2024

ANNUAL REPORT

BINHI Rural Bank
LEOPE BLDG. CM RECTO AVE.
BRGY 25, CDO, MIS OR. PHILS

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SECTION 1. CORPORATE POLICY

Binhi Rural Bank, Inc., previously Rural Bank of Balingasag (Misamis Oriental) Inc., is a domestic rural bank founded in 1970. We provide financial services such as loans primarily for consumers, MSMEs, and agricultural purposes. We also offer savings and time deposits services.

The Bank was renamed to “BINHI”, which is the Filipino word for seed, and marked the initial step towards aligning the bank’s identity and services to support and empower its clients towards growth. BRBI is driven to continuously develop financial programs to best address the community’s needs.

CORPORATE VISION

- The BINHI Rural Bank, Inc. (“the Bank”) envisions to become the leading and innovative Rural Bank and micro-finance institution in the country, touching the lives of a great number of entrepreneurial poor.

- To become a Php1 Billion Rural Bank by **2028**.

CORPORATE MISSION

The BINHI Rural Bank, Inc. is a banking institution with the following aims:

- To help entrepreneurial poor to strive towards self-reliance by generating income and capital build-up.

- To be able to formulate innovative financial packages, addressing the needs of the market segments and giving a good financial return of investments for further expansion and growth.

- To be able to flow back retained earnings to operations & to be able to touch more lives in the process.

- To provide professionals milieu for all employees, assuring them good compensation commensurate to their contribution in the growth and development of the company. It shall not be limited to financial rewards but more importantly, the environment where each staff will have room for personal and professional growth.

CORPORATE BELIEFS

- We believe that success is not measured by wealth, health, position and prestige one has, but by the number of lives we have touched in our lifetime.

- We believe that our existence depends on how we are able to help our clientele, and how relevant our innovative financial packages are to their personal needs.

- We believe that it is not only the financial compensation that we derive from our work that is important, but also our ability to find fulfilment and satisfaction that we realize we are helping a lot of people in the process.

- We believe that the Bank should have a decent return on investment, not for profit as an end, but as a means to be able to reach out more people who need our assistance.

- Lastly, we believe that for the company to sustain its growth and development, all its stakeholders-managers, employees, market, clientele, investors, and owners should be justly compensated.

MESSAGE FROM THE PRESIDENT

Dear Fellow Shareholders,

On behalf of the BRBI Team, it is my pleasure to report that the Bank has continued to grow year on year. Bank's total resources is now close to PHP600million. This is brought on by increased consumer trust, evident as the bank's hit an all-time high of ~ PHP415million in deposit generation. Further, we also ended with a high net loan portfolio ending at ~ PHP295million, showcasing the bank's commitment to support the community's credit needs. This loan portfolio growth came hand in hand with an improved loan asset quality, ending the year at 7.75% past due rate, well within the bank's target of <10%, and lower than previous year's 9.75%.

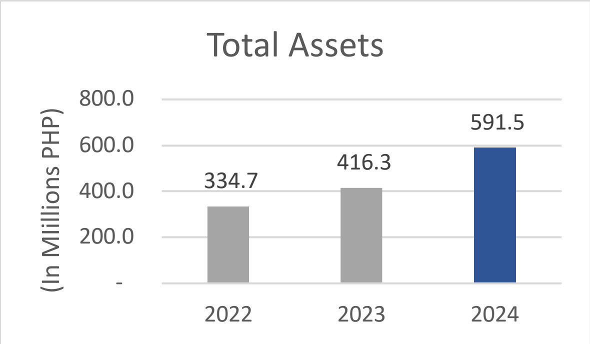
BRBI has retained its existing network and focused this year on deepening relationships within the localities already being served by our 13-unit footprint. It is with the team's commitment to service and responsibility that much has been achieved in 2024.

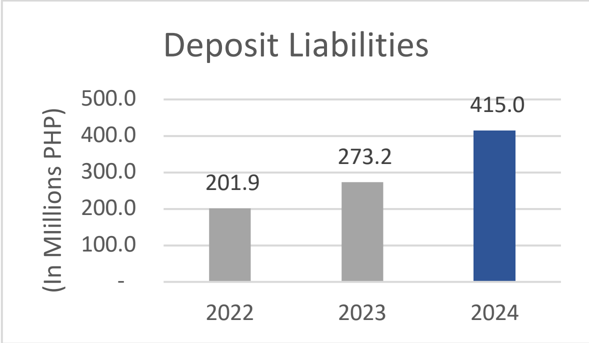
Moving forward, the bank shall continue formulating initiatives true to the core of rural banking, that is, rural and community development, by augmenting organizational structure and enhancing products, services and processes.

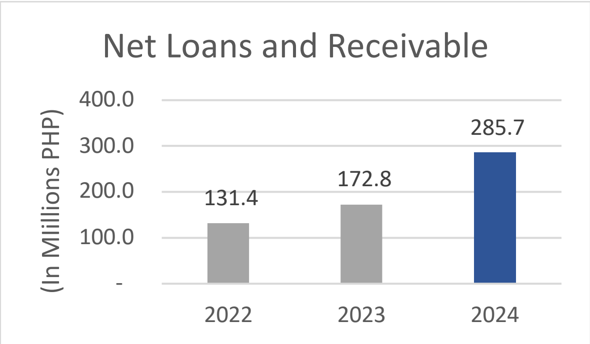
Presenting herewith, is BRBI's annual report for the year ended December 31, 2024. This report includes the organization's vision, mission and corporate values, including our two (2) year financial highlights.

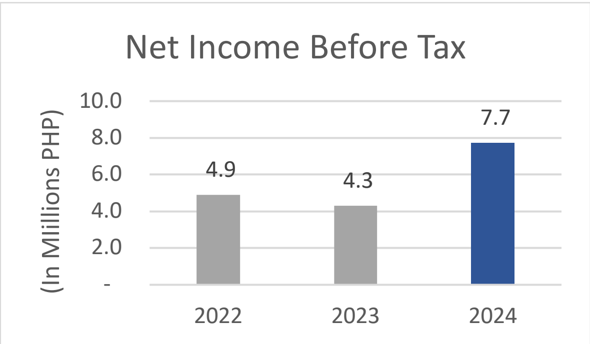
Melissa Tamara Q. Argayoso
President

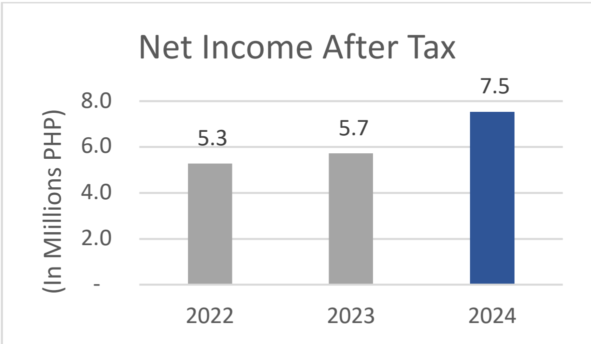
FINANCIAL HIGHLIGHTS AT A GLANCE











OUR STRATEGY & BUSINESS MODEL

Revenue Generation

a. Loan Portfolio

The Bank maintains its prudential credit granting procedures, and with the contribution of our 13-unit network, we have posted our record high loan portfolio of 294.7M.

i. Cluster Heads, Branch/BLU Operating Officers (BOOs) and Account Officers continue their marketing efforts for loan client acquisition.

ii. New Product Offerings:
Revolving Credit Line 2 (RCL2) was introduced as additional facility that can be offered to SMEs requiring additional financing with flexible repayment terms.

iii. Motorcycle Loans Portfolio has grown by 63% year on year with approximately 59.64M gross loan portfolio. Motorcycle loans now comprise 20% of the bank's total gross loans.

b. Place liquid assets in interest bearing instruments

While loan portfolio growth may take time to materialize, BRBI's treasury officer continues to manage liquid assets to satisfy the different interests of the bank: (1) optimizing investment yields, (2) just-in-time availability of funds for operations, and (3) capital adequacy ratio requirements.

Due to the increasing interest rates available in the market despite Bank's preference for short term placements, Y-o-Y income from time deposits and government securities have improved, contributing ~PHP4.8M compared to around PHP3M from previous year.

c. Aggressive Recovery of Charged Off Accounts and Sale of ROPA

BRBI's net income has been driven in large part due to effective collections from ROPA and ROCOA accounts. Gain On Sale from ROPA Disposal amounted to ~PHP4.37 Million in 2024 compared to ~PHP7.46Million the year prior. However, ROCOA declined from PHP1.14M last year to ~PHP0.817M this year.

We plan to continue pursuing this revenue stream as there is still a sizeable number of accounts to be recovered. Moreover, developing the skill and expertise of the remedial group in capital recovery from delinquent accounts allows the bank more flexibility in its credit risk taking activities moving forward.

Improve asset quality of loans receivable

The Bank has improved its asset quality this year, reducing PDR from 9.75% last year (with ~6.14% identified as Non Performing) down to 7.75% (with ~2.67% identified as Non Performing). We have achieved BRBI's internal 10% Past Due threshold, as documented in the 2024 Strategic Plan. These ratios are the bank's recorded lowest since 2021.

It can be noted that the bank has not written off its fully provided non-performing loans. Once this is done, Bank's NPL ratio have greater room for improvement.

Moving forward, the Bank will aggressively continue its efforts to improve the asset quality of its loans receivable through the following:

a. Build and continuously develop the credit risk middle office for centralized processing, administration, and risk mitigation of above Php100,000 loans, comprising of credit analysts, credit investigators and appraisers.

b. Periodic asset quality review independently assessed by the compliance unit. Recommended allowance for credit losses shall be booked accordingly - after securing proper approvals.

c. Proactive resolutions to delinquent accounts:

    i. For past due performing loans:

        1. Reclassify to current through proper communication and enhanced collection arrangements with clients.
        2. Renew loan accounts on case-to-case basis.

    ii. For non-performing loans:

        1. Unsecured Loans: Aggressive 100% booking of provision -> Write Off -> Remedial/Litigation/Compromise Agreements
        2. Secured Loans: Booking of provision -> Extrajudicial foreclosure of collateral -> Reclassification to ROPA -> ROPA disposal

Expense Management

a. BRBI targets a composite cost of money to be within 3%. This was achieved in 2024, with 2.80% as the CCM. Strategies to retain this are as follows:

   i. Drawdown on rediscounting and other standby credit lines on case-to-case basis, while maintaining a good record to become eligible to lower rates.
   ii. Periodically (currently on an annual basis) review further deposit rate reduction for savings and time deposit products.
   iii. Target a minimum 60:40 mix, in favor of low-cost deposits: savings and basic deposit accounts. This was achieved in in 2023 ending with 69:31 mix, and in 2024 ending with 60:40 mix. The increase of TD share in the bank's deposit portfolio contributed to the all-time high deposit level in 2024.

b. Operating expenses have increased at 11% this year (lower than the 25% in 2023 and 23% posted in 2022. The reduction in YOY increase is primarily brought on by the deferment of branch/blu expansion for the year. The Bank targets the following:

   Non-interest expense = ≤ 60% of Net Interest Margin plus Other Income from loans

Deposit Generation

BRBI's total deposit grew faster compared to previous years at 52%. Bank is expecting more growth in the coming years as market develops in the existing locations. Management projects that these operating units will continue to become a good source of deposits as they are currently unbanked/underbanked.

We understand that deposit growth will take time, however, the Bank remains committed to developing its presence in more rural communities as a long term campaign effort for low cost funding, as well as to carry out its mission to provide financial services that contribute and support the economic activities and growth in the area.

The management team targets to open one (1) to three (3) units per year starting 2025. To recall, two (2) units were opened in 2022, while three (3) units were opened in 2023.

Increase Available Rediscounting Lines with Different Institutions

BRBI continues to maintain and apply for rediscounting and credit line facilities with different partners. This is for contingency in case of liquidity crunches in the future.

a. Bangko Sentral ng Pilipinas (BSP)
b. Landbank of the Philippines (LBP)
c. Card SME Bank
d. Department of Trade – Small Business Corporation (DTI – SBC)
e. Banco de Oro (BDO)
f. Development Bank of the Philippines (DBP)
g. Rizal Commercial Banking Corporation (RCBC)
h. United Coconut Planters Bank (UCPB) Savings Bank
i. Agricultural Credit Policy Council (ACPC)

Enhance and Optimize Information Technology System to support expansion program

BRBI's core banking system from Byte per Byte Software Center (BPB) allows the management and control units access to timely information necessary for decision and policy-making. At the time of writing, system and process enhancement and manpower training is a continuing work-in-progress.

Augment manpower complement to support key functions in the bank

BRBI has begun the process of formalizing its organizational structure fit for its size and immediate expansion plans. By properly delineating the key roles and responsibilities, BRBI can grow faster with proper checks and balances wherein key officers focus and specialize on their functions and milestones.

SECTION 2. FINANCIAL & OPERATING HIGHLIGHTS

	2024	2023	Change
BALANCE SHEET (in thousands Php)			
Assets	**591,548**	416,281	*42%*
Cash & Investments	**267,196**	202,407	*32%*
Gross Loans Receivable	**294,970**	177,916	*66%*
Deposits	**414,982**	273,198	*52%*
Equity	**75,888**	69,284	*10%*
INCOME STATEMENT (in thousands Php)			
Net Interest Income	**43,792**	32,137	*36%*
Non-Interest Income	**16,274**	18,060	*-10%*
Gross Operating Income	**60,066**	50,197	*20%*
Operating Expenses	**49,848**	44,748	*11%*
Pre-Provision Profit	**10,218**	5,449	*88%*
Impairment Losses	**2,488**	1,119	*122%*
Net Profit (after tax)	**7,527**	5,715	*32%*
FINANCIAL PERFORMANCE INDICATORS			
Profitability			
Return on Average Equity	**10.60%**	8.82%	*1.78%*
Return on Average Assets	**1.52%**	1.57%	*-0.05%*
Earnings Per Share	**12.24**	9.29	*=C21-D21*
Margins & Liquidity			
Net Interest Margin	**17.63%**	10.52%	*7.11%*
Asset Quality			
Past Due Ratio	7.75%	9.75%	*-2.00%*
Past Due Provision Cover	40.71%	48.21%	*-7.50%*
Capital and Leverage			
Total Qualifying Capital	73,314	65,435	*12%*
Capital Adequacy Ratio	16.95%	18.85%	*-1.90%*
DISTRIBUTION NETWORK & MANPOWER			
Branches	3	3	0
Branch Light Units (BLU)	10	10	0
Employees (Total)	121	129	-8
Officers	38	33	5
Staff	83	96	-13

SECTION 3. FINANCIAL CONDITION AND RESULTS OF OPERATION

2024 PERFORMANCE

With the bank's thirteen (13) operating units, we have posted our 8th consecutive profitable year, ending 2024 with a PHP7.5Million net profit.

Gross Loans Receivable grew by 66% this year ending at PHP294.97million. This is the highest recorded YOY growth performance for the bank. Past Due Ratio declined to 7.75%. Year-End total deposits rose by 52% to ~PHP414.98million, with 60% comprising of low-cost Savings deposits.

Interest income from loan receivables grew by 45%. Steady loan releases gave the bank continued growth. The bank projects that this uptrend in loan releases will boost the profitability of bank's lending operations.

Non-Interest income contributed PHP16.27 million, however this has declined by 10% compared to previous year. Recoveries on Charged Off Assets and Gain on Sale also declined 28% and 41% respectively. On the other hand, Miscellaneous Income continues to improve, increasing by 17%.

Meanwhile, operating expenses for the year is PHP49.8M. This is 11% increase is more managed compared to 25% change the year prior. This is still primarily driven by the Bank's decision to defer opening new locations.

To fortify the balance sheet, BRBI's provisions for credit losses now amounts to PHP11.85million to cover for bad debts. Our SLL Provision cover for Past Due Loans is currently at 41%.

The Bank's equity base is now at PHP 75.88million, with Capital Adequacy Ratio of 16.95%, still above industry requirement of 10%.

BRBI believes that with these metrics, it is positioned well for continued growth and expansion for the year 2025.

REPORT ON OPERATIONS

BRBI provides basic banking products and services, specifically lending & deposit-taking.

LENDING BUSINESS

BRBI's loan portfolio ended with a 64:36 mix, with PHP187.5M million secured loans to PHP107.4M million unsecured. Secured loans increased almost doubled up compared to the year prior, while unsecured loans rose by 66%.

The Motorcycle Finance product accounts for PHP59.6 million of the bank's PHP294.97M gross loan portfolio, contributing 20%. The Bank is still aiming to capture the growing motorcycle market in the country.

The bank's focus on catering to the needs of SMEs have positively impacted this year's portfolio growth.

Looking ahead, BRBI intends to grow the secured SME and agricultural loan segment, while keeping the upward momentum of the motorcycle financing. Further, BRBI will continue to innovate and develop new loan products that will suit the needs of its customers, all while keeping the discipline to balance growth with loan quality and ensuring proper risk-return trade-offs are maintained.

DEPOSIT TAKING BUSINESS

BRBI's deposit portfolio's upward trend has continued this year, posting 52% YOY growth, higher than 35% growth last year. The Bank is optimistic that deepening our roots with excellent service and innovate solutions, we can build consumer trust, translating to sustained deposit portfolio growth over time.

TREASURY ACTIVITIES

While BRBI's is gradually building its loan portfolio, excess liquidity has been placed in Time Deposits and Government securities. This has generated additional PHP4.766million in interest income, ~58% higher than the year prior. This is brought by increasing interest rates, and increased liquidity brought by the faster growth of deposits compared to previous year.

Additionally, to diversify fund sourcing and future proofing for any liquidity gaps, BRBI has established and maintained standby credit and rediscounting lines.

SECTION 4. RISK MANAGEMENT

BRBI's Board and Management is very conscious of the importance of sound business practices. Rooted in the pursuit of the Bank's growth and profitability is the sense of responsibility to its customers—especially depositors, its stakeholders—shareholders and employees, and to the regulators. As such, risk management is part and integral to our decision-making processes as we formulate and implement strategies and plans.

OVERALL RISK MANAGEMENT CULTURE AND PHILOSOPHY

In any environment, the existence of risk associated with uncertainty is prominent. In the regulated banking sector, its share of risk evolves daily as it exposes itself to the many financial and non-financial capsules that it lives on.

BRBI continues to evaluate and study critical areas of risk in banking for proper identification, measurement, monitoring and mitigation.

RISK APPETITE AND STRATEGY

To achieve BRBI's vision, it is vital to ensure a fortified balance sheet while pursuing revenue generating risk activities.

- Maintaining a Capital Adequacy Ratio well above Industry Requirements
- Maintaining and Managing Stable and Growing Fund Sources to Ensure Liquidity
- Continuous Enhancement of Skills and Processes in Credit Management & Revenue Generation

The Board sets, approves, and monitors the risk limits of different Bank activities especially in terms of Credit and Liquidity management. Other risk factors including but not limited to Operational Risk, Interest Rate Risk, Market Risk, Regulatory Risk, Reputational Risk, Compliance Risk, and Technology Risk are being reviewed and improved as the Bank's operations and activities continue to develop.

Management, with Board Oversight, and counter checks conducted by our Internal Audit and Compliance Teams, work in concert to create a culture of risk mitigation and control, documented by policies and procedures. This will be a continuous work-in-progress to become more responsive to the bank's operations and regulatory environment.

BANK-WIDE RISK GOVERNANCE STRUCTURE

BRBI's Board of Directors takes on the ultimate responsibility and oversight of establishing and maintaining an effective risk management system to ensure that sound business practices and ethical standards are upheld, while also ensuring that regulatory frameworks are complied. It shall regularly identify, asses, monitor, mitigate, and control the different risk areas present in the practice of banking services.

New policies and procedures are ultimately approved by the Board of Directors to ensure that such activities are aligned to the business strategy set and within the bank's risk tolerance.

Due to the current number of BOD members, only the following Board Level Committees have been constituted:

1. *Credit Committee* – Responsible for the approval of Credit-Specific Bank Transactions.

2. *Audit Committee* – Responsible for assessing effectiveness and independence of the bank's internal audit function and evaluation of controls over (1) financial reporting, (2) effectiveness of operations, and (3) compliance with laws and regulations.

RISK MANAGEMENT PROCESS

The Risk Management Process is cultivated by conducting monthly reviews of performance across the different areas and activities in the bank, as reported by Management, but checked further by Compliance and Internal Audit.

At the Business Level, the Board of Directors in conjunction with the Management Committee formulate limits and evaluate actual performance of the bank as a whole.

At the Transaction Level, risk is managed by ensuring that each risk-taking activity has certain levels of dual or multiple controls, commensurate with its potential effect on the Bank's condition and performance.

AML GOVERNANCE AND CULTURE

Binhi Rural Bank, Inc., develop sound risk management policies and practices that ensure risks associated with money laundering such as counterparty, reputational, operational, and compliance risks are identified, assessed, monitored, mitigated, and controlled, as well as ensuring that the bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism.

In 2022, the Board has approved BRBI's Money Laundering and Terrorism Financing Prevention Program (MTPP), under BR-2022-086, approved last May 16, 2022.

The Four (4) areas of sound risk management practices are adequate and active board and senior management oversight, acceptable policies and procedures embodied in a money laundering and terrorist financing prevention compliance program, appropriate monitoring and Management Information System and Comprehensive internal controls and audit.

1. Board and Senior Management Oversight – notwithstanding the provisions specifying the duties and responsibilities of the Compliance office and internal audit, it shall be the ultimate responsibility of the Board of Directors to fully comply with the provisions of AMLA, as amended, and its RIRR. It shall ensure that oversight on the covered AML/combating the financing of terrorism (CFT) compliance management is adequate. Senior Management shall oversee the day-to-day management of BINHI RURAL BANK, INC., ensure effective implementation of AML/CFT policies approved by the Board and alignment of activities with the strategic objectives, risk profile, and corporate values set by the Board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.

    a. Compliance office. Management of the implementation of the BINHI RURAL BANK, INC.'s Money Laundering and Terrorist Financing Prevention Program (MTPP) shall be a primary task of the compliance office. To ensure the independence of the office, it shall have a direct reporting line to the board of directors or any board-level or approved committee on all matters related to AML and TF compliance and their risk management. It shall be principally responsible for the following functions among other functions that may be delegated by senior management and the board, to wit:

        i. Ensure compliance by all responsible officers and employees in the AMLA, as amended, the RIRR and its own MTPP. It shall conduct periodic compliance checking which covers, among others, evaluation of existing processes, policies and procedures including on-going monitoring of performance by staff and officers involved in ML and TF prevention, reporting channels, effectiveness of the electronic money laundering transaction monitoring system and record retention system through sample testing and review of audit or examination reports. It shall also report compliance findings to the board or any board-level committee;

        ii. Ensure that infractions, discovered either by internally initiated audits, or by special or regular examination conducted by the Bangko Sentral, or other applicable regulators, are immediately corrected;

        iii. Inform all responsible officers and employees of all resolutions, circulars and other issuances by the Bangko Sentral and the AMLC in relation to matters aimed at preventing ML and TF;

iv. Alert senior management, the board of directors, or the board-level or approved committee if it believes that the BINHI RURAL BANK, INC. is failing to appropriately address AML/CFT issues; and

v. Organize the timing and content of AML training of officers and employees including regular refresher trainings

2. Money Laundering and terrorist financing prevention program

BINHI RURAL BANK, INC. shall adopt a comprehensive and risk-based MTPP geared toward the promotion of highly ethical and professional standards and the prevention of the bank being used, intentionally or unintentionally, for money laundering and terrorism financing. The MTPP shall be consistent with the AMLA, as amended, its RIRR and the provisions set out and designed according to the BINHI RURAL BANK INC.'s corporate structure and risk profile. It shall be in writing, approved by the board of directors or by the country/regional head or its equivalent for local branches of foreign banks, and well disseminated to all officers and staff who are obligated by law and by their program to implement the same. Where BINHI RURAL BANK, INC. has branches, subsidiaries, affiliates or offices located within and/or outside the Philippines, there shall be a consolidated ML/TF risk management system to ensure the coordination and implementation of policies and procedures on a group-wide basis, taking into account local business considerations and the requirements of the host jurisdiction.

The MTPP shall also be readily available in user-friendly form, whether in hard or soft copy. The BINHI RURAL BANK, INC. must put up a procedure to ensure an audit trail evidencing dissemination process for new and amended policies and procedures. The program shall embody the following at a minimum:

a. Detailed procedures of the BINHI RURAL BANK, INC.'s compliance and implementation of the following major requirements of the AMLA, as amended, its RIRR, and this section, to wit:

i. Customer identification process including acceptance policies and on-going monitoring processes;

ii. Record keeping and retention;

iii. Covered transaction reporting; and

iv. ST reporting including the adoption of a system, electronic or manual, of flagging, monitoring and reporting of transactions that qualify as suspicious transactions, regardless of amount or that will raise a “red flag” for purposes of conducting further verification or investigation, or transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breach the threshold. The ST reporting shall include a reporting chain under which a ST will be processed and the designation of a board-level or approved committee who will ultimately decide whether or not the BINHI RURAL BANK, INC. should file a report to the AMLC. If the resources of the BINHI RURAL BANK, INC. do not permit the designation of a committee, it may designate the compliance officer to perform this function instead: Provided, That the board of directors is informed of his decision.

v. An effective and continuous AML/CFT training program for all directors, and responsible officers and employees, to enable them to fully comply with their obligations and responsibilities under this section, the AMLA, as amended, its RIRR and their internal policies and procedures as embodied in the MTPP. The training program shall also include refresher trainings to remind these individuals of their obligations and responsibilities as well as update them of any changes in AML laws, rules and internal policies and procedures.

vi. An adequate screening and recruitment process to ensure that only qualified personnel who have no criminal record/s are employed to assume sensitive banking functions;

vii. An internal audit system in accordance with this Section;

viii. An independent audit program with written scope of audit that will ensure the completeness and accuracy of the information and identification documents obtained from clients, the covered and suspicious transactions reports submitted to the AMLC, and the records retained in compliance with this section as well as adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing;

ix. A mechanism that ensures all deficiencies noted during the audit and/or Bangko Sentral regular or special examination or other applicable regulator's examination are immediately corrected and acted upon;

x. Cooperation with the AMLC;

xi. Designation of an AML compliance officer, who shall at least be at senior officer level, as the lead implementor of the program within an adequately staffed compliance office. The AML compliance officer may also be the liaison between the BINHI RURAL BANK, INC., the Bangko Sentral and the AMLC in matters relating to the BINHI RURAL BANK, INC.’s AML/CFT compliance. Where resources of the BINHI RURAL BANK, INC. do not permit the hiring of an AML compliance officer, the compliance officer shall also assume the responsibility of the former; and

xii. A mechanism where information required for customer due diligence and ML/TF risk management are accessible by the parent bank/entity and information are freely shared among branches, subsidiaries, affiliates and offices located within and/or outside the Philippines. Exchange of information among branches, subsidiaries, affiliates, and offices located within and/or outside the Philippines shall not be deemed a violation of Rule 9, Item C of the RIRR as long this is done within the group. The MTPP may require a potential and/or existing customer to sign a waiver on the disclosure of information within the group.

3. Monitoring and Reporting Tools – BINHI RURAL BANK, INC. shall adopt an AML/CFT monitoring system that is appropriate for their risk profile and business complexity and in accordance with this section. The system should be capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks, and to regularly apprise the board of directors and senior management on AML/CFT compliance.

4. Internal audit. The internal audit function associated with money laundering and terrorist financing should be conducted by qualified personnel who are independent of the office being audited. It must have the support of the board of directors and senior management and have a direct reporting line to the board or a board-level audit committee.

5. Risk assessment. Consistent with a risk-based approach, BINHI RURAL BANK, INC. is required to identify, understand and assess their ML/TF risks, arising from customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels. The assessment methodology shall be appropriate to the nature of operations and complexity of the business of the BINHI RURAL BANK, INC.

SECTION 5. CORPORATE GOVERNANCE

As a fiduciary institution, BRBI is committed towards building an organization that upholds ethical standards, grounded by the principles of integrity, transparency and accountability.

OVERALL GOVERNANCE STRUCTURE AND PRACTICES

The Board of Directors is at the core of Binhi Rural Bank, Inc.'s corporate governance structure, wherein the board represents our shareholders. The aim is to oversee and guide an organization that puts integrity in its activities, to ensure the best interest of stakeholders. The goal is also to carry out best practices compliant with rules and regulations, as well as to better serve the customers.

SELECTION PROCESS FOR BOARD AND SENIOR MANAGEMENT

The Bank's selection process for Board and Senior Management strictly follows the eligibility requirements prescribed under the MORB. Furthermore, assessment of skills and experience are considered together with alignment to the bank's existing culture and buy-in to the overall mission and vision. We try to onboard talent that can bring value in areas of banking (marketing or operations), organization and management, technology, legal/accounting or other technical expertise.

BOARD'S OVERALL RESPONSIBILITY

BRBI's Board of Directors takes on the ultimate responsibility and oversight for good governance, while providing direction and strategic guidance towards the long-term success of the organization by formulating the Bank's vision, mission, strategic objectives, policies and procedures.

It shall regularly review the financial plans and budgets, as well as evaluate and oversee capital expenditures, senior management performance, internal control systems, risk management systems, financial reporting and compliance, related party transactions, and other such key business affairs essential to sustain competitiveness and profitability consistent with corporate objectives and the best interest of its stakeholders.

The Board is responsible for selection of nominees for directors, for eventual appointment or election. It leads the process of evaluating the qualifications, background, skills, knowledge, experience of any incoming director against the requirements of the Bank, as well as the individuals.

The Board is also responsible for approving the appointment of competent senior management led by the President, as well as control function heads such as the Chief

Compliance Officer and the Chief Audit Executive. Likewise, proper standards are applied in this selection process giving utmost importance to integrity and technical expertise.
We would like to further update that the 2023 Edition for BRBI's Good Corporate Governance manual was approved, documented under BR-2023-084, approved last May 12, 2023.

Annual review of Board composition will be conducted to ensure appropriate balance of skills, experience, and compliance to new regulations.

CHAIRMAN'S ROLE AND CONTRIBUTION

The Chairman of the Board provides leadership among the Board of Directors to ensure effective functioning of the board and ensuring that decisions made are sound and informed.

BOARD COMPOSITION & STATISTICS

The Board is composed of 5 members. It is led by a Non-Executive Chairperson with 2 Independent Directors, 1 Non-Executive Director and 1 Executive Director who concurrently serves as Bank President. Non-Executive Directors, including Independent Directors, comprise 80% of the board. There are two Board Committees namely the Audit Committee and Credit Committee. The Audit Committee is chaired by an Independent Director. This provides independent and objective judgement on key issues.

For the year, three (3) new members have joined the Board last March 22, 2024, and have been duly confirmed by the BSP.

Name of the Member of the Board	Director Independence	Years Serving	Number of direct and indirect shares held	Percent to Total Outstanding Shares	Age	Background	Director Diversity
Edward V. Argayoso	Non-Executive	*11*	122,860.00	19.98%	61	Entrepreneur	Male
Melissa Tamara O. Argayoso	Executive	*6*	92,250.00	15.00%	32	Banker	Female
Jose Edison O. Argayoso III	Non-Executive	*0.75*	92,250.00	15.00%	33	Land Developer	Male
Alfonso P. Alamban	Independent Director	*0.75*	1.00	0.00%	67	DTI / DOST	Male
Ramon P. Banaag	Independent Director	*0.75*	1.00	0.00%	69	Banker	Male

FY 2024 BOARD OF DIRECTORS

EDWARD V. ARGAYOSO
CHAIRMAN
Non – Executive Director

Edward is 61 years old and has been a member of the Board of Directors for 11 years and serves as Chairman of the Board. Concurrently, he is a member of the Credit Committee. Outside the finance industry, he has other businesses in agriculture, real estate and food sectors. He concurrently serves as Chairman of JCA Realty Corporation. He earned his MBA from Asian Institute of Management (AIM).

MELISSA TAMARA O. ARGAYOSO
Executive Director

Melissa is 32 years old and has been a member of the Board of Directors for almost 6 years. Concurrently, she is chairperson of the Credit Committee. Prior to BRBI, she began her career in banking with Unionbank of the Philippines. She also serves as Director for SPM10 Corporation and Abyss Water System Inc.

JOSE EDISON O. ARGAYOSO III
Non-Executive Director

EJ is 33 years old and is one of the new members of the Board of Directors. He was elected on Mar 22, 2024, and confirmed by the BSP last Aug 20, 2024. He has earned his MBA from Yale University. Concurrently, he is member of the Audit Committee. Outside BRBI, he serves as President of Argusland Corporation and Chairman of Abyss Water System, Inc. He previously was in Project Development with Avida Land Corporation.

ALFONSO P. ALAMBAN
Non - Executive Director, Independent

Al is 67 years old and is one of the new members of the Board of Directors. He was elected on Mar 22, 2024, and confirmed by the BSP last Aug 20, 2024. Concurrently, he is Chairman of the Audit Committee. Prior to this stint with BRBI, he championed MSME development having been appointed Assistant Regional Director to DTI and later become Regional Director of DOST. He concurrently holds positions at Xavier Science Foundation and CDO's Chamber of Commerce serving as BOD member and Chairman of the Innovation Committee respectively. He earned his MBA from Asian Institute of Management (AIM).

RAMON P. BANAAG
Non - Executive Director, Independent

Monching is 69 years old and is one of the new members of the Board of Directors. He was elected on Mar 22, 2024, and confirmed by the BSP last Aug 20, 2024. Concurrently, he is a member of the Audit Committee. Prior to this stint with BRBI, he is a seasoned Banker with stints at various banks including Queen City Development Bank, Bank of the Philippine Islands (BPI), and Prudential Bank. He earned his MBA from Xavier University.

BOARD COMMITTEES

The Board has established two (2) committees to help in discharging of its duties and responsibilities. These committees derive their authority from and report directly to the Board, with specific scopes of responsibility. They are subject to annual review, update and or change. The committee is chaired by an Independent Director.

AUDIT COMMITTEE

A 3-person committee chaired by Alfonso Alamban, with Ramon Banaag and Jose Edison Argayoso III as members. Functions generally include:

1. Ensuring annual review of the soundness and effectiveness of internal controls, including financial, operations and compliance controls, risk management.
2. Setting up and organizing the internal audit department as well as supervising the the compliance unit – including evaluation of related party transactions.
3. Assisting the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws and regulations.
4. Providing oversight over Management's activities in managing credit, market, liquidity, operation, legal and other risks of the Bank.
5. Performing oversight functions over the corporation's internal and external auditors, ensuring that they act independently from each other, and reviewing reports submitted
6. Reviewing and approving the internal audit plan and compliance program including all major changes thereafter, to ensure its conformity with the objectives of the Bank – ranked based on the risk posed to operations.
7. Investigation of any matter within its terms of reference, with full access to and cooperation by management, which includes establishing whistleblowing mechanisms.

In 2024, Audit Committee Meetings were held prior and/or during regular BOD meeting schedule. All topics were included in the Bank's regular board meetings.

CREDIT COMMITTEE

A 3-person committee chaired by Melissa Tamara O. Argayoso with Edward V. Argayoso and Calvin Ceazar D. Emata and as members. Based on the Bank's By Laws, this committee shall comprise two (2) directors and a Bank Manager. The Credit Committee is responsible for credit operations & policies. Furthermore, the Board has authorized the committee to evaluate and approve loans above PHP5Million until SBL. the credit decision for loan application with endorsements above PHP1 Million up to PHP 5 Million.

In 2024, all Credit Committee agenda were taken up during Board Meetings.

MEETING ATTENDANCE

To note, the first two (2) meetings held in January and February 2024 were attended by the past directors: Ofelia A. Paguio and Manolo G. De Leon.

Name	Director Independence	BOD Meetings Attended	% BOD Attendance	Credit Committee Meetings Attended	% BOD Attendance	Audit Committee Meetings Attended	% BOD Attendance
Edward V. Argayoso	Non-Executive *(Whole Year)*	9	100%	9	100%		
Melissa Tamara O. Argayoso	Executive *(Whole Year)*	9	100%	9	100%		
Jose Edison O. Argayoso III	Non-Executive *(March 22, 2024 onwards)*	7	78%			7	78%
Alfonso P. Alamban	Independent Director *(March 22, 2024 onwards)*	7	78%			7	78%
Ramon P. Banaag	Independent Director *(March 22, 2024 onwards)*	7	78%			7	78%
Ofelia A. Paguio	Non-Executive *(until March 21, 2024 only)*	2	22%			2	22%
Manolo G. De Leon	Independent Director *(until March 21, 2024 only)*	2	22%			2	22%
Calvin Ceazar D. Emata	Bank Officer *(Not a Director)*			7	78%		
Total Number of Meetings Held		**9**	**100%**	**9**	**100%**	**9**	**100%**

DISCLOSURE ON INTERLOCKING POSITIONS HELD BY DIRECTORS AND OFFICERS

NAME	NO	REGISTERED NAME	Type of Entity	Nature of Business	Position Level	Officer Rank	Officer Position	Assumption Date	BOD Approval Date
ARGAYOSO, EDWARD V.	1	Jose Argayoso Corporation	Domestic	Realty	Director	N/A	Chairman	Dec 20, 2007	Mar 22, 2024
ARGAYOSO, MELISSA TAMARA O.	1	Abyss Water System Inc.	Domestic	Water Supply	Director	N/A	N/A	Sep 02, 2023	Mar 22, 2024
	2	Strategic Management 10 Corporation	Domestic	Real Estate Activities	Director	N/A	N/A	Mar 11, 2024	Mar 22, 2024
ARGAYOSO, JOSE EDISON O.	1	Abyss Water System Inc.	Domestic	Water Supply	Director	N/A	Chairman/President	Mar 20, 2023	Mar 22, 2024
	2	Argusland Inc.	Domestic	Real Estate Activities	Director	N/A	Chairman/President	Jan 03, 2024	Mar 22, 2024
PASCUAL, ROLAND JUDE P.	1	PICPA CDO Mis Or Chapter	Domestic	Foundation	Officer	President	Chapter President	Jul 01, 2024	May 12, 2023
ALAMBAN, ALFONSO P.	1	XAVIER SCIENCE FOUNDATION	Domestic	Foundation	Director	N/A	N/A	May 15, 2012	Mar 22, 2024
	2	Cagayan de Oro Chamber of Commerce and Industry, Inc	Domestic	Foundation	Director	N/A	N/A	Jan 05, 2024	Mar 22, 2024

MERLYN D. CADELIÑA
Chief Compliance Officer

Merlyn is 49 years old and has been with the bank since 2008. She has been officially confirmed as the Bank's Chief Compliance Officer for 8 years already, since 2016. She likewise handles the risk management activities of the bank. Her tenure in rural banking covers key areas in accounting, auditing and compliance.

ROLAND JUDE P. PASCUAL, CPA
Chief Audit Executive

Jude is 30 years old and has been with the bank since 2021. He has been officially confirmed as the Bank's Chief Audit Executive in 2023. Prior to holding this position, Jude was the Bank's Accounting OIC. He is an active member of the PICPA CDO Mis Or Chapter – serving as CDO Chapter President. He is a CPA and has gained experience and expertise in the accounting and audit field during his stint with Baconga Patriana and Co from 2015-2021.

CALVIN CEAZAR D. EMATA
VP-External Operations

Calvin is 45 years old and has been with the bank since 2012. He has officially served as the bank's VP for External Operations for 8 years. He is responsible for the bank's marketing and branching initiatives. He concurrently leads the remedial activities for the Bank, and member of the Management Committee and Credit Committee. Prior to BRBI, he has a deep understanding in rural banking having been previously connected with Siam Bank and RB Kinoguitan.

KARLIN MALAYA E. DALENA, CPA
VP-Internal Operations

KM is 37 years old and has rejoined BRBI in August 2023. She was previously employed with the Bank in 2020 until 2021 as Systems Operations and Accounting Head. Upon her return, she is now the VP of Internal Operations with several departments under her purview – including the Financial Reporting / Accounting Group, Credit Operations, IT and Systems, as well as Cash Operations. KM is a CPA and was previously trained in Citibank NA ROHQ as Fin Rep Analyst from 2009-2013. She also took up graduate studies, Bachelor of Laws in 2014-2018.

MARISSA O. ARGAYOSO
Corporate Secretary

Marissa is 60 years old and has served the Bank as Corporate Secretary since 2015, 9 years. She is a stockholder for the Bank. Outside the Bank, she is engaged in other businesses in food, real estate, and hospitality sectors.

PERFORMANCE ASSESSMENT PROGRAM

Annual self-assessment is conducted to evaluate performance of the Board, Directors, Committees and Senior Management, using a standard set of questionnaires. For 2024, the self-assessment test has been duly complied.

Further, the Board approves its targets for the next fiscal year every December. This is aligned with the Bank's approved Strategic Plan – covering a three (3) year period. Every month the board assesses the actual performance against target and recalibrates accordingly.

Management likewise conducts performance evaluations on employees on a semi-annual basis. For newly hired employees, there are 2 evaluation cycles conducted during the 5 month probationary period.

ORIENTATION AND EDUCATION PROGRAM

The continuing education program ensures enhancement of skills and training from directors to employees. Each Director is required to attend a corporate governance seminar.

Listed below are the training and seminars attended by the Directors as of 2024:

Director Details	Director Information	Trainings Attended
Edward V. Argayoso	Chairman of the Board Birthday: Dec 24, 1963 Elected: Nov 06, 2013 BS Mathematics Masters in Management	Rural Bank Management Course
		Corporate Governance for Rural Bank Directors
		Seminar-Workshop on Anti-Money Laundering (AML) and Briefing on the New AML Reporting Template
		Corporate Governance for Rural Bank Directors
		Asset and Liability Management for Countryside Financial Institutions (CFIs)
		Credit Risk Management for Rural Banks
		Remedial Management Seminar
		36th Annual Mindanao Credit Conference
		Advance Corporate Governance Course (Condensed Professional Directors Program for Rural Banks)
		Annual Credit Conference
		RBAP Symposiums
		Basic Corporate Governance Course for Rural Bank Directors & Officers
		Anti-Money Laundering and Counter-Terrorism
		AMLC Registration and Reporting Guideliens (ARRG)
		Targeted Financial Sanctions (TFS) Course
Melissa Tamara O. Argayoso	President/Director Birthday: Dec 13, 1992 Elected: Mar 23, 2018 BS Management (Honors Program)	BAP Institute of Banking-Treasury Certification
		36th Annual Mindanao Credit Conference
		Seminar-Workshop on Anti-Money Laundering (AML) and Briefing on the New AML Reporting Template
		Risk-Based Compliance Program Seminar
		Strengthening Internal Control System In Rural Banks
		Corporate Governance Course For Rural Bank Directors And Officers
		Delinquency and Fraud Management in Rural Banks
		Certified SME Business Specialist
		Treasury Certification Program
		Ateneo Family Business Workshop
		RBAP Symposiums
		Anti-Money Laundering and Counter-Terrorism
		AMLC Registration and Reporting Guideliens (ARRG)
		Targeted Financial Sanctions (TFS) Course
Jose Edison O. Argayoso	Director/Audit Committee Member Birthday: Oct 29, 1991 Elected: Mar 22, 2024 Management Engineering Masters in Management	Ateneo Family Business Workshop
		Basic Corporate Governance Course for Rural Bank Directors & Officers
		Anti-Money Laundering and Counter-Terrorism
		AMLC Registration and Reporting Guideliens (ARRG)
		Targeted Financial Sanctions (TFS) Course
Alfonso P. Alamban	Independent Director/Audit Committee Chairman Birthday: Aug 05, 1957 Elected: Mar 22, 2024 BS Agriculture Masters in Business Management	Training on Compass Project Evaluation
		Project Appraisal
		Basic Corporate Governance Course for Rural Bank Directors & Officers
		Anti-Money Laundering and Counter-Terrorism
		AMLC Registration and Reporting Guideliens (ARRG)
		Targeted Financial Sanctions (TFS) Course
Ramon P. Banaag	Independent Director/Audit Committee Member Birthday: Jul 13, 1955 Elected: Mar 22, 2024 BS Management	BPI Products Orientation Seminar
		Orientation BPI Projects and Procedures
		Risk Awareness & Control Appreciation Seminar
		AMLA
		Basic Insurance & Save & Protect Procedures
		Handling of Housing Loans b7 FVP Jacomille
		Customer Service Excellence
		PHIL Economic Briefing
		RM Certification Seminar
		Anti-Money Laundering Act Seminar
		Basic Corporate Governance Course for Rural Bank Directors & Officers
		Anti-Money Laundering and Counter-Terrorism
		AMLC Registration and Reporting Guideliens (ARRG)
		Targeted Financial Sanctions (TFS) Course

RETIREMENT AND SUCCESSION PLANNING

The Board of Directors is responsible for the Bank's succession plan for the Board and senior management and setting up the succession framework and spearheading leadership development plans for senior and middle management. The succession framework currently held by the bank is via coaching and mentoring. To date, two (2) Directors are below forty (40) years old.

The Bank's Corporate Governance Manual (2023 Edition) specifies that Independent Directors shall have a maximum cumulative term of nine (9) years. No term limit is specified for Regular Directors.

Retirement age for officers and employees, based on 2019 Retirement Policy, is at sixty (60) years old. Meanwhile, no retirement age is specified for Directors so long as physical and mental fitness is ascertained.

REMUNERATION

BRBI's remuneration policy is approved by the Board geared towards retaining and motivating employees and members of the Board, as well as to start attracting new talent on board. The framework includes fixed-pay, performance-based increases, as well as provision for performance-driven incentives.

At present, Independent Directors are given a fixed honorarium per monthly meeting. Regular Directors and Executive Director, on the other hand currently do not receive honorarium. Total compensation disbursed for senior management is primarily through salaries, allowances and incentives, based on overall performance for the year.

It is the goal that once financial metrics have stabilized, additional packages can be explored to attract, retain and motivate employees and the Board alike.

RELATED PARTY TRANSACTIONS

BRBI's approved RPT policy was included in the 2023 Good Corporate Governance Manual, Section IX, documented under BR-2023-084 and BR-2023-086, approved last May 12, 2023. This was further amended in 2024, under BR-2024-041, last Feb 23, 2024.

Under this policy, we have updated the definition of related parties, the transactions covered by the policy, guidelines in ensuring proper arm's-length treatment of every transaction, identification and sound judgement to curb potential conflicts of interests, setting of internal limits for individual and aggregate exposures as prescribed in the MORB, establishment of whistle blowing mechanisms to encourage employees to raise questionable RPTs, and restitution of losses and other remedies for abusive RPTs.

BRBI ensures thorough evaluation of RPTs, and likewise submits to the BSP material exposures to related parties.

DISCLOSURE OF MATERIAL RPTs

Nature of Transaction	Terms & Conditions	Related Party
Sales Contract Receivable	Installment Sale of various ROPA. Original exposure ~2.688M, approved under bank's standard SCR package. Outstanding principal balance of ~2.688M	Ofelia A. Paguio
Loans Against Placement	4M, 0% risk loan against Time Deposit, approved under bank's standard LAP package	Ofelia A. Paguio
Sale of Repossessed Motorcycle Units	~21.8M for 319 units of motorcycles, sold at the prevailing outstanding balance of the underlying PNs	Ryde N' Go Corporation
Remittance of Employee Contributions	PHP715.7K total remittances to APF - conduit transaction	Argayoso Poultry Farm
Sublease Contract - Alubijid	PHP37.5K monthly rental expense for Alubijid BLU subleased from Newleaf Bakeshop, Inc.	Newleaf Bakeshop Inc.
Sublease Contract - CM Recto	PHP75K monthly rental income for portion of head office sublet to Newleaf Bakeshop.	Newleaf Bakeshop Inc.

SELF ASSESSMENT FUNCTION

COMPLIANCE

BRBI's Compliance Office, through the Chief Compliance Officer (CCO) designs the Bank's Compliance System with review of implementation through a Compliance Program. The CCO reports directly to the Board of Directors & Audit Committee. This unit is responsible in the review of the (1) minutes of the Board of Directors and Audit Committee meeting (2) Internal audit's results of examinations; (3) Results of Bangko Sentral ng Pilipinas regular and special examinations; (4) compliance of products, services and processes; (5) compliance of filing of income tax returns and remittance of taxes due to the Bureau of Internal Revenue (BIR). The Compliance unit also (a) conducts visitation operating units / branches / units / departments of the Bank; (b) reviews submission of mandatory reports to the regulatory bodies by the accounting department to the BSP, PDIC, AMLC and Other agencies; (c) undertakes all other activities to measure and record the results of the compliance and non-compliance with banking laws, rules and regulations.

The Bank, through Compliance, aims to enhance profitability within the limitation of regulatory requirements and good business practice. Given the importance of this role, the compliance function always remains independent from the business activities of the Bank, but shall have right (1) to access information to carry out its responsibilities, (2) to conduct investigations of possible breaches of the compliance policy.

INTERNAL AUDIT

The Audit function of BRBI is supervised by and directly reports to the Board Audit Committee. It provides reasonable assurance on (1) the achievement of objectives through efficient and effective operations, (2) reliable, complete and timely financial and management information; and (3) compliance with applicable laws, regulations, supervisory requirements and Bank's policies and procedures.

The internal audit function must be independent of the activities audited and from day-to-day internal control process. It is free to report audit results, findings, opinions, appraisals and other information through clear reporting line to the board of directors or audit committee. It also has authority to directly access and communicate with any officer or employee, to examine any activity or entity of the bank, as well as to access any records, files or data whenever relevant to the exercise of its assignment.

If independence or objectivity of internal audit function is impaired, in fact or appearance, the details of the impairment must be disclosed to the audit committee.

Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.
The internal audit function shall inform senior management of the results of its audits and assessment.

Senior management may consult the internal auditor on matters related to risks and internal controls without tainting the latter's independence: Provided, That, the internal auditor shall not be involved in the development or implementation of policies and procedures, preparation of reports or execution of activities that fall within the scope of his review.

Staff of the internal audit function shall be periodically rotated, whenever practicable, and without jeopardizing competence and expertise to avoid unwarranted effects of continuously performing similar tasks or routine jobs that may affect the internal auditor's judgment and objectivity.

DIVIDEND POLICY

BRBI has not yet begun declaring dividends.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

BRBI has not yet begun CSR activities.

CONSUMER PROTECTION PRACTICES

The Board and Senior Management are responsible for developing the bank's consumer protection strategy and establishing an effective oversight over the bank's consumer protection programs, with emphasis on their rights to equitable and fair treatment, transparency, protections against fraud, data privacy, and timely complaints handling.

In Dec 11, 2023, documented under BR-2023-212, The Board has approved the Financial Consumer Protection Manual (FCPM): 2023 Edition, with the following sections:

1. Key Principles of & Policies on Financial Consumer Protection
2. Customer Protection Risk Management System (CPRMS)
3. Financial Consumer Protection Assistance Mechanism (FCPAM)
4. Compliance Program
5. Internal Audit Program
   Other HR Related Activities
6. Product Design Guidelines
7. Annex A. Security Breach Response Plan

While Senior Management is responsible for the implementation of the consumer protection policies approved by the Board, the latter shall be responsible for monitoring and overseeing the performance of Senior Management in managing the day-to-day consumer protection activities of the bank. The Board may also delegate other duties and responsibilities to Senior Management and/or Committees created for the purpose but not to the function of overseeing compliance with the BSP-prescribed Consumer Protection Framework and the bank's own Consumer Protection Framework.

The Board and Senior Management periodically review the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight. The Board and Senior Management also ensure that sufficient resources have been devoted to the program. The Board and Senior Management also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

Continuing education of personnel about Consumer Protection laws, rules and regulations as well as related bank policies and procedures is essential to maintaining a sound Consumer

Protection Compliance Program. Bank ensure that all relevant personnel, specifically those whose roles and responsibilities have customer interface, receive specific and comprehensive training that reinforces and helps implement written policies and procedures on consumer protection. The bank institutes a Consumer Protection Training Program that is appropriate to its organization structure and the activities it engages. The training program is able to address changes in consumer protection laws, rules and regulations, and to policies and procedures and should be provided in a timely manner.

Effective implementation is reviewed by the Internal Audit and Compliance Units, independently.

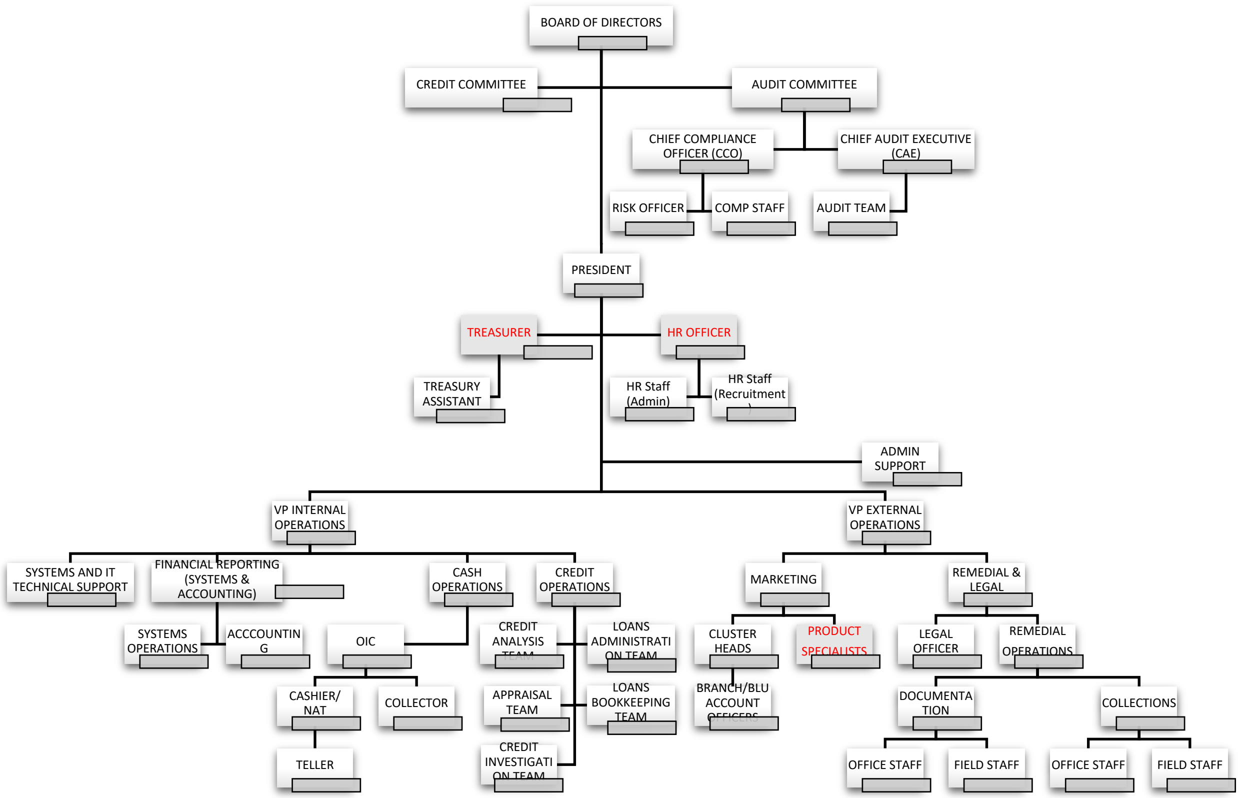
Complaints can be raised by our customers through our branches or head office.

Consumer Assistance Group/Head Consumer Assistance Officer. The Consumer Assistance Group/Head Consumer Assistance Officer shall, as a minimum, perform the following:

1. Monitor consumer assistance process
2. Keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence;
3. Report to senior management the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence, and the suggestions for process or personnel competency needing improvement; and ensure immediate escalation of any significant complaint to the concerned unit of the Bank.

SECTION 6. CORPORATE INFORMATION

ORGANIZATIONAL STRUCTURE



PRODUCTS AND SERVICES

Products/Services	Description
UNLAD I	Business/Personal Clean Loan, maximum of one (1) year, with PDC
UNLAD I-B	Urban clean business loan, maximum of four (4) months, with PDC
UNLAD I-D	Business Loan, maximum of four (4) months, cash payment (daily or weekly)
UNLAD I-F	Motorcycle Finance Loan
UNLAD I-K	Enhanced Business Clean Loan
UNLAD I-KR	Enhanced Business Clean Loan
UNLAD II	Chattel Mortgage, maximum of two (2) years, with PDC (temporarily suspended)
UNLAD III	Real Estate Mortgage, maximum of three (3) years, with PDC
REVOLVING CREDIT LINE 1	Credit Line for established business owners - can be clean, chattel secured, real estate secured
REVOLVING CREDIT LINE 2	Credit Line for established business owners - can be clean, chattel secured, real estate secured
BUILDING CONSTRUCTION SUPERVISED CREDIT	Credit Facility released for the purpose of commercial building construciton, staggered based on actual completion.
LAP 1	Loans Against Deposit Placement
LAP 2	Loans Against Deposit Placement 2 (Packaged with Micro Pick Up Deposit Product)
MICRO CREDIT LINE (MCL)	Micro Credit Line - Unsecured 30K Limit
Fringe Benefit Loan (FBL)	Unsecured facility for BRBI employees only

MAJOR STOCKHOLDERS

Name of Stockholder	Nationality	% of Stockholding	Voting Status
Ofelia A. Paguio	Filipino	20%	Common
Edward V. Argayoso	Filipino	20%	Common
Marissa O. Argayoso	Filipino	15%	Common
Jose Edison O. Argayoso III	Filipino	15%	Common
Melissa Tamara O. Argayoso	Filipino	15%	Common
Marielle Clarence O. Argayoso	Filipino	15%	Common

BANKING UNITS - DIRECTORY

Company website: binhiruralbank.com

BRANCHES	ADDRESS	CONTACT DETAILS
Head Office	Leope Building, #833, CM Recto Avenue, Cagayan de Oro City (Formerly Sacred Heart of Jesus Montessori School)	(0917)-702-9656 (088) 8584252
Balingasag Branch	RBBI Building, Rizal corner Malvar St., Brgy. 5, Poblacion, Balingasag, 9005 Misamis Oriental	088-3332268 088-3335428
Baungon Branch	RBBI Building, Imbatug, Baungon, Bukidnon	(0917)-635-2346
Tiano-BLU	Tiano-Cruz Taal St., Cagayan de Oro City	(0917)-713-2486
Balingasag-BLU	National Highway, Barangay 4, Balingasag, Misamis Oriental	(0917)-633-7672
Tin-ao-BLU	Tin-ao, Agusan, Cagayan de Oro City	(0917)-114-3208
Sugbongcogon BLU	Zone 1, Poblacion, Sugbongcogon, Misamis Oriental	(0917)-631-3794
Claveria BLU	Purok 9, 2nd Floor, Calingin Building, Poblacion, Claveria, Misamis Oriental	(0916)-126-1083
Alubijid BLU	Ground Floor, Commercial Building, Poblacion Highway, Alubijid, Misamis Oriental (Between Newleaf and 7-Eleven)	(0917)-712-7861
Salay BLU	Poblacion Salay, along National Highway, Misamis Oriental	(0917)-636-3205
Malitbog BLU	Poblacion, Malitbog, Bukidnon (Beside Palawan Pawnshop)	(0917)-124-0064
Manolo Foritch BLU	Poblacion, Manolo Fortich, Bukidnon (Across Public Market)	(0917)-115-9064
Medina BLU	Mahayahhay, Cabug, Medina, Misamis Oriental (beside Axelum Resource Copr, fronting Gate #2)	(0917)-115-9064

SECTION 7. SUSTAINABILITY FINANCE FRAMEWORK DISCLOSURES

SUSTAINABILITY STRATEGIC OBJECTIVES AND RISK APPETTITE

The Bank's Sustainability Framework was adopted in 2023 which affirms that as a good corporate citizen, the Bank is committed to its social and environmental responsibilities, balancing these non-financial factors in the conduct of its business. The bank has identified five (5) out of the seventeen (17) sustainability goals of the United Nations it can partially and gradually impact positively, particularly:

1. UN Goal 2: Zero Hunger
2. UN Goal 5: Gender Equality
3. UN Goal 7: Affordable and Clean Energy
4. UN Goal 8: Decent and Economic Growth
5. UN Goal 11: Sustainable Cities and Communities

The above-mentioned goals are areas that the bank can readily have an impact given its present manpower and resources as a rural bank.

The Board is responsible with institutionalizing the adoption of sustainability principles and setting E&S objectives, risk management guidance, and support to achieve these goals. Senior Management is responsible for implementation and monitoring of strategies relative to the sustainability objectives of the Board.

OVERVIEW OF E&S RISK MANAGEMENT SYSTEM

The Bank has yet to enhance it's E&S Risk Management System. At present, in the evaluation of business or agri loans, several factors are discussed such as the economic activity, location/coverage, purpose, employment count, and general profile of the business proponent. These factors are detailed in the credit report and taken into consideration into the overall risk profile of the account.

Management, alongside its goals in financial stability and portfolio growth, is responsible towards the creation and implementation of simple tools to incorporate E&S risk identifiers and thereafter incorporating the same into the Bank's MIS for data banking and processing.

At present, the following areas are already incorporated to the bank's MIS: (1) gender, (2) industry (3) economic activity (4) loan purpose.

From these general categories, the Bank can segment whether the exposure is generally more aligned to social or environmental sustainability goals.

PRODUCTS/SERVICES ALIGNED WITH INTERNATIONAL SUSTAINABILITY STANDARDS

As of 2024, the Bank's continued presence in rural communities and focus on servicing micro and small enterprises are concrete measures undertaken towards reaching social sustainability objectives – especially on the social development front. However, we report that we have yet to introduce new green products and initiatives specifically aimed at targeting environmental goals or climate change risk mitigation or adaptation.

With introduction of deposit products catered to micro depositors also is an initiative to aid in the financial literacy campaign.

BREAKDOWN OF E&S EXPOSURES OF THE BANK

Below is general snapshot of the bank's E&S exposures based on economic activity. This is to be further enhanced in the coming years, once further data granularity guidelines are formulated.

CATEGORY	Amount	% to Loan Portoflio	E&S Risk Level
Motorcycle Loans	59.644 M	20%	Medium
Real Estate Activities	68.76 M	23%	Low
Agriculture, Forestry and Fishing	56.59 M	19%	Medium
Wholesale & Retail Trade, Vehicle Repair	42.695 M	14%	Low
Accommodation and Food Service Acty	14.271 M	5%	Low
Manufacturing	13.213 M	4%	Medium
Transportation and Storage	9.973 M	3%	Medium
Other Service Activities	8.896 M	3%	Low
Electricity, Gas, Steam and A/C Supply	8.05 M	3%	Medium
Construction	4.117 M	1%	Medium
Professionl, Scientifc and Technicl Acty	2.529 M	1%	Low
Human Health and Social Work Activities	1.096 M	0%	Low
Mining and Quarrying	.102 M	0%	Medium

Bank's Agri, Msme and Motorcycle loan categories are the main loan portfolio drivers pursued. This represents **289.9M or 98%** of the bank's gross loan portfolio.

The above-mentioned categories have been preliminarily assessed to positively contribute to social sustainability goals, such as UN Goal 2: Zero Hunger or UN Goal 8: Decent and Economic Growth. However, loan categories that have been identified to have negative carbon impact, or likely vulnerable to climate or weather factors are tagged Medium in E&S risk.

INFORMATION ON EXISTING AND EMERGING E&S RISKS AND IMPACT TO BANK

Typhoon and Flooding
In recent past, the flooding issues particularly in Cagayan de Oro have not yet been addressed. With sustained hours long rains, the streets quickly flood up, affecting traffic as well as homes situated in low grounds. Improper drainage systems and poor waste management practices exacerbate the issue. This problem is experienced by customers and employees alike, negatively impacting quality of life.

Poor Financial Literacy and Planning
As more credit institutions enter rural communities, the flux of financing to underprepared borrowers may cause issues long term repayment issues in the long-term. Prudent credit granting procedures must be in place to mitigate over-indebtedness. It is important to guide or counsel borrowers to availing credit responsibly, with proper planning.

Health And Disaster Planning
Preparedness of customer base to external shocks – health or disaster planning is not yet well-established. An unprecedented event in the family or business can lead to prolonged financial issues, affecting repayment of bank loans.

OTHER INITIATIVES TO PROMOTE SUSTAINABILITY INITIATIVES

Here are some metrics evaluated by the bank for year 2024:

Particular	UN Goal	Metric	2024 Performance
Bank Expansion	*Zero Hunger; Decent Work and Economic Growth; Sustainable Cities & Communities*	1. Number of Banking Units Opened in Rural (Un- / Under-Banked) Communities 2. Deposit Portfolio Generated 3. Loan Portfolio Generated 4. Economic Value Distributed Given the Increased Bank footprint (salaries, taxes, supplier, dividend payouts)	1. None for 2024, but 10 units are located in rural communities. 2. ~388M (10 rural locations) 3. ~138M (10 rural locations) 4. ~41.9M (Bankwide)
Human Resource Development	*Gender Equality; Decent Work and Economic Growth;*	5. % of Male and Female in the Board 6. % of Male and Female in the Senior	5. 20:80, F:M ratio 6. 79:21, F:M ratio

		and Junior Management 7. % of Male and Female in the Rank and File 8. Number of employees hired 9. Employee turnover rate (computed as number of employees who left / average number of employees)	7. 55:45, F:M ratio 8. 53 employees hired 9. 46%
Lending Operations	*Zero Hunger; Decent Work and Economic Growth; Sustainable Cities & Communities*	10. Loans granted to MSMEs 11. Loans granted to Agri and Fisher Folks	10. ~157.7M (Bankwide) 11. ~68.9M (Bankwide)

SECTION 8. FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Binhi Rural Bank, Inc. [Formerly: Rural Bank of Balingasag (Misamis Oriental), Inc.] is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2024 and 2023, in accordance with Philippine Financial Reporting Standards (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 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 and submits the same to the shareholders of the Bank.

Lope Laranjo Bato & Co., CPAs, the independent auditors appointed by the Board of Directors for the period December 31, 2024 and 2023, have audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in their reports to the Board of Directors, have expressed their opinions on the fairness of presentation upon completion of such audits.

March 24, 2025, Cagayan de Oro City, Philippines

MELISSA TAMARA O. ARGAYOSO
President - CEO

CALVIN CEAZAR D. EMATA
VP-Operations/Acting CFO

EDWARD V. ARGAYOSO
Chairman of the Board

AUDITOR'S OPINION

Firm's Accreditations:
BOA Accreditation No. 6358
Valid until September 13, 2027
BIR Accreditation No. 16-006925-000-2023
Valid until September 29, 2026
SEC Group C Accreditation No. 6358-SEC
Valid until Financial Audit 2025
BSP Group B Accreditation No. 6358-BSP
Valid until Financial Audit 2025
NEA Accreditction No. 2023-11-00097
Valid until December 10, 2026
CDA Accreditation No. 120-AF
Valid until November 19, 2029

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Binhi Rural Bank, Inc.
Leope Building, Claro M. Recto Avenue, Brgy. 25
Cagayan de Oro City, Misamis Oriental

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Binhi Rural Bank, Inc., which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of profit or loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Binhi Rural Bank, Inc. as of December 31, 2024 and 2023, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditors' 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Philippine Financial Reporting Standards (PFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we 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 our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

- 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.

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 Other Legal and Regulatory Requirements
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the Bureau of Internal Revenue (BIR) and the Bangko Sentral ng Pilipinas (BSP) as disclosed in Notes 29 and 30 to the financial statements, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of the management of Binhi Rural Bank, Inc. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In compliance with Revenue Regulations V-20, we are stating that we are not related by consanguinity or affinity to the President, Manager, or any shareholder of the Bank.

LOPE LARANJO BATO & Co.

By: JAN GARIV M. PACUMBA
CPA Cert. No. 130983
TIN 413-387-329
BIR Accreditation No. 16-006925-002-2025, valid until February 26, 2028
SEC Group C Accreditation No. 130938-SEC, valid until December 31, 2025
BSP Group C Accreditation No. 130938-BSP, valid until September 25, 2025
PTR No. 5596924, January 06, 2025, Ozamiz City, Philippines

March 24, 2025
Ozamiz City, Philippines

STATEMENTS OF FINANCIAL POSITION

Binhi Rural Bank, Inc.

Amounts in Philippine Peso

December 31	*Notes*	**2024**	2023
ASSETS			
Cash	*4*	**126,647,793**	114,688,376
Loans and Receivables	*5*	**285,718,137**	172,787,933
Financial Assets at Amortized Cost	*6*	**140,548,451**	87,719,178
Bank Premises, Furniture and Equipment	*7*	**21,500,416**	25,116,249
Investment Properties	*8*	**8,622,935**	7,515,130
Other Assets	*9*	**8,510,171**	8,453,932
Total Assets		**591,547,903**	416,280,798
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposit Liabilities	*11*	**414,982,513**	273,198,094
Bills Payable	*12*	**73,815,925**	48,484,282
Retirement Benefits Obligation	*13*	**2,430,377**	1,478,206
Finance Lease Liabilities	*14*	**16,815,119**	18,153,958
Other Liabilities	*15*	**7,616,017**	5,682,236
Total Liabilities		**515,659,951**	346,996,776
Shareholders' Equity		**75,887,952**	69,284,022
Total Liabilities and Shareholders' Equity		**591,547,903**	416,280,798

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Binhi Rural Bank, Inc.

Amounts in Philippine Peso

Years Ended December 31	*Notes*	**2024**	2023
INTEREST INCOME	*17*		
On loans and receivables		**49,942,769**	35,034,603
On bank deposits and investments		**4,766,459**	3,021,815
		54,709,228	38,056,418
INTEREST EXPENSE	*18*	**10,917,017**	5,919,864
NET INTEREST INCOME		**43,792,211**	32,136,554
OTHER INCOME	*19*	**16,273,969**	18,060,468
INCOME BEFORE IMPAIRMENT LOSS		**60,066,180**	50,197,022
LESS IMPAIRMENT LOSS	*10*	**2,488,462**	1,118,917
INCOME AFTER IMPAIRMENT LOSS		**57,577,718**	49,078,105
OPERATING EXPENSES	*20*	**49,848,164**	44,748,197
PROFIT BEFORE INCOME TAX		**7,729,554**	4,329,908
INCOME TAX EXPENSE (BENEFIT)	*22*		
Current		**492,000**	
Deferred		**(290,000)**	(1,385,202)
PROFIT FOR THE YEAR		**7,527,554**	5,715,110
OTHER COMPREHENSIVE INCOME (LOSS)			-
Items that will not be reclassified subsequently to profit or loss:			
Loss on remeasurement of post-employment	*13*	**(621,087)**	-
Tax expense	*22*	**155,271**	-
Other comprehensive income – net of tax		**(465,816)**	-
TOTAL COMPREHENSIVE INCOME		**7,061,738**	5,715,110
EARNINGS PER SHARE	*24*	**12.24**	9.29

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Binhi Rural Bank, Inc.

Amounts in Philippine Peso

Years Ended December 31	*Notes*	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**7,729,554**	4,329,908
Adjustments for:			
Impairment loss	10	**2,488,462**	1,118,917
Recoveries of impairment losses	10	**-**	(989,726)
Depreciation	7, 8	**6,698,206**	6,583,501
Adjustment to surplus	23	**(457,808)**	(820,679)
Retirement benefit expense	13	**331,084**	164,380
Changes in working capital:			
Increase in loans and receivables	5	**(115,016,939)**	(42,535,047)
Increase in other assets	9	**83,157**	(621,817)
Increase in finance liability	14	**(1,338,839)**	(2,878,948)
Increase in deposit liabilities	11	**141,784,419**	71,256,216
Increase in other liabilities	15	**1,933,782**	1,231,915
Cash generated from operation		**44,235,078**	36,838,620
Income tax refund (paid)	22	**(202,000)**	-
Net Cash generated from Operating Activities		**44,033,078**	36,838,620
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions to bank premises, furniture and equipment	7	**(3,082,373)**	(3,988,224)
Additions to financial asset	6	**(52,829,273)**	(6,569,258)
Additions in investment property	8	**(1,493,658)**	1,891,170
Net Cash for Investing Activities		**(57,405,304)**	(8,666,312)
CASH FLOW FROM FINANCING ACTIVITY			
Proceeds of bills payable	12	**25,331,643**	6,866,340
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11,959,417**	35,038,648
CASH AT BEGINNING OF YEAR	4	**114,688,376**	79,649,728
CASH AT END OF YEAR	4	**126,647,793**	114,688,376

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

STATEMENTS OF CHANGES IN EQUITY
Binhi Rural Bank, Inc.
Amounts in Philippine Pesos

December 31	*Notes*	**2024**	2023
SHARE CAPITAL	*16*	**48,172,700**	48,172,700
POST-EMPLOYED DEFINED BENEFIT RESERVE	*13, 22*	**(465,816)**	-
SURPLUS FREE			
Balance at beginning of year		**21,111,322**	16,216,891
Profit for the year		**7,527,554**	5,715,110
Adjustments	*23*	**(457,808)**	(820,679)
Balance at end of year		**28,181,068**	21,111,322
		75,887,952	69,284,022

See Notes to Financial Statements.

COMPLIANCE WITH APPENDIX 125 of the MORB-DISCLOSURES IN THE ANNUAL REPORTS AND PUBLISHED STATEMENT OF CONDITION

December 31	**2024**	2023
Tier 1 capital:		
CET1 capital	**70,718,879**	63,979,373
Less required deductions	**-**	-
Total Tier 1 Capital	**70,718,879**	63,979,373
Total Tier 2 Capital	**2,595,292**	1,455,692
Total qualifying capital	**73,314,171**	65,435,065
Risk weighted assets	**432,600,302**	347,120,848
Tier 1 ratio	**16.35%**	18.43%
CET1 ratio	**16.35%**	18.43%
Capital adequacy ratio	**16.95%**	18.85%

NOTES TO FINANCIAL STATEMENTS

For the Full Notes to Financial Statements – refer to Annex A. (AFS- 2024)

NOTES TO FINANCIAL STATEMENTS

Binhi Rural Bank, Inc.
Amounts in Philippine Pesos

Note 1
Bank Information

Organization
Binhi Rural Bank, Inc., was incorporated under Philippine laws by virtue of its registration with the Securities and Exchange Commission (SEC), Certificate of Registration No. 5939400, dated October 13, 2016 and TIN 000-562-644-000. The Bank was originally incorporated on January 30, 1970 under its original name: Rural Bank of Balingasag (Misamis Oriental), Inc. In anticipation of the expiry of its corporate life in a few years, the Bank already processed the extension of its corporate existence for another fifty (50) years, beginning February 10, 2020, as approved by the Security and Exchange Commission (SEC) on October 13, 2016. The Bank changed its name on the same date.

The Bank was originally granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate on February 12,1970. It was organized primarily to provide banking services such as: (a) extend loans and advances primarily for agricultural purpose, as well as for commercial and educational purposes; (b) accepts savings and time deposits; (c) accepts demand deposits; and (d) performs other services with the approval of the Monetary Board.

Head Office and Branch Address
The Bank's principal place of business is located at Leope Building, Claro M. Recto Avenue, Brgy. 25, Cagayan de Oro City, Misamis Oriental, 9000 Philippines. It has branches located at Imbatug Baungon, Bukidnon, Philippines and BRBI Building and at Rizal corner Malvar Street, brgy 5, Poblacion Balingasag, Misamis Oriental. The Bank has ten (10) Branch-lite Units located at: National Highway, Barangay 4, Balingasag; Tiano-Cruz Taal St., Poblacion 8, Cagayan de Oro City; Zone 5, Tin-ao, Agusan, Cagayan de Oro City; JP Calingin, Poblacion 5, Claveria, Misamis Oriental; Poblacion Sugbongcogon, Misamis Oriental; Purok 7, Poblacion Salay, Misamis Oriental; Zone 2, Poblacion Alubijid, Misamis Oriental; Zone 1, Kihare Tankulan, Manolo Fortich, Bukidnon; Amistoso Building Magsaysay St. Poblacion, Malitbog, Bukidnon; and Famas Building Mahayahay Cabug, Medina, Misamis Oriental.

Authorization for Issuance of Audited Financial Statements
The financial statements of the Bank for the years ended December 31, 2024 and 2023 were authorized for issue by the Board of Directors (BOD) on March 24, 2025.

Note 2
Summary of Significant Accounting Policies

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

Basis of Preparation of Financial Statements
The financial statements of the Bank have been prepared using historical cost basis. The financial statements are presented in Philippine peso, which is the Bank's functional and presentation currency, and all values are rounded to the nearest peso except when otherwise indicated.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Statement of Compliance
The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs includes statements named PFRSs and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

Changes in Accounting Policies and Disclosures
The Bank's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements effective as at January 1, 2024.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Bank.

Effective beginning on or after January 1, 2024

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

  The amendments to PAS 1 are the following:
  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- 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 recognize 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 recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized 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 PFRS 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.

  A seller-lessee applies the amendments retrospectively in accordance with PAS 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.

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

The amendment to PAS 7 requires an entity (the buyer) to disclose qualitative and quantitative information about its supplier finance arrangements, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.

Amongst other characteristics, PAS 7 explains that a supplier finance arrangement provides the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date.

Standards and Interpretation Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Bank does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

- PFRS 17, Insurance Contracts
- Amendment to PFRS 17, "Initial Application of PFRS 17 and PFRS 9 - Comparative Information"

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

The above standards are not applicable to the Bank since the Bank does not have activities that are predominantly connected with insurance or issue insurance contracts.

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, Hedge Accounting by a First-time Adopter
  - Amendments to PFRS 7, Gain or Loss on Derecognition
  - Amendments to PFRS 9, Lessee Derecognition of Lease Liabilities and Transaction Price
  - Amendments to PFRS 10, Determination of a 'De Facto Agent
  - Amendments to PAS 7, Cost Method

Effective beginning on or after January 1, 2027

- PFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- PFRS 18 "Presentation and Disclosure in Financial Statements"

Deferred effectivity

- Amendments to PFRS 10, Consolidated Financial Statements,
- PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; and

The Bank continues to assess the impact of the above new and amended accounting standards and interpretations when these become effective. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Accounting policies currently being used are as follows:

Cash
Cash and other cash items, due from BSP and due from other banks include cash on hand, savings, and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

Financial Assets
Financial assets are recognized only when the Bank becomes a party to the contractual provisions of the financial statements.

Financial assets are classified based on their contractual cash flow characteristics and the business model for holding the instruments. Financial assets are initially measured at fair value plus transaction costs, except FVPL. Financial assets classified as FVPL are initially measured at fair value; transaction costs are expensed immediately.

Financial assets that are debt instruments

Financial assets measured at Fair Value through Profit or Loss (FVPL)
A financial asset shall be measured at fair value through profit or loss, except in the following cases:

- The financial asset is part of a hedging relationship, in which case, the provisions of PFRS 9 on the hedge accounting shall apply;
- The financial asset is measured at fair value through other comprehensive income (FVOCI); or
- The financial asset that is a debt instrument is measured at amortized cost.

Financial assets measured at fair value through profit or loss shall consists of the following:

i. Financial assets held for trading (HFT), which include stand-alone and/or embedded derivatives, except a derivative that is a financial guarantee contract or designated and effective hedging instruments, as defined in PFRS 9;
ii. Financial assets designated at fair value through profit or loss (DFVPL) as defined in PFRS 9.

    The Bank may, at initial recognition, irrevocably designate financial assets that are debt instruments as measured at fair value through profit or loss in accordance with the condition mentioned under PFRS 9, subject to the following requirements:
    - Bank shall have in place appropriate risk management systems including related risk management policies, procedures, controls; and
    - Bank shall apply the fair value option only to instruments for which fair values can be reliably estimated.
iii. Other financial assets which are mandatorily measured at fair value through profit or loss (MMFVPL) refers to financial assets that are required to be measured at fair value through profit or loss under PFRS 9, other than those that are HFT and DFVPL.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)
A financial asset measured at FVOCI shall meet both of the following conditions:

- The financial asset is held within a business model whose objective is achieving by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets measured at amortized cost
A financial asset that is a debt instrument, other than those that are designated at fair value through profit or loss, which meet both of the following conditions:

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

Financial assets that are equity instruments

Financial assets that are equity instruments shall be classified under any of the following categories:

a. Financial assets measured at fair value through profit or loss which shall include financial assets HFT;

b. Financial assets at Fair Value through Other Comprehensive Income (FVOCI) which shall consists of:
    i. Financial assets designated at fair value through other comprehensive income (DFVOCI). Bank may, at initial recognition, irrevocably designate financial assets that are equity instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3 applies, as measured at fair value through other comprehensive income.
    ii. Financial assets mandatorily measured at fair value. This includes investment in an equity instrument, previously accounted for at cost per PAS 39, which does not have a quoted price in an active market for an identical instrument.

Impairment of Financial Assets
The Bank uses an expected credit loss (ECL) model in measuring credit impairment, in accordance with the provisions of PFRS 9. In this respect, the Bank recognized credit impairment/allowance for credit losses even before and objective evidence of impairment becomes apparent.
The Bank considers past events, current conditions and forecasts of future economic conditions in assessing impairment.

a. The Bank applies the ECL method on credit exposures covered by PFRS 9, which include the following:
    i. Loans and receivables that are measured at amortized cost;
    ii. Investments in debt instruments that are measured at amortized cost or fair value through other comprehensive income (FVOCI); and
    iii. Credit commitments and financial guarantee contracts that are not measured at fair value through profit or loss (FVPL).
b. Credit exposures are classified into three stages using the following horizons in measuring ECL:

    i. Stage 1 – credit exposures that are considered “performing” and with no significant increase in credit risk since initial recognition or with low credit risk.
    Stage 1 recognizes twelve (12)-month expected credit losses.

    ii. Stage 2 – Credit exposures that are considered “under-performing” or not yet non-performing but with significant increase in credit risk since initial recognition.

    Stage 2 recognizes Lifetime expected credit losses.

    iii. Stage 3 – Credit exposures with objective evidence of impairment, thus considered as “non-performing”

c. The Bank promptly recognizes and maintains adequate allowance for credit losses at all times. It shall adopt the principles provided under the Enhanced Standards on Credit Risk Management in implementing sound and robust credit risk measurement methodologies that adequately consider ECL. In this respect, the ECL methodology shall not be considered as a separate and distinct process but as an important element of the entire credit risk management process.

Twelve (12)-Month ECL

a. Bank considers reasonable and supportable information, including forward-looking information that affects credit risk in estimating the 12-month ECL. The Bank exercises experienced credit judgement and considers both qualitative and quantitative information that may affect the assessment.
b. Zero allowance for exposures under Stage 1 shall be rare. It shall be expected only for exposures with zero percent (0%) credit risk-weight under the Risk-Based Capital Adequacy Framework, such as Philippine peso-denominated exposure to the Philippine National Government and the Bangko Sentral.

Lifetime ECL

a. The Bank evaluates the change in the risk of default occurring over the expected life of the exposures in assessing whether these shall be moved to a lifetime ECL measure. Although collateral will be used to measure the loss given a default, tis should not be primarily used in measuring risk of a default or in transferring to different stages.

b. Bank shall measure lifetime ECL of the following:
    - Exposures that have significantly increased their credit risk from origination (Stage 2); and
    - Non-performing exposures (Stage 3).

Assessment of forward-looking information

The bank shall clearly demonstrate how forward-looking information, including macroeconomic factors, have been reflected in the ECL assessment and how these are linked to the credit risk drivers of the exposures.

Experienced credit judgement is essential in assessing the soundness of the forward-looking information and in ensuring that these are adequately supported.

Transfers from Stage 1 to Stage 2- Assessing of the significant increase in credit risk

The Bank transfers credit exposures from Stage 1 to Stage 2 if there is significant increase in credit risk from initial recognition:

a. The bank shall establish well-defined criteria on what constitutes a significant increase in credit risk. A bank shall consider a wide range of information, which includes, among others, information on macroeconomic conditions, economic sector and the geographical region relevant to the borrower, and other factors that are borrower specific. The criteria on what constitutes a significant increase in credit risk shall be considered, at a minimum, the list provided in PFRS 9.
b. Bank shall classify exposures to Stage 2 if the exposures have potential weakness, based on current and/or forward-looking information, they warrant management's close attention. Said weaknesses, if left uncorrected, may affect the repayment of these exposures. The bank shall also classify to Stage 2 if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

c. The BSP shall apply the following indicators of significant increase in credit risk in Banks noted to have weak credit loss methodologies:
    - Exposures considered especially mentioned under Section 143 of the new digitized MORB;
    - Exposures with missed payment for more than thirty (30) days; and
    - Exposures with risk ratings downgraded by at least two (2) grades (e.g. exposure with risk rating of "3" on the origination date was downgraded to risk of "5" on the reporting date) for Banks with below fifteen (15) risk rating grades, and three (3) grades for Banks with fifteen (15) or above risk rating grades.

Transfers from Lifetime ECL to Twelve (12) month ECL
Bank shall transfer the exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to their transfer. The quantitative indicator is characterized by payments made within an observation period (e.g., regularly paid during the minimum observation period). The qualitative indicator pertains to the result of assessment of the borrower's financial capacity (e.g., improvement in counterparty's situation).

As a general rule, full collection is probable when payments of interest and/or principal are received for at least six (6) months.

Banks shall observe the following guidelines for exposures that were reconstructed:

a. Non-performing restructured exposures that have exhibited improvement in creditworthiness of the counterparty may only be transferred from Stage 3 to Stage 1 after a total one (1) year probation period (i.e., six (6) months in Stage 3 before transferring to Stage 2 , and another six (6) months in Stage 2 before transferring to Stage 1; or directly from Stage 3 to Stage 1, without passing through Stage 2, after twelve (12) months); and
b. Restructured accounts classified as "performing" prior to restructuring shall be initially classified under Stage 2. The transfer from Stage 2 to Stage 1 will follow the six (6) month rule mentioned above.

Multiple exposures to specific counterparties
In measuring ECL of multiple exposures to a single counterparty or multiple exposures to a single counterparty or multiple exposures to counterparty belonging to a group of related entities, the following shall apply:

a. *Exposures to non-retail counterparties.* Banks with multiple exposures to a non-retail counterparty shall measure ECL at the counterparty level. In particular, the Banks shall consider all exposures to a counterparty as subject to a lifetime ECL when any of its material exposure is subjected to lifetime ECL;
b. *Exposure to a retail counterparty.* Banks with multiple exposures to a retail counterparty shall measure ECL at the transaction level. In particular, Banks may classify one transaction under Stage 1 and another transaction under Stage 3. However, Banks are not precluded from taking into account the potential of cross default, such that if one exposure is classified under Stage 3 all other exposures may be classified under Stage 3; and
c. *Exposure to counterparties belonging to a group of related entities.* Banks with multiple exposures to counterparties that belong to the same group of related entities shall measure ECL at the counterparty level (per entity). Banks shall likewise consider determining the stage under which the exposures shall be classified.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers and all receivables from customers and other Banks.
Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. Increases in estimates of future cash receipts from financial assets that have been reclassified in accordance with PFRS 9 and PFRS 7 (Amendments) shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate.

Derecognition of financial assets occurs when the right to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Bank Premises, Furniture, Fixtures and Equipment
Bank premises, furniture, fixtures and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation and amortization and any impairment losses. Land held for administration is stated at cost less any impairment losses.

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

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

Building	30 years
Furniture, fixtures and equipment	1 to 10 years
Transportation equipment	1 to 5 years
Information technology equipment	1 to 5 years
Leasehold improvements	Estimated life or term of lease whichever is shorter
Other intangible asset	Useful life of asset

The carrying values of property and equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of property and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

Investment Properties
Investment properties pertain to properties held by the Bank for capital appreciation, rather than for administrative purposes or sale in the ordinary course of business.

Investment properties are initially measured at the carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium or discount less allowance for impairment losses based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for impairment losses plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property).
Real properties acquired in settlement of loans and receivables are booked under ROPA accounts as follows:

- upon the date of entry of judgement in case of juridical foreclosure; or
- upon the date of Sheriff's Certificate of Sale in case of extrajudicial foreclosure; or
- upon the date of notarization of Deed of Dacion in case of dacion in payment.

These properties are carried at cost, which is the fair value at acquisition date including certain transaction cost, less accumulated depreciation and impairment in value.

Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying value of the cost of the real properties acquired. Investment properties acquired through a non-monetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, where the net carrying value of the related loans and receivable is used. The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain (loss) on asset exchange' account in the statement of comprehensive income. Subsequent to initial recognition, real properties acquired in settlement of loans and receivables are stated at cost less accumulated depreciation and any accumulated impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life from the time of acquisition of the investment properties but not to exceed 10 years.

The transfer of a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on derecognition of an investment property is recognized in the statement of income in the year of derecognition. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance, security maintenance and other holding costs are normally charged to income in the period in which the costs are incurred.

Impairment of Financial Assets

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

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

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

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

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Bank may measure impairment on the basis of an instruments' fair value using an observable market price.

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

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

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

The methodologies and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the Board of Directors, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off is recognized in profit or loss.

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

Impairment assessment
The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than ninety (90) days or there are any known difficulties in the cash flow of the counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed impairment and collectively assessed impairment.

Individually assessed impairment
The Bank determines the allowance appropriated for each significant loan or advances on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and expected dividend payout should Bankruptcy ensue, the availability of other financial support and realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more attention.
Collectively assessed impairment
Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have no objective evidence as a result of individual impairment assessment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of impairment yet in an individual assessment.
Impairment losses are estimated by taking the following information into consideration: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individual assessed impairment allowance and expected receipts and recoveries once impaired.

Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

Impairment of Non-Financial Assets
The Banks equity investments, bank premises, furniture, and equipment, investment properties and other assets are subject to impairment testing. All individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss. Any amount recovered is recognized in profit or loss during the period.

Financial Liabilities
Financial liabilities include deposit liabilities, bills payable and other liabilities.

Financial liabilities are recognized when the Bank becomes a party to the contractual agreement of the instrument. All interest and related charges are recognized as an expense in the statement of profit or loss under the caption Interest Expense.

Deposit liabilities and other liabilities are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.

Bills payables are recognized initially at fair value, which is the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable and subordinated notes payable are subsequently measured at amortized cost; any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Other liabilities and deposit liabilities are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

Provisions
Provisions, if any, are recognized when the Bank has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation, and an estimate can be made of the amount of obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.
Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision.

Provisions are reviewed at each statement of financial condition date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements

Impairment of Financial Liabilities
A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a

new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be measured reliably. The following are the specific recognition criteria in recognizing revenue:

a. Interest income and expenses are recognized in profit or loss for all instruments measured at amortized cost using the effective interest method.

   The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

   Once a financial asset or a group of similar financial 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.

b. Service charges, fees and commissions are generally recognized when the service has been provided. Other non-finance charges on loans and penalties on delinquent accounts are recognized upon actual collection.

c. Income from assets sold or exchanged – Income from assets sold or exchanged is recognized when the title to the assets is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included as part of the Other Income account in the statement of profit or loss.

d. Rental income – Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in profit or loss as part of Other Operating Income.
e. Interest income from Bank deposits and investments is recognized on the accrual method.

Cost and expenses are recognized in the statement of income upon utilization of the service or at the date they are incurred. All finance cots are reported in profit or loss on an accrual basis.

Leases
Bank as lessee
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets (ROU)

The Bank recognizes ROU assets (included in 'Bank Premises, Furniture and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

Office space	5 to 10 years

ii. Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.
Determining the lease term of contracts with renewal options
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in "Finance Lease Liability" (Note 14).

iii. Short-term leases and leases of low-value assets
The Bank applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATMs and office equipment that are considered of low value (i.e. 250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Employees' Benefits
The Bank's employees are provided with the following benefits:

- *Retirement Benefits Obligation.* Retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies.
- *Termination Benefits.* Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial condition date are discounted to present value.
- *Compensated Absences.* Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining on the balance sheet date. The amounts recognized are included in Trade and Other Payables account in the balance sheet at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement

Earnings per Share
Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to common shareholders (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credit from the excess of Minimum Corporate Income Tax (MCIT) over the Regular Corporate Income Tax (RCIT), and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credit from MCIT and unused NOLCO can be utilized. Deferred tax assets and deferred tax liabilities, however, is not recognized on temporary differences that arise from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced 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 asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Subsequent Events
Post year-end events that provide additional information about the Bank's position at statement of financial position date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 3
Significant Accounting Judgments and Estimates

The Bank's financial statements prepared in accordance with Philippine Financial Reporting Standards require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates and the differences could be significant.

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

Classifying Financial Assets Measured at Amortized Cost

The Bank follows the guidance of PFRS 9 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as Financial Asset Measured at Amortized Cost. This classification requires significant judgment. In making this judgment, the Bank considers its intention and ability to hold such investments to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Bank fails to keep these investments at maturity (other than for the allowed specific circumstances, e.g., selling more than an insignificant amount close to maturity), it will be required to reclassify. The investments would therefore be measured at fair value and not at amortized cost through profit or loss or fair value through other comprehensive income.

Impairment of Financial Assets

The Bank follows the guidance of PFRS 9 in determining when an investment is permanently impaired. This determination requires significant judgment. In making this judgment, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Distinction Between Operating and Finance Leases

The Bank has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources and liabilities.

Fair Value Determination for Investment Properties and Other Properties

The Bank classifies its acquired properties as Property and Equipment if used in operations, as Investment Properties if intended to be held for capital appreciation, as Financial Assets if qualified as such in accordance with PFRS 9 or as Other Properties if held for sale but the depreciable properties are not yet disposed within three years. At initial recognition, the Bank determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

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

Impairment Losses on Financial Assets

The Bank reviews its investments and loans and receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgment as to whether there is any observable data indicating that there has been measurable decrease in the estimated future cash flows from a portfolio of similar financial assets.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic condition that correlates with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates and volatility rates. However, the amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in the fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income. The total impairment losses on financial assets recognized in profit or loss is presented in Note 10.

Estimating Useful Lives of Property and Equipment and Investment Properties
The Bank reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts. The carrying amount of property and equipment are presented in Note 7, while the carrying amount of investment properties are presented in Note 8. Based on management's assessment as at December 31, 2023 there is no change in the estimated useful lives of the assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors such as physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of the assets.

Principal Assumptions for Management's Estimation of Fair Value
Investment properties are measured using the cost model. The fair value disclosed in Note 8 to the financial statements is mainly based on existing market conditions and actual transactions at the reporting date, such as selling price, expected timing of sale and appropriate discount rates. The expected selling price is determined on the basis of current appraised values of the properties or similar properties in the same location and condition.

Impairment of Non-Financial Assets
The Bank assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific asset, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Bank is required to make estimates and assumptions that can materially affect the Bank's financial statements.

Valuation of Post-Employment Defined Benefits
The determination of the Bank's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. While the Bank believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in assumption may materially affect employee benefits obligation.

Note 4
Cash

For purposes of presenting the cash flows, cash consists of the following as of December 31, 2024 and 2023:

December 31	**2024**	2023
Cash and other cash items	**18,914,692**	16,909,011
Due from Bangko Sentral ng Pilipinas (BSP)	**912,936**	3,186,560
Due from other banks	**106,820,165**	94,592,805
	126,647,793	114,688,376

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches after the bank's clearing cut-off time until the close of the regular banking hours.

Due from Bangko Sentral ng Pilipinas (BSP) represents the Bank's demand deposit with the BSP in compliance with BSP's reserve requirements. Section 252 of the MORB further provides that such deposit with the Bangko Sentral are not regular current accounts, drawings against such deposit shall be limited to (a) settlement of obligations with the Bangko Sentral, and (b) withdrawals to meet cash requirements. As reported to the BSP, the Bank was in compliance with such regulation on reserve requirements as of December 31, 2024.

Due from other banks consists of the following:

December 31	**2024**	2023
Demand and Savings deposit	**106,820,165**	76,578,034
Time deposits	**-**	18,014,771
	106,820,165	94,592,805

The breakdown of demand and savings deposits is as follows:

December 31, 2024	
Demand deposits	**68,560,083**
Savings deposits	**38,260,082**
	106,820,165

Demand and savings deposits and time deposits earned interest from 0.11% to 3.26% and 0.001% to 0.30% per annum, respectively.

Interest income earned, net of final tax, arising from bank deposits amounted to ₱678,876 and ₱646,021 in 2024 and 2023, respectively (See Note 17).

Note 5
Loans and Receivables

The composition of loans and other receivables is as follows:

December 31	*Notes*	**2024**	2023
Loans:			
Agrarian reform		**76,218,897**	67,722,040
Commercial loans		**140,127,863**	57,228,717
Industrial loans		**10,000,000**	10,000,000
Others		**68,623,240**	42,964,989
Total		**294,970,000**	177,915,746
Allowance for impairment losses	*10*	**(11,854,505)**	(9,767,770)
Net loans receivable		**283,115,495**	168,147,976
Sales Contract Receivable:			
Sales contract receivable		**2,688,000**	4,816,314
Less sales contract receivable discount		**85,358**	176,357
Sales contract receivable – net		**2,602,642**	4,639,957
		285,718,137	172,787,933

Loans and other receivables earned interest from 6.50% to 60% per annum, respectively.

Interest income arising from loans and receivables amounted to ₱49,942,769 and ₱35,034,603 in December 31, 2024 and 2023, respectively (See Note 17).

The loans receivable from the Bank's customers are categorized as follows:

The maturity profile of the loans is as follows:

December 31	**2024**	**%**	2023	%
Due within one year	**46,207,373**	**15.66**	49,997,565	28.10
Over one year to five years	**220,276,214**	**74.68**	127,918,181	71.90
Over five years	**28,486,413**	**9.66**	-	-
Total	**294,970,000**	**100.00**	177,915,746	100.00

Breakdown by Age of Accounts

December 31, 2024	*Current*	*Past Due*	*In Litigation*	*Total*
Agrarian reform	72,416,590	1,055,147	2,747,160	**76,218,897**
Commercial loans	132,351,504	5,376,648	2,399,711	**140,127,863**
Industrial loans	10,000,000	-	-	**10,000,000**
Others	57,327,372	11,266,101	29,767	**68,623,240**
Total	272,095,466	17,697,896	5,176,638	**294,970,000**
	92.24%	6.00%	1.76%	100.00%

December 31, 2023	*Current*	*Past Due*	*In Litigation*	*Total*
Agrarian reform	61,055,753	6,318,009	348,278	67,722,040
Commercial loans	52,318,454	3,389,926	1,520,337	57,228,717
Industrial loans	10,000,000	-	-	10,000,000
Others	37,189,059	5,775,930	-	42,964,989
Total	160,563,266	15,483,865	1,868,615	177,915,746
	90.25%	8.70%	1.05%	100.00%

The non-performing loans as defined under MORB 304 amounted to ₱7,885,946 and ₱10,930,729 on December 31, 2024 and 2023, respectively. As a general rule, non-performing loans refer to loans that even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests are probable and payments of interests and/or principal are received for at least six (6) months; or (b) written off.

A portion of the past due accounts and accounts under litigation are covered by real estate mortgages, which could be foreclosed to reduce possible losses from non-collection.

The Bank's loans to Directors, Officers, Stockholders and Related Interests (DOSRI) amounted to ₱4,460,456 and ₱4,575,398 as of December 31, 2024 and 2023, respectively (See Note 25).

Sales contract receivable (SCR) refers to real and other properties acquired and subsequently sold on an installment basis whereby the title of the property is transferred to the buyer only upon full payment of the agreed selling price. SCR is initially recorded at the present value of the installment receivable discounted at imputed rate of interest. A discount shall be credited over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the

SCR and the derecognized assets shall be recognized in profit or loss in accordance with PAS 18 “Revenue” Furthermore, SCR shall be subject to impairment provision of PFRS 9.

The carrying amount of sales contract receivable as of December 31, 2024 and 2023 are as follows:

December 31	**2024**	2023
Sales contract receivable – performing	**2,688,000**	4,816,314
Less sales contract receivable discount	**85,358**	176,357
Total	**2,602,642**	4,639,957

The breakdown of loans and receivables as to their status is as follows:

December 31, 2024	Stage 1	Stage 2	Stage 3	**Total**
Loan receivable:				
Performing				
Current	264,286,912	7,808,554	-	**272,095,466**
Past due	-	14,988,588	-	**14,988,588**
	264,286,912	22,797,142	-	**287,084,054**
Non-performing				
Past due	-	-	2,709,308	**2,709,308**
In litigation	-	144,800	5,031,838	**5,176,638**
		144,800	7,741,146	**7,885,946**
Total	264,286,912	22,941,942	7,741,146	**294,970,000**
General loan loss provision	2,542,392	-	-	**2,542,392**
Specific loan loss provision	-	2,048,103	7,264,010	**9,312,113**
Carrying amount	261,744,520	20,893,839	477,136	**283,115,495**
Sales contract receivable:				
Current performing	2,688,000	-	-	**2,688,000**
Sales contract receivable discount	85,358	-	-	**85,358**
Carrying amount	2,602,642	-	-	**2,602,642**

Note 6
Financial Assets at Amortized Cost

This account consists of the following:

December 31	**2024**	2023
Investment in treasury bills	**108,448,000**	58,942,000
Investment in bonds	**34,054,000**	29,000,000
Total	**142,502,000**	87,942,000
Unamortized discount	**(1,953,549)**	(222,822)
	140,548,451	87,719,178

The reconciliation of the carrying amount of this account is presented below:

December 31	**2024**	2023
Balance at beginning of year	**87,719,178**	81,149,920
Additions	**264,807,925**	87,719,178
Maturities	**(211,978,652)**	(81,149,920)
	140,548,451	87,719,178

The interest rates for the year December 31, 2024 range from 2.23% to 5.11% for treasury bills and 4.73% to 6.15% for treasury bonds.

The investments earned interest amounting to ₱4,087,583 and ₱2,375,794 in 2024 and 2023, respectively (See Note 17).

The maturity profile as of December 31, 2024 and 2023 are as follows:

December 31	**2024**	2023
Less than 1 year	**116,548,451**	58,727,168
1-5 years	**24,000,000**	28,992,010
	140,548,451	87,719,178

Note 7
Bank Premises, Furniture and Equipment

The Bank premises, furniture and equipment, which are stated at cost, consists of the following:

December 31	**2024**	2023
Land	**599,632**	599,632
Buildings	**6,205,115**	6,088,229
Furniture, fixtures and equipment	**9,614,123**	9,090,935
Transportation equipment	**759,882**	759,882
Information technology equipment	**1,952,348**	1,952,348
Leasehold rights and improvements	**8,867,021**	8,451,745
Right-of-use assets	**28,096,853**	26,143,202
Total	**56,094,974**	53,085,973
Less accumulated depreciation on:		
Bank premises, furniture and equipment	**20,281,525**	17,174,459
Right-of-use assets	**14,313,033**	10,795,265
Net	**21,500,416**	25,116,249

The reconciliation of the movements of the accounts follows:

December 31, 2024	*Beg. Balance*	*Additions*	*Adjustments/ Retirements*	***End Balance***
Cost				
Land	**599,632**	-	-	**599,632**
Buildings	**6,088,229**	116,886	-	**6,205,115**
Furniture, fixtures and equipment	**9,090,935**	523,188	-	**9,614,123**
Transportation equipment	**759,882**	-	-	**759,882**
Information technology equipment	**1,952,348**	-	-	**1,952,348**
Leasehold improvements	**8,451,745**	415,276	-	**8,867,021**
	26,942,771	1,055,350	-	**27,998,121**
Accumulated Depreciation				
Buildings	**5,347,909**	205,259	-	**5,553,168**
Furniture, fixtures and equipment	**6,308,050**	1,595,899	-	**7,903,949**
Transportation equipment	**759,880**	-	-	**759,880**
Information technology equipment	**1,410,536**	155,603	-	**1,566,139**
Leasehold improvements	**3,348,084**	1,150,305	-	**4,498,389**
	17,174,459	3,107,066	-	**20,281,525**
Net Book Value	**9,768,312**	(2,051,716)	-	**7,716,596**

December 31, 2023	*Beg. Balance*	*Additions*	*Adjustments/ Retirements*	***End Balance***
Cost				
Land	599,632	-	-	**599,632**
Buildings	6,088,229	-	-	**6,088,229**
Furniture, fixtures and equipment	6,964,729	2,109,406	(16,800)	**9,090,935**
Transportation equipment	759,882	-	-	**759,882**
Information technology equipment	1,885,848	66,500	-	**1,952,348**
Leasehold improvements	6,381,276	2,074,539	4,070	**8,451,745**
	22,679,596	4,250,445	(12,730)	**26,942,771**
Accumulated Depreciation				
Buildings	5,142,062	205,847	-	**5,347,909**
Furniture, fixtures and equipment	4,708,147	1,599,903	-	**6,308,050**
Transportation equipment	759,880	-	-	**759,880**
Information technology equipment	1,262,284	148,252	-	**1,410,536**
Leasehold improvements	2,092,631	1,255,453	-	**3,348,084**
	13,965,004	3,209,455	-	**17,174,459**
Net Book Value	8,714,592	1,040,990	(12,730)	**9,768,312**

The detail of depreciation is as follows:

December 31	**2024**	2023
Bank premises, furniture and equipment	**3,107,066**	3,209,455
Right of use asset	**3,517,768**	3,353,803
	6,624,834	6,563,258

The Bank recognizes a right-of-use asset on its existing lease contracts as follows:

December 31, 2024	*Beg. Balance*	*Additions*	*Adjustments/ Retirements*	***End Balance***
Cost	26,143,202	1,976,517	(22,866)	**28,096,853**
Accumulated Depreciation	10,795,265	3,517,768	-	**14,313,033**
Net Book Value	15,347,937	(1,541,251)	(22,866)	**13,783,820**

December 31, 2023	*Beg. Balance*	*Additions*	*Adjustments/ Retirements*	***End Balance***
Cost	26,272,469	-	(129,267)	**26,143,202**
Accumulated Depreciation	7,295,778	3,353,803	(145,684)	**10,795,265**
Net Book Value	18,976,691	(3,353,803)	274,951	**15,347,937**

The Bank leases office space for its various offices. With the exception of short-term leases each lease, in respect of right-of-use asset, is presented in the statement of financial position as part of Bank Premises, Furniture, and Equipment and in respect of the related obligation as Finance Lease Liability. Leases have terms ranging from five to ten years with renewal options and annual escalation rates from 2.0% to 5.0% in both 2024 and 2023.

Each lease imposes a restriction that the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be canceled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those premises in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must ensure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term.

An option is only exercised when consistent with the Bank's business expansion unit's strategy and the economic benefit of exercising the option exceeds the expected overall cost.

Note 8
Investment Properties

Investment properties consist mainly of parcels of land and improvements acquired in settlement of loans which are held for capital appreciation. Per MORB Section 382, the carrying amount of ROPA shall be allocated to land, building, other non-financial assets and financial assets. Buildings and other non-financial assets shall be depreciated over the remaining useful life of the assets, which shall not exceed ten (10) years and three (3) years from the date of acquisition, respectively. Land, buildings and other non-financial assets shall be subject to PFRS 9 provisioning requirements.

The reconciliation of the carrying amount of investment properties is as follows:

December 31	*Note*	**2024**	2023
Balance at beginning of year		**7,781,239**	9,700,178
Additions		**2,511,530**	464,662
Disposals		**(956,897)**	(2,383,601)
Total		**9,335,872**	7,781,239
Accumulated depreciation		**(90,681)**	(17,305)
Allowance for impairment losses	*10*	**(622,256)**	(248,804)
		8,622,935	7,515,130

Real and other properties acquired (ROPA) are acquired by the Bank in settlement of loans through foreclosure or dation in payment and/or for other reasons, whose carrying amount will be recovered principally through a sale transaction.

ROPA in settlement of loans through foreclosure or dation in payment shall be booked when: (1) upon entry of judgment in case of judicial foreclosure; (2) upon execution of the sheriff's certificate of sale in case of extrajudicial foreclosure; and (3) upon notarization of the deed of dacion in case of dation in payment (*dacion en pago*).

The movement of investment properties is as follows:

December 31, 2024	*Note*	*Beg. Balance*	*Additions*	*Disposals*	***End Balance***
Cost					
Land		**7,571,656**	1,629,030	(956,897)	**8,243,789**
Building		**209,583**	882,500		**1,092,083**
Total		**7,781,239**	2,511,530	(956,897)	**9,335,872**
Accumulated depreciation – building		**(17,305)**	(73,376)		**(90,681)**
Allowance for impairment loss	*10*	**(248,804)**	(385,852)	(12,400)	**(622,256)**
		7,515,130	2,052,302	(969,297)	**8,622,935**

December 31, 2023	*Note*	*Beg. Balance*	*Additions*	*Disposals*	***End Balance***
Cost					
Land		9,700,178	464,662	2,593,184	**7,571,656**
Building		-	-	209,583	**209,583**
Total		9,700,178	464,662	2,383,601	**7,781,239**
Accumulated depreciation – building			(20,243)	(2,938)	**(17,305)**
Allowance for impairment loss	*10*	(1,263,361)	989,726	(24,831)	**(248,804)**
		8,436,817	1,434,145	2,355,832	**7,515,130**

ROPA are booked initially at the carrying amount of the loan (i.e. outstanding loan balance adjusted for any unamortized premium or discount less allowance for impairment losses based on PFRS 9 provisioning requirements, which take into account the fair value of the collateral) plus booked accrued interest less allowance for impairment losses plus transaction cost incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure of the acquired real estate property).

Before foreclosing or acquiring any property in settlement of loans, the Bank properly appraised the property to determine its true economic value. If the amount of real and other properties acquired (ROPA) to be booked exceeds 5 million, an independent appraiser acceptable to the BSP conducts the appraisal. The Bank made an in-house appraisal of all ROPA at least every other year. Moreover, immediate re-appraisal is conducted on ROPA, which materially declines in value. Allowance for impairment losses is set up for any anticipated losses based on appraisal reports, current negotiations and programs to dispose of these properties.

These properties have estimated market values of ₱8,622,935 and ₱7,515,130 as determined by the Bank for the years December 31, 2024 and 2023. The latest appraisal was done in 2024.

Gain on disposal amounted to ₱3,469,760 and ₱7,457,609 for 2024 and 2023, respectively (See Note 19).

Note 9
Other Assets

This account consists of the following:

December 31	*Notes*	**2024**	2023
Deferred tax asset		**5,174,427**	4,729,156
Retirement fund	*13*	**1,650,858**	1,478,303
Refundable deposit		**927,133**	896,500
Prepaid expense		**408,724**	507,350
Stationery and supplies on hand		**147,239**	183,778
Petty cash fund		**85,000**	85,000
Accrued interest receivable		**78,246**	167,357
Account receivable - employee		**38,544**	107,395
Deferred charges - MCIT		**-**	219,235
Prepaid income tax	*22*	**-**	68,395
Creditable withholding tax		**-**	11,463
		8,510,171	8,453,932

The break-down of the deferred tax asset follows:

December 31	*Notes*	**2024**	2023
Opening balances		**4,729,156**	3,343,954
Reversal on allowance for impairment loss		**(3,100)**	(247,431)
Provision for impairment		**622,115**	279,729
Lease liability	*14*	**50,570**	104,190
Provision for retirement	*13*	**238,043**	41,095
NOLCO	*22*	**(462,357)**	1,153,957
Advance rental payment		**-**	(4,600)
Adjustments on prior year		**-**	58,262
		5,174,427	4,729,156

Retirement fund includes savings deposit from China Bank amounting to ₱1,650,858 and ₱1,478,303 represents restricted fund for employees' retirement as at December 31, 2024 and 2023, respectively (see Note 13). During the year, the bank earned an interest income of ₱1,668 and ₱1,467 for the years ended December 31, 2024 and 2023, respectively.

Refundable deposit is composed of refundable deposit for photodynamic, ATM Encash, CEPALCO and building rental.

The adjustment to the prior year pertains to the adjustments made affecting the prior year's balances.

Note 10
Allowance for Impairment Losses

The accounting of the movement of the allowance for impairment losses consists of the following:

December 31, 2024	*Accounts Receivable*	*Loans Receivable*	*Investment Properties*	***Total***
December 31, 2023	-	9,767,770	248,804	**10,016,574**
Impairment loss	15,875	2,086,735	385,852	**2,488,462**
Disposal on ROPA	-	-	(12,400)	**(12,400)**
December 31, 2024	**15,875**	**11,854,505**	**622,256**	**12,492,636**

Allowance for impairment losses for loans receivables is set up in accordance with PFRS 9 and MORB Appendix 15 guidelines in the classification of loans, and the provisioning requirements for classified loan accounts.

Note 11
Deposit Liabilities
This account consists of:

December 31	**2024**	2023
Savings deposits:		
Active	**235,906,361**	176,261,688
Dormant	**12,633,038**	11,128,222
Total savings deposits	**248,539,399**	187,389,910
Time deposits	**166,443,114**	85,808,184
	414,982,513	273,198,094

The Bank's deposit liabilities earn an annual fixed interest of 0.30% compounded quarterly for savings deposits and 0.50% to 6.10% for time deposits.

This is withdrawable upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook. Time deposits are due within one (1) to five (5) years.

The interest expense of Bank related to the deposit liabilities amounted to ₱8,253,999 and ₱3,847,145 for years ended December 31, 2024 and 2023, respectively (See Note 18).

Note 12
Bills Payable

December 31	**2024**	2023
Landbank of the Philippines	**73,815,925**	46,984,282
CARD SME Bank	**-**	1,500,000
	73,815,925	48,484,282

The bills payable represents rediscounting facilities extended by to the Bank for its working capital requirements and is secured by promissory notes of Bank's borrowers discounted at 85% of its face value and bears interest at 5.00% to 8.00%.
The bills payable incurred interest expenses of ₱2,663,018 and ₱2,072,719 for the years ended December 31, 2024 and 2023, respectively (See Note 18).

The maturity analysis of bills payable follows:

December 31	**2024**	**%**	2023	%
Due within 12 months	**32,362,849**	**43.84**	36,737,093	75.77
Due more than 12 months	**41,453,076**	**56.16**	11,747,189	24.23
	73,815,925	**100.00**	48,484,282	100.00

The Bank is committed to settle its loans by meeting currently maturing amortizations.

The movement of bills payable follows:

December 31	**2024**	2023
Opening balances	**48,484,282**	41,617,942
Proceeds	**63,951,411**	48,076,767
Settlement of accounts	**(38,619,768)**	(41,210,427)
Closing balances	**73,815,925**	48,484,282

Note 13
Retirement of Benefits Obligation

Normal retirement shall be the first day of the month coincident with or next following the employee's 60th birthday provided he has served the Bank for at least five (5) years of credited service. The retirement shall represent 100% of the employee's basic monthly salary in the final year of service multiplied by the number of years in service provided that he has served the Bank for at least five (5) years of credited service.

With the consent of the Bank, an employee may elect to retire before the age of 60 provided he has reached the age of 50 and has served the Bank for at least five (5) years of credited service. The retirement shall represent 100% of the employee's basic monthly salary in the final year of service multiplied by the number of years in service.
An employee is allowed by the Bank to continue to work on a case-to-case and yearly extension basis beyond his normal retirement date up to age sixty-five (65). The retirement shall represent 100% of the employee's basic monthly salary in the final year of service multiplied by the number of years in service, including the extension of service.

The Bank's retirement benefits obligations as of the year end were established based on actuarial valuations as required under PAS/IAS 19 *Employee Benefits* and PAS/IAS 26, *Accounting and*

Reporting by Retirement Benefit Plans.

The computed retirement benefits obligation approximates the recorded retirement liability, thereby stating fairly the Bank's retirement benefit liability at the end of the year.

The amounts presented for the year 2024 and 2023 in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in January 2025.

The movements in the present value of the post-employment defined benefits obligation are as follows:

December 31	**2024**	2023
Balance at beginning of year	**1,478,206**	1,313,826
Current service cost	**331,084**	164,380
Remeasurements- Actuarial losses (gains) from:		
Changes in financial assumption	**621,087**	-
Balance at end of year	**2,430,377**	1,478,206

The movements of restricted funds are shown below:

December 31	**2024**	2023
Balance at beginning of year	**1,478,303**	1,313,928
Contributions to the plan	**170,887**	162,908
Interest income	**1,668**	1,467
Balance at end of year	**1,650,858**	1,478,303

The savings deposit from China Bank amounting to ₱1,650,858 and ₱1,478,303 represents sinking fund for employees' retirement for December 31, 2024 and 2023, respectively (See Note 9).

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

December 31	*Note*	**2024**	2023
Reported in profit or loss:			
Current service cost	*20*	**331,084**	164,380
Reported in other comprehensive income:			
Actuarial losses (gains) arising from:			
Changes in financial assumptions		**621,087**	-
		952,171	164,380

Retirement benefits expense is presented separately as part of compensation and employees' benefits.

Actuarial losses from changes in financial assumptions is presented in other comprehensive income.

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

December 31, 2024	
Discount rates	**6.11%**
Future salary growth	**4.00%**

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 30 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary.

Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

Interest Rate Risk

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

Longevity and Salary Risk

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

Note 14
<u>Finance Lease Liability</u>

This account represents the present value of the finance lease payments for the years ended December 31, 2024, and 2023, amounted to ₱16,815,119 and ₱18,153,958, respectively. This amount consists of rental payments that are not paid as of the date of application of PFRS 16, Leases, discounted using the Bank's incremental borrowing rate of 7.50%.

December 31	**2024**	2023
Maturity Analysis – contractual undiscounted cash flows		
Less than one year	**4,795,885**	4,233,537
One to five years	**14,688,990**	14,900,151
More than five years	**315,000**	3,148,942
Total undiscounted lease liabilities	**19,799,875**	22,282,630
Lease liabilities included in the statement of financial position		
Current	**3,709,069**	3,022,675
Non-current	**13,106,050**	15,131,283
Total Finance Lease Liability	**16,815,119**	18,153,958

The following relating to the finance lease liability have been recognized in profit or loss:

Years Ended December 31	*Notes*	**2024**	2023
Interest on lease liabilities	*20*	**1,281,688**	1,383,781
Expenses relating to short-term leases	*20*	**1,145,241**	1,053,566
		2,426,929	2,437,347

Presented below is the reconciliation as to rental expense and actual rent paid, interest on lease liability.

December 31, 2024	*Notes*		
Right-of-use asset depreciation	*7*		**3,517,768**
Interest on lease liabilities	*20*		**1,281,688**
Total rental paid during the year		**5,742,418**	
Less short-term lease charge to operating expense	*20*	**1,145,241**	**(4,597,177)**
Total	*22*		**202,279**
Deferred tax effect on finance lease *(202,279*25%)*			**50,570**

December 31, 2023	*Notes*		
Right-of-use asset depreciation	*7*		3,353,803
Interest on lease liabilities	*20*		1,383,781
Total rental paid during the year		5,374,390	
Less short-term lease charge to operating expense		1,053,566	(4,320,824)
Total	*22*		416,760
Deferred tax effect on finance lease *(416,760*25%)*			104,190

Note 15
Other Liabilities

December 31	*Note*	**2024**	2023
Accounts payable		**4,274,259**	3,290,696
Accrued interest payable		**1,768,815**	1,202,427
Due to Philippine Deposit Insurance Corporation (PDIC)		**394,420**	255,367
SSS, Philhealth and Pag-ibig payable		**324,670**	350,792
Withholding tax payable		**235,466**	129,584
Accrued expenses		**186,088**	148,949
Income tax payable	*22*	**131,250**	-
Due to Treasurer of the Philippines - unclaimed balances		**76,265**	76,265
Redeemable preferred shares – LBP		**52,900**	52,900
Unearned income from advance rental		**-**	175,256
Other liabilities		**171,884**	-
Total		**7,616,017**	5,682,236

Accounts payable pertain to gross receipts tax payable, documentary stamp tax payable, SSS, Pag-ibig loan and cash card payable.

Accrued expenses represent payables to various suppliers that remain unpaid at the end of the year that are expected to be settled within 12 months from the end of the reporting period.

Other liabilities include fund for safekeeping and due to BSP.

Note 16
Share Capital

The details of preferred and common shares are presented below:

	Shares		Amount	
December 31	**2024**	2023	**2024**	2023
Preferred Shares – 100 par value				
Authorized – 25,000 shares				
Common Shares – 100 par value				
Authorized – 975,000 shares				
Subscribed ordinary shares	**615,000**	615,000	**61,500,000**	61,500,000
Subscription receivable	**(133,273)**	(133,273)	**(13,327,300)**	(13,327,300)
Total Share Capital	**481,727**	481,727	**48,172,700**	48,172,700

Under the Philippine Corporation Code, subscribed shares are entitled to participate fully in dividends, thus, the full subscribed shares are included in Earnings per share (EPS) computation under Philippine jurisdiction.

Note 17
Interest Income

Years Ended December 31	*Notes*	**2024**	2023
On loans and receivables:			
Loans	*5*	**48,803,147**	33,612,363
Sales contract receivables		**1,139,622**	1,422,240
		49,942,769	35,034,603
On bank deposits and investment securities:			
Due from other banks	*4, 9*	**678,876**	646,021
Tax exempt investments	*6*	**4,087,583**	2,375,794
		4,766,459	3,021,815
Total Interest Income		**54,709,228**	38,056,418

Note 18
Interest Expense

Years Ended December 31	*Notes*	**2024**	2023
Deposit liabilities	*11*	**8,253,999**	3,847,145
Bills payable	12	**2,663,018**	2,072,719
		10,917,017	5,919,864

Note 19
Other Income

This account consists of the following:

Years Ended December 31	*Note*	**2024**	2023
Gain on sale of investment properties	*8*	**3,469,760**	7,457,609
Processing fees -other loan receivables		**6,079,010**	3,443,101
Recovery on charged-off asset		**817,281**	1,138,850
Reversal of allowance for impairment losses - ROPA		**-**	989,726
Miscellaneous income		**5,907,918**	5,031,182
		16,273,969	18,060,468

Miscellaneous income pertains to income from rental, notarial fees, penalties, certification fee, inspection fee, overages, dormant and other bank charges.

Note 20
Operating Expenses

Years Ended December 31	*Notes*	**2024**	2023
Compensation and employees' benefits		**27,238,857**	24,114,869
Depreciation	*7, 8*	**6,698,210**	6,583,502
Security, clerical, messengerial and janitorial services		**3,041,150**	2,244,888
Power, light, and water		**1,690,978**	2,016,296
Insurance	*21*	**1,385,994**	946,606
Taxes and licenses	*29*	**1,295,089**	938,440
Interest expense – finance lease	*14*	**1,281,688**	1,383,781
Rental	*14*	**1,145,241**	1,053,566
Fuel, oil and lubricants		**998,252**	1,002,179
Communications		**914,408**	789,691
Stationery and supplies		**687,935**	710,635
Travel and transportation		**489,211**	427,625
Fees and commission		**423,945**	195,438
Repairs and maintenance		**398,033**	429,523
Litigation		**367,496**	120,944
Retirement benefits expense	*13*	**331,084**	164,380
Management and other professional fees		**292,711**	270,511
Information technology		**168,682**	174,480
Fines, penalties and other charges		**111,151**	88,050
Interest expense - others		**80,427**	-
Supervisory fees		**49,674**	54,108
Membership fees and dues		**17,040**	11,520
Donations and charitable contributions		**10,500**	7,300
Representation and entertainment		**1,037**	11,452
Promotions		**-**	2,980
Miscellaneous		**729,371**	1,005,433
		49,848,164	44,748,197

Note 21
Details of Insurance Expenses

Years Ended December 31	**2024**	2023
Philippine Deposit Insurance Corporation	**726,929**	483,827
Others	**659,065**	462,779
	1,385,994	946,606

Others pertain to insurance for employees, vehicles used in the operation of the banks.

Note 22
Income Tax

Under current tax regulations, the applicable income tax rate is twenty-five percent (25%). Interest allowed as a deductible expense is reduced by an amount equivalent to twenty percent (20%) of interest income subjected to final tax. Also, entertainment, amusement and recreation (EAR) expense is limited to one percent (1%) of net revenues, as defined, for sellers of services beginning September 1, 2002. The current regulations also provide for MCIT of 2% on modified gross income and allow a three-year NOLCO. Any excess of the MCIT over the regular income tax is deferred and can be used as a tax credit against future income tax liability while NOLCO can be applied against taxable income, both in the next three years from the year of occurrence.

However, if the final withholding tax rate on interest income of 20% will be adjusted in the future, the interest expense reduction rate shall be adjusted accordingly.

The computations of income tax under the new rate are as follows:

December 31	**2024**	2023
Current tax:		
Normal income tax	**492,000**	-
Deferred tax expense (income) relating to		
Origination and reversal of temporary differences	**(445,271)**	(1,385,202)
	46,729	(1,385,202)

The current tax expense for the year was derived by the following computations:

Years Ended December 31	*Notes*	**2024**	2023
Profit before income tax		**7,729,554**	4,329,908
Non – taxable income:			
Interest income already subjected to final tax	*17*	**(4,766,459)**	(3,021,815)
Income subjected to capital gains tax	*19*	**(3,469,760)**	(7,457,609)
Non – deductible expenses:			
Interest expense		**1,191,315**	754,411
Fines, penalties and other charges		**110,951**	87,350
Temporary differences:			
Provision for impairment losses	*10*	**2,488,462**	1,118,917
Reversal on allowance for impairment loss	*19*	**-**	(989,726)
Retirement benefits expense	*13*	**331,084**	164,380
Advance rental payment		**-**	(18,402)
Effect of finance lease	*14*	**202,279**	416,760
NOLCO application		**(1,849,426)**	-
Taxable income (NOLCO)		**1,968,000**	(4,615,826)
Tax rate		**25%**	25%
Normal Income Tax		**492,000**	-
Minimum Corporate Income Tax (MCIT)		**491,637**	219,235
Normal Income Tax or MCIT whichever is higher		**492,000**	219,235
Applied MCIT		**(219,235)**	
Excess payments from prior year		**(68,395)**	(242,630)
Creditable withholding tax		**(45,000)**	(45,000)
Payments previous three quarters		**(28,120)**	-
Income tax payable (Prepaid Income Tax)	*15, 9*	**131,250**	(68,395)

Minimum Corporate Income Tax is computed as follows:

Years Ended December 31	*Notes*	**2024**	2023
Gross receipts			
Interest income-loans and receivables	*17*	**49,942,769**	35,034,603
Other income, net of income already subjected to CGT		**12,804,208**	9,594,732
		62,746,977	44,629,335
Cost of services			
Compensation and employees' benefits	*20*	**27,238,857**	24,114,869
Interest expense, net	*18*	**9,725,702**	5,165,453
Insurance-PDIC	*21*	**726,929**	483,827
Fees and commission	*20*	**423,945**	195,438
Supervisory fees	*20*	**49,674**	54,108
		38,165,107	30,013,695
Gross Income		**24,581,870**	14,615,640
Tax rate		**2%**	1.5%
Minimum Corporate Income Tax		**491,637**	219,235

The disproportionate relationships between the profit before income tax expense and the income tax expense – current is due mainly to interest income from bank deposits which was deducted from net income before tax since this was already subjected to the final tax of 20%. Also, the portion of interest expense not allowed as a deduction and the provision for impairment losses which is a non-cash item, are added back to the profit for the year per statement of profit of loss to arrive at the taxable income for the year.

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The deferred income tax expense (income) relating to origination and reversal of temporary differences is computed as follows:

Years Ended December 31	*Note*	**2024**	2023
Provision for impairment losses	*10*	**(622,115)**	(279,729)
Reversal on allowance for impairment loss		**3,100**	247,431
Equity Effect of Finance Lease	*14*	**(50,570)**	(104,190)
Provision for retirement benefits *(₱952,171 x 25%)*	*13*	**(238,043)**	(41,095)
NOLCO		**462,357**	(1,153,957)
Advance rental payment – tax effect		**-**	4,600
Adjustments on prior year		**-**	(58,262)
		445,271	(1,385,202)

Income tax benefit for the year ended December 31, 2024 amounting to ₱290,000 is presented under profit or loss, while the income tax benefit from actuarial loss on remeasurement of post-employment amounting to ₱155,271 is presented in other comprehensive income.

Details of the Bank's NOLCO which can be claimed as deductions against future taxable income are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2023	4,615,826	-	1,849,426	-	2,766,400	2026

Note 23
Adjustment to Surplus

Adjustments to retained earnings consists of the following:

Years Ended December 31	**2024**	2023
Tax deficiency for years 2022 and 2021	**432,808**	487,274
Leases	**25,000**	333,405
Total	**457,808**	820,679

Note 24
Earnings Per Share

Basic earnings per share is computed by dividing the profit for the year by the weighted average number of common shares during the year as follows:

Years Ended December 31	*Note*	**2024**	2023
Profit for the year		**7,527,554**	5,715,110
Weighted average number of common shares	*16*	**615,000**	615,000
Earnings per share		**12.24**	9.29

As of December 31, 2024, the Bank has no outstanding potentially dilutive securities, hence, basic earnings per share is equal to diluted earnings per share.

Note 25
Related Party Transactions

In the ordinary course of business, the Bank has loans, deposits and other transactions with its related parties and with certain DOSRI. The Bank's related parties include its Directors, Officers, Stockholders and Related Interests (DOSRI) and key management as describe below. None of the transactions incorporates special terms and conditions and gives or receives no guarantee. Outstanding balances are generally settled in cash. Under Bank's policy, these loans and other transactions are made substantially on the same terms and conditions as with other individuals and businesses of comparable risks.
The significant related party transactions are summarized below:

In the ordinary course of business, the Bank has loan transactions with DOSRI. The following are the information related to DOSRI:

Years Ended December 31	**2024**	2023
Total Outstanding DOSRI loans	**4,460,456**	4,575,398
Percent of DOSRI/Related Party loans to total loans	**1.51%**	2.60%
Percent of unsecured DOSRI loans to total DOSRI/Related Party loans	**10.32%**	0.33%
Percent of past – due DOSRI loans to total DOSRI/Related Party loans	**0.00%**	0.00%
Percent of non – performing DOSRI loans to total DOSRI/Related Party loans	**0.00%**	0.00%

The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Bank.

In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Bank, whichever is lower. Loans to DOSRI are secured by their respective deposits.

Under the General Banking Act and BSP regulations, the amount of direct credit accommodations to each of the Bank's directors, officers and stockholders, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In addition, the aggregate DOSRI loans generally should not exceed the Bank's capital funds or 15% of the Bank's loan portfolio, whichever is lower.

It is also under the BSP Regulations that those loans, other credit accommodations and guarantees secured by assets considered as non-risk by the Monetary Board shall be excluded in determining the compliance with the individual and aggregate ceiling. Therefore, DOSRI loans granted by the Bank during the year are not subject to the ceiling as stated above.

The key management compensation consists of the following:

Years Ended December 31	**2024**	2023
Salaries and wages	**2,485,714**	2,623,123
Benefits	**1,218,127**	659,407
	3,703,841	3,282,530

Key management personnel compensations are presented as part of compensation and employees' benefits under operating expenses in the statement of profit or loss (See Note 20). It includes productive incentives and bonuses.

Note 26
Risk Management Objectives and Policies

The Bank is exposed to a variety of financial risks in performing its activities. The main types of risks to which the Bank is exposed to include market risk, credit risk, liquidity risk, operations risk and legal and regulatory risk.

The Bank's risk management is coordinated in close cooperation with the BOD, and focuses on actively securing the Bank's short to medium-term cash flows by minimizing the exposure to financial markets. The Bank does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Bank is exposed to are described below and in the succeeding pages.
The BOD is primarily responsible for approving the credit policies and the overall risk capacity of the Bank. Board Committees have been established by the BOD to oversee the increasingly varied risk management activities of the Bank with the active participation of senior management.

The Audit Committee is an advisory committee whose main function is to assist and act on behalf of the BOD and provides oversight of the Bank's financial reporting. It serves as principal agent of the BOD in ensuring independence of the Bank's external auditors and the internal audit function, the integrity of management, and the adequacy of disclosures and reporting to stockholders.

The Corporate Governance Committee is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and guidelines. It oversees the periodic performance evaluation of the BOD and its committees and executive management.

In compliance with BSP Circular 747, the Bank has revised its compliance manual to incorporate the revised compliance framework for banks. The manual is designed to guide the identification of business risks to mitigate factors that might be detrimental to the Bank's business model and its ability to generate returns from operations.

These are summarized below:

Market Risk Analysis
Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates. The Bank is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. Most of the Bank's transactions are carried out in Philippine currency, its functional currency. It has limited or no exposure to currency exchange rates since it has no transactions involving foreign currencies. The Bank does not actively engage in the trading of financial assets, nor does it write options.

It likewise has little exposure to interest rate risk as its loans and receivables and deposit liabilities have fixed interest rates. Its exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting period date.

Credit Risk Analysis
The Bank is mostly exposed to credit risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statement of financial position. Credit risk therefore is only disclosed in circumstances where the maximum potential loss differs significantly from the carrying amount of the financial assets. The Bank manages the level of credit risk by actively monitoring its portfolio to avoid significant concentrations of credit. The Bank manages the level of credit risk by actively monitoring all its receivables to avoid significant delinquency.

The Bank's financial assets are composed of the following:

December 31, 2024	*Notes*	*Neither Past Due nor Impaired*	*Past Due and Unimpaired*	***Total***
Due from other banks and BSP	*4*	107,733,101	-	**107,733,101**
Loans receivable- gross	*5*	272,095,466	22,874,534	**294,970,000**
Sales contract receivables	*5*	2,688,000	-	**2,688,000**
		382,516,567	22,874,534	**405,391,101**
		94.36%	5.64%	**100.00%**

December 31, 2023	*Notes*	*Neither Past Due nor Impaired*	*Past Due and Unimpaired*	***Total***
Due from other banks and BSP	*4*	97,779,365	-	**97,779,365**
Loans receivable- gross	*5*	160,563,266	17,352,480	**177,915,746**
Sales contract receivables	*5*	4,816,314	-	**4,816,314**
		263,158,945	17,352,480	**280,511,426**
		93.81%	6.19%	**100.00%**

Liquidity Risk Analysis
The Bank is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligations as they become due without incurring unacceptable losses or costs. The Bank's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs, and c) to be able to access funding when needed at the least possible cost. The Bank manages its liquidity by carefully monitoring its scheduled debt servicing payments for long-term financial liabilities as well as its cash flows due on its day-to-day business.

The maturity profile of the Bank's financial liabilities are as follows:

December 31, 2024	*Notes*	*Due in One Year*	*Due Over One year*	***Total***
Deposit liabilities	*11*	414,039,041	943,472	**414,982,513**
Bills payable	*12*	48,379,540	25,436,385	**73,815,925**
		462,418,581	26,379,857	**488,798,438**
		94.60%	5.40%	**100.00%**

December 31, 2023		*Due in One Year*	*Due Over One year*	***Total***
Deposit liabilities	*11*	263,198,094	10,000,000	**273,198,094**
Bills payable	*12*	36,737,092	11,747,190	**48,484,282**
		299,935,186	21,747,190	**321,682,376**
		93.24%	6.76%	**100.00%**

Maturity Analysis of Assets and Liabilities

December 31, 2024	*Within One Year*	*Beyond One Year*	***Total***
Financial Assets			
Cash	126,647,793	-	**126,647,793**
Loans and receivables – gross	46,207,373	248,762,627	**294,970,000**
Financial asset measured at amortized cost	116,548,451	24,000,000	**140,548,451**
Nonfinancial Assets			
Bank premises, furniture and equipment	-	21,500,416	**21,500,416**
Investment properties	-	8,622,935	**8,622,935**
Other assets	8,510,171	-	**8,510,171**
Total Assets	297,913,788	302,885,978	**600,799,766**
Financial Liabilities			
Deposit liabilities	414,039,041	943,472	**414,982,513**
Bills payable	32,362,849	41,453,076	**73,815,925**
Trade and other payables	7,616,017	-	**7,616,017**
Finance lease liability	3,709,069	13,106,050	**16,815,119**
Retirement benefits obligation	-	2,430,377	**2,430,377**
Total Liabilities	457,726,976	57,932,975	**515,659,951**

December 31, 2023	*Within One Year*	*Beyond One Year*	***Total***
Financial Assets			
Cash	114,688,376	-	**114,688,376**
Loans and receivables – gross	54,303,244	123,612,503	**177,915,747**
Financial asset measured at amortized cost	61,718,338	26,000,840	**87,719,178**
Nonfinancial Assets			
Bank premises, furniture and equipment	-	25,116,249	**25,116,249**
Investment properties	-	7,515,130	**7,515,130**
Other assets	1,003,140	7,640,328	**8,643,468**
Total Assets	231,713,098	189,885,050	**421,598,148**
Financial Liabilities			
Deposit liabilities	263,198,094	10,000,000	**273,198,094**
Bills payable	36,737,092	11,747,190	**48,484,282**
Trade and other payables	1,202,427	3,744,485	**4,946,912**
Finance lease liability	3,022,676	15,131,282	**18,153,958**
Retirement benefits obligation	-	1,478,206	**1,478,206**
Nonfinancial Liabilities			
Due to government	735,324	-	**735,324**
Total Liabilities	304,895,613	42,101,163	**346,996,776**

Note 27
Capital Management Objectives, Policies and Procedures

The Bank manages its capital to ensure that it has the ability to continue as a going concern while maximizing the return to shareholders. The Bank's Board of Directors reviews regularly its capital structure on the basis of the carrying amount of equity, less cash and cash equivalents, as presented on the face of the statement of financial condition. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

Regulatory Capital

The lead regulator of the Bank, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total equity excluding: (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP; (b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI); (c) deferred tax asset or liability; (d) goodwill; (e) sinking fund for redemption of redeemable preferred shares; and (f) other regulatory deductions.

Risk assets consist 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 MB of the BSP.

The regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital for the following: (a) investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies; (b) investments in debt capital instruments of unconsolidated subsidiary banks; (c) investments in equity of subsidiary insurance companies and non-financial allied undertakings; (d) reciprocal investments in equity of other banks/enterprises; and (e) reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of: (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or, (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Provided that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

The Bank's policy is to maintain a strong capital base as 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.

At the end of each reporting period, the Bank has complied with the prescribed ratio of qualifying capital to risk-weighted assets.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 5% and Tier 1 capital ratio of 6%. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

The CAR of the Bank as of December 31, as reported to the BSP, based on BSP Section 127, are shown as follows.

December 31	**2024**	2023
Tier 1 capital:		
CET1 capital	**70,718,879**	63,979,373
Less required deductions	**-**	-
Total Tier 1 Capital	**70,718,879**	63,979,373
Total Tier 2 Capital	**2,595,292**	1,455,692
Total qualifying capital	**73,314,171**	65,435,065
Risk weighted assets	**432,600,302**	347,120,848
Tier 1 ratio	**16.35%**	18.43%
CET1 ratio	**16.35%**	18.43%
Capital adequacy ratio	**16.95%**	18.85%

The Bank's reported capital as at December 31, 2024 and 2023 are summarized as follows:

December 31	**2024**	2023
Total shareholders' equity	**75,887,952**	69,284,022
Add cash	**126,647,793**	114,688,376
Capital	**202,535,745**	183,972,399
Total shareholders' equity	**75,887,952**	69,284,022
Borrowings (total liabilities)	**515,659,951**	346,996,776
Overall financing	**591,547,903**	416,280,798
Capital-to-overall Financing Rate	**34.24%**	44.19%

Note 28
Reclassification

Certain amount and figures as of December 31,2023 financial statements had been reclassified to conform to the presentation of the Bank's financial statements for the period ended December 31, 2024.

Note 29
Supplementary Information Required by the Bureau of Internal Revenue

Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002. The regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Bank reported and/or paid the following type of taxes.

a. Gross receipt tax

   In lieu of the value-added tax, the Bank is subject to the gross receipts tax (GRT) imposed on all Banks and non-Bank financial intermediaries pursuant to Section 121.2 of the Philippine Tax Code. For the year ended December 31, 2024 and 2023, the Bank's GRT expenses amounted to ₱393,987 and ₱231,431.

b. Taxes on importation

The Bank does not have any customs duties and tariff fees in 2024 since it does not have any importation during the year.

c. Final taxes withheld on Interest paid on deposits

The bank withheld and remitted final tax on interest paid on deposits amounting to ₱1,588,351 and ₱657,308 for the years ended December 31, 2024 and 2023, respectively.

d. Excise tax

The Bank did not have transactions in 2024 which are subject to excise tax.

e. Documentary stamp tax

The Bank remitted documentary stamp tax amounting to ₱1,032,969 and ₱586,136 for their loan releases and time deposits for the period ended December 31, 2024 and 2023, all of which was shouldered and passed on to the other party.

f. Taxes and licenses *(Note 20)*

Years Ended December 31	**2024**	2023
Gross receipts tax	**393,987**	231,431
Business permit	**385,692**	328,858
Documentary stamp tax	**332,080**	171,304
BSP processing fees	**26,910**	177,341
Real property tax	**17,606**	22,412
Others	**138,814**	7,094
	1,295,089	938,440

g. Withholding taxes

Withholding taxes paid and accrued and/or withheld for the years ended December 31, 2024 consist of:

Year Ended December 31, 2024	**Tax Base**	**Amount paid**
Rental	**5,320,868**	**266,043**
Purchase of services	**4,964,531**	**99,291**
Salaries and wages	**2,614,290**	**184,808**
Purchase of goods	**1,159,502**	**11,595**
Security services	**506,863**	**10,137**
Professional fee	**147,111**	**14,711**
	14,713,165	**586,585**

h. Deficiency tax assessments and tax cases

As of December 31, 2024, the Bank does not have any tax cases outstanding or pending in courts or bodies outside of the BIR.

Revenue Regulations (RR) No. 34-2020

The Bank is not covered by the requirements and procedures for related party transactions under Section 2 of RR No. 34-2020.

Note 30
Supplementary Information Required by the BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular 1074, Amendments to Regulations on Financial Audit of Banks.

a. Selected Financial Performance Indicators

Years Ended December 31	**2024**	2023
Return on Average Equity	**10.60%**	8.82%
Return on Average Assets	**1.52%**	1.57%
Net Interest Margin	**17.63%**	10.52%
Capital-to-Risk Assets	**25.01%**	36.77%

Minimum Liquidity Ratio (MLR)

To promote short-term resilience to liquidity shocks, banks shall maintain a stock of liquid assets proportionate to their on- and off-balance sheet liabilities. MLR is computed as follows:

December 31	**2024**	2023
Stock of liquid asset	**261,859,612**	197,082,810
Total Qualifying Liabilities	**453,266,132**	294,886,645
Minimum Liquidity Ratio (MLR)	**57.77%**	66.83%

b. Description of capital instruments issued

	Shares		Amount	
December 31	**2024**	2023	**2024**	2023
Preferred Shares – ₱100 par				
Authorized – 25,000 shares				
Common Shares – ₱100 par				
Authorized – 975,000 shares				
Subscribed ordinary shares	**615,000**	615,000	**61,500,000**	61,500,000
Subscription receivable	**(133,273)**	(133,273)	**(13,327,300)**	(13,327,300)
Total Share Capital	**481,727**	481,727	**48,172,700**	48,172,700

c. Significant Credit Exposures for Loans

The breakdown of this account classified as to concentration of credit is as follows:

December 31	**2024**	**%**	2023	%
Real estate, renting and business activities	**68,760,336**	**23.31**	26,860,774	15.10
Household consumption	**63,476,300**	**21.52**	40,894,580	22.99
Agriculture, hunting and forestry	**56,589,730**	**19.18**	42,002,791	23.61
Wholesale and retail trade, repair of MV	**42,694,942**	**14.47**	29,146,180	16.38
Accommodation and food service activities	**14,270,744**	**4.84**	6,191,797	3.48
Manufacturing	**13,213,443**	**4.48**	14,755,166	8.29
Transportation, storage and communication	**9,973,105**	**3.38**	1,752,574	0.98
Other service activities	**8,896,038**	**3.02**	672,167	0.38
Electricity, gas, steam and A/C supply	**8,050,392**	**2.73**	9,917,183	5.57
Construction	**4,117,173**	**1.40**	3,684,139	2.07
Professional, scientific, and technical activities	**2,528,560**	**0.86**	-	-
Education	**1,201,616**	**0.41**	1,442,241	0.81
Human health and social work activities	**1,095,988**	**0.37**	386,020	0.22
Mining and quarrying	**101,633**	**0.03**	210,134	0.12
	294,970,000	**100.00**	177,915,746	100.00

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

d. Credit Status of Loans

December 31, 2024	*Current*	*Past Due Performing Loans*	*Past Due Non-Performing Loans*	*Litigation*	***Total***
Agricultural loans	65,317,928	138,491	916,657	2,550,967	**68,924,043**
Agrarian loan					
Microenterprise loans	11,590,819	1,075,823	1,593,899	1,885,290	**16,145,831**
Small and medium enterprise loans	138,141,350	2,706,926	-	710,614	**141,558,890**
Housing loans	4,864,935				**4,864,935**
Loans to individuals	52,180,431	11,067,349	198,753	29,768	**63,476,301**
Total	**272,095,463**	**14,988,589**	**2,709,309**	**5,176,639**	**294,970,000**

December 31, 2023	*Current*	*Past Due Performing Loans*	*Past Due Non-Performing Loans*	*Litigation*	***Total***
Agricultural loans	33,922,042	634,998	2,925,987	348,278	**37,831,305**
Agrarian loan	27,133,711	1,983,404	773,620	-	**29,890,735**
Time commercial loans	52,318,454	-	3,389,926	1,520,337	**57,228,717**
Time industrial loans	10,000,000	-	-	-	**10,000,000**
Time other loans	37,189,059	1,934,734	3,841,196	-	**42,964,989**
Total	160,563,266	4,553,136	10,930,729	1,868,615	**177,915,74(**

e. Analysis of Loan Portfolio as to Type of Security

December 31	**2024**	**%**	2023	%
Secured:				
Real estate mortgage	**182,732,983**	**0.26**	89,161,710	50.12
Chattel mortgage	**762,341**	**1.37**	825,866	0.46
Hold out deposit / Non risk asset	**4,045,000**	**61.95**	4,023,671	2.26
Total	**187,540,324**	**63.58**	94,011,247	52.84
Unsecured	**107,429,676**	**36.42**	83,902,268	47.16
Total	**294,970,000**	**100.00**	177,913,515	100.00

f. Information on Related Party Loans

In the ordinary course of business, the Bank has loans and other transactions with certain directors, officers, stakeholders and related interests (DOSRI).

Under the Bank's policy, these loans and other transactions are made subsidiary on the items as with other individuals and businesses of comparable risks.

DOSRI Loans

The individual ceiling for credit accommodations of a bank to each of its directors, officers and related interests shall be equivalent to his outstanding deposits and book value of its paid-in capital in the lending bank. The unsecured credit accommodations to each of the Bank's directors and officers shall not exceed 30% of his total credit accommodations.

The aggregate ceiling for credit accommodations, whether direct or indirect, to directors and officers of the bank shall not exceed 15% of the total loan portfolio of the Bank or its combined capital accounts net of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of directors and officers shall not exceed 30% of the aggregate ceiling or the outstanding direct/indirect credit accommodations thereto, whichever is lower.

The following are the information related to DOSRI:

Years Ended December 31	**2024**	2023
Total Outstanding DOSRI loans	**4,460,456**	4,575,398
Percent of DOSRI/Related Party loans to total loans	**1.51%**	2.6%
Percent of unsecured DOSRI loans to total DOSRI/Related Party loans	**10.32%**	0.33%
Percent of past – due DOSRI loans to total DOSRI/Related Party loans	**0.00%**	0.00%
Percent of non – performing DOSRI loans to total DOSRI/Related Partyloans	**0.00%**	0.00%

Secured Liabilities and Assets Pledged as Security

As of December 31,2024, bills payable amounting to ₱73,815,925 are secured by promissory notes of the Bank's borrowers. This loan is discounted at 85% of the face value of the outstanding balance of the rediscounted promissory notes at the time of availment and bears interest at the creditor's prevailing rate.

Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2024, and 2023, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular 1074.

BINHI Rural Bank