertainment		1,003,500
Donations and charitable contributions		583,655
Membership and dues		563,524
Advertising and promotions		493,233
Supervision and fees		248,134
Fees and commission		185,877
Miscellaneous		416,113
	₱	**84,446,231**

43.05 Reconciliation on Effect of PFRS 16

		Per PFRS		Effect of Adoption of PFRS 16		Per Tax Code
Depreciation and amortization	₱	8,430,391	₱	(1,668,308)	₱	**6,762,083**
Interest expense		7,636,300		(1,129,206)		**6,507,094**
Rental		5,687,887		2,386,817		**8,074,704**

44. OTHER MATTERS

a. 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.

b. As at December 31, 2024, all of the Bank's Board of Directors had undergone the requirements for corporate governance training as confirmed by the Monetary Board as mandated by MORB Section 911.

PDAC
PAGUIO, DUMAYAS
& ASSOCIATES CPAS

PrimeGlobal

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(02) 700 156 47
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SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Stockholders and the Board of Directors
MVSM BANK (A RURAL BANK SINCE 1953), INC.
389 J.P. Rizal Street
Sto. Niño, Marikina City

We have audited the financial statements **MVSM BANK (A RURAL BANK SINCE 1953), INC.** for the year ended **December 31, 2024**, on which we have rendered the attached report dated April 7, 2025.

In compliance with Revenue Regulation V-20, we are stating that we are not related by consanguinity or affinity to the president, manager, or principal stockholders of the Bank.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Bank has a total number of twelve (12) stockholders owning one hundred (100) or more shares each.

PAGUIO, DUMAYAS & ASSOCIATES, CPAs (PDAC)
Tax Identification Number 008-662-265-000
BIR Accreditation No. 08-800011-000-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 5614-SEC (Group C), valid until December 31, 2023, and extended until December 31, 2025 per SEC Notice dated April 4, 2025
BOA Accreditation No. 5614, July 5, 2023 valid until February 28, 2026
BSP Accreditation No. 5614-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. 5614-IC (Group A), valid for 2020 to 2024 financial statements audit
CDA Accreditation No. 124-AF, January 15, 2025 valid until January 14, 2030

For the Firm:

ATTY. EMMANUEL C. DUMAYAS
Managing Partner
CPA Certificate No. 116516
Tax Identification Number 935-206-660-000
BIR Accreditation No. 08-800011-002-2025, February 3, 2025, valid until February 2, 2028
SEC Accreditation No. 116516-SEC (Group C), valid for 2021 to 2025 financial statements audit
BSP Accreditation No. 116516-BSP (Group B), valid for 2021 to 2025 financial statements audit
IC Accreditation No. 116516-IC (Group C), valid for 2020 to 2024 financial statements audit
PTR No. 4778907, issued on January 15, 2025, Muntinlupa City

April 7, 2025
Muntinlupa City, Metro Manila

NOT VALID WITHOUT SEAL