Rural Bank of Calbayog City, Inc.

"Together we will grow."

2023 ANNUAL REPORT

In compliance with the Public Disclosure Requirements under Section 175 and Appendices 62 and 125 of the MORB

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SECTION I. CORPORATE POLICY

A. RBCCI's Vision and Mission Statements

VISION

The Rural Bank of Calbayog City, Incorporated (RBCCI), exhibiting integrity, Competence, and compassion, aims to be the leading rural bank in the Samar Island and a catalyst for financial growth in the countryside that uplifts the standard of living of its people.

MISSION

The Rural Bank of Calbayog City, Incorporated (RBCCI) is committed to providing financial products and services at reasonable rates and terms to promote business opportunities to micro small and medium enterprises, to develop agricultural livelihood projects, and to provide technical support and assistance to agricultural reform beneficiaries and encourage agribusiness as alternative livelihood.

Towards this end, RBCCI shall provide quality service that will meet and exceed its clients' expectations to ensure that RBCCI becomes their bank of choice.

B. Introduction of RBCCI's Brand Compared to Other Banks

The Rural Bank of Calbayog City, Incorporated (RBCCI) was founded on 07 February 1959 with the late Hermenegildo R. Rosales at its helm as the Chairman of the Board, came together with the intention of assisting the agricultural and aquaculture sectors.

RBCCI maintained the distinction being the first bank in the City of Calbayog as well as in the Province of Samar. Incorporated with an authorized capital of Php 50,000.00, this "seed" money was more than sufficient to assist the farmers, fishermen and other small businesses. Its main thrust was to improve the quality of the Samareños' lives by offering finance assistance and technical know-how regarding the business or project they would like to embark on.

In addition to providing financial assistance to those who require it, RBCCI also provides depository services to its clientele. Such a facility not only provides security measure for the bank, but at the same time, it provides an investment opportunity to its depositors through its earned interest on their respective monies.

Owing its continued existence and success to the communities served by the bank, RBCCI in return takes part in social responsibilities like giving contribution to various disaster-relief programs, socio-civic activities and charitable institutions.

Rural development emerged as a distinct focus of policy and research in 1950's and gained full momentum in 1970's when Universal and Commercial Banks (UCBs) started their venture in Calbayog. Whereas economic growth and industrialization were important, rural areas and its development had crucial and different roles to play. Moreover, it also entails more than the development of agricultural production – which was the primary objective of RBCCI.

Meanwhile, Calbayog has paced its development with employment opportunities, amenities, education, business establishments and the density of population has gradually increased over the years. Looking at the current market of the banking industry, two things to be considered were identified. First, the broader and larger macroeconomic picture, and secondly, a more focused view on the investments and improvements of software programs and hardware technologies and how the management can harness the specified considerations to the bank's advantage.

With continuous development of rural economy and development demand, banks have become the important element to develop new economy.

From its humble beginnings, RBCCI has steadily moved on an upward growth trend to obtain its present stature. In February 2019, RBCCI celebrated its 60th Anniversary with total resources of more than One Hundred Forty-Three Million Pesos (Php 143 million) with a total capitalization of more than Thirty-Seven Million Pesos (Php 37 million) plus retained earnings with over Fourteen Million Pesos (Php 14 million) which has been strengthened by the increase in the number of branches/extension office in the Province of Samar.

C. RBCCI's Business Model

Rural banks (RBs) are an important force of supporting rural economic development. Its development can help construct healthier and more diversified rural financial system, effectively improve overall financial environment of rural development and solve financial repression problem that herein exist.

Familiarity, with the grassroots of rural community a rural bank serves, is the fundamental strength of a rural bank. However, familiarity – even if it's an advantage – may not be enough to guarantee its operational viability. A need for financial services will always exist and it is incumbent upon the bank to develop products and services that can address the requirements of its constituents, and this reflects the banks' responsibility to be portals of economic improvement.

To continuously promote and facilitate orderly development of rural economy and solve financing difficulty of rural areas in development process, RBCCI has planned to participate in various government lending programs that will mitigate the bank's possible risks and improve the RBCCI's performance by actively participating as an avenue to make successful government financing programs, while simultaneously ensuring decent profits and maintaining the fine balance between growth and quality. To achieve these objectives, the RBCCI intends to evolve itself in government-initiated programs. These objectives are reviewed periodically and adjusted as necessary, in order to guarantee a high level of service quality, as follows:

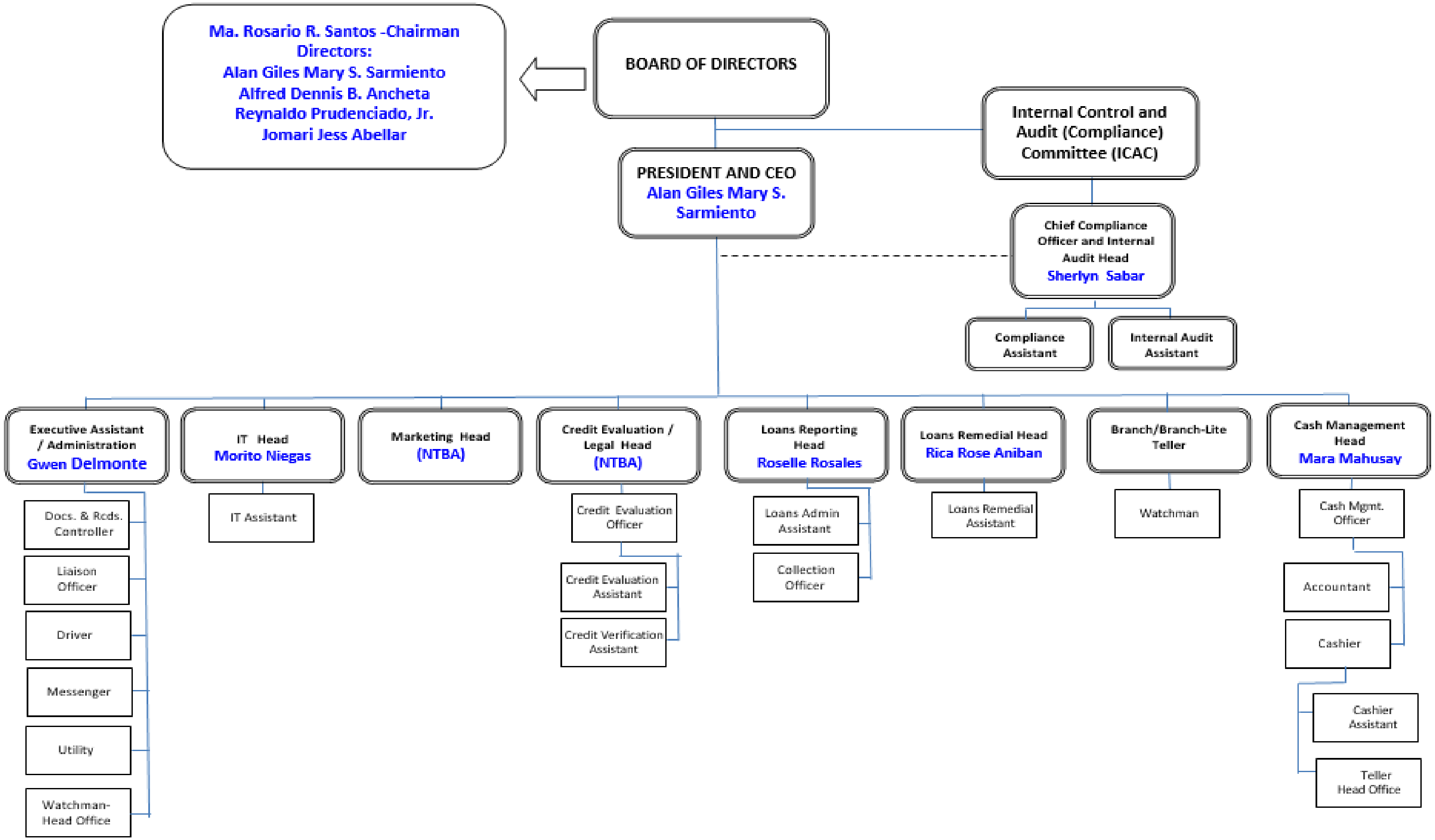
1. To stimulate and promote the circulation of money in the City of Calbayog as well as its neighboring cities;
2. To be a vital member of the Region's progress by expanding the operational territories of the Bank by providing quality banking service and job opportunities; and
3. To provide a unique difference in the communities served by acting with the highest standards of integrity, participating in the community development programs.

Meanwhile, RBCCI generates its revenues through various channels, primarily focusing on aggressive collection of loan receivables and the sale of acquired and foreclosed properties. These activities help to ensure the bank's financial stability and profitability.

By offering these diverse products and services, RBCCI aims to shifting of its planned paradigm – from usual high-volume lending programs to focusing on high-yielding investment partnered with the government programs.

SECTION II. CORPORATE INFORMATION

A. RBCCI's Organizational Structure



B. List of Major Stockholders[1]

Below are the Top 10 stockholders of the Bank:

NAME	NATIONALITY	NUMBER OF SHARES	PERCENTAGE OF STOCKHOLDINGS
1. Sarmiento, Alan Giles Mary S.	Filipino	52,856	21.14%
2. Rosales, Olivia C.	Filipino	27,682	11.07%
3. Santos, Milagros R.	Filipino	24,486	9.79%
4. Schnable, Carmina R.	Filipino	22,462	8.98%
5. Santos, Ma. Rosario R.	Filipino	15,976	6.39%
6. Rosales, Bienvenido	Filipino	10,436	4.17%
7. Corrales, Felipa Maxima V.	Filipino	10,000	4.00%
8. Santos, Ma. Fatima R.	Filipino	9,580	3.83%
9. Morales, Ma. Isabel Dolores S.	Filipino	8,080	3.23%
10. Santos, Maria Milagros R.	Filipino	7,080	2.83%

[1] Stockholders owning more than 20% of voting shares of stock or which enables such stockholder to elect, or be elected as, a director of the Bank.

C. Products and Services Offered

RBCCI offers a variety of products and services to cater to the needs of its clients. These include savings accounts, credit accommodations such as real estate and chattel mortgages, agricultural loans, salary loans, and business loans. The bank also facilitates bills payment for SAMELCO 1 (Samar Electric Cooperative 1) and provides ATM/POS transactions for added convenience.

- **Savings Accounts**

1. Regular Savings

   There are two types of regular savings accounts: personal accounts and juridical accounts. Under personal accounts are individual, joint, student and ITF accounts while on the juridical accounts are partnership, association/organization and corporation accounts. Each classification shall earn an interest of 0.025% per annum upon reaching a required balance and shall be credited to their account on a quarterly basis.

2. Special/Smart Savings

   With required minimum deposit of TEN THOUSAND PESOS (Php 10,000.00) a depositor can open a smart savings deposit. The account shall earn interest depending to its balance and shall be credited at least on a monthly basis or depositor's discretion, they may opt to choose (Quarterly/Semi-Annually/Annually).

3. Time Deposit

   With required minimum deposit of TEN THOUSAND PESOS (Php 10,000.00) a depositor can open a time deposit account. The same with the preceding item, this account shall earn interest depending to its balance and shall be credited at least on a monthly basis or at depositor's discretion, they may opt to choose (Quarterly/Semi-Annually/Annually).

- **Loans and Other Credit Accommodations**

1. Other Agricultural Loans

   This type of loan is available to eligible borrowers for financing capital requirements to enhance the efficiency, productivity, and profitability of agricultural-related businesses. If unsecured, the loan limit is Php 200,000 and the loan term is up to 5 years. If secured, the loan can be up to 60% of the appraised value with a term of up to 10 years.

2. Salary Loans

   Salary Loans are generally unsecured, it is available for various consumption purposes for up to Php 200,000.00. It is granted to individuals with regular employment status based on their regular salary, pension, or other fixed compensation, and is limited to borrowers under 60 years old with a net take home pay of not less than Php 7,500.00.

3. Business Loans

   Business loans, either secured or unsecured, can be generally classified as Microfinance Loans or Small and Medium Loans. Microfinance loans including Pondo sa Pagbabago at Pag-asenso (P3) Loan, a government initiative which is aimed at facilitating access to affordable alternative financing is payable until five years for microfinance loans, improvement/repairs are limited to Php 150,000 loanable amount and until fifteen years for construction and lot acquisition is limited to Php 300,000 loanable amount. Borrowers for this type of loan should not be older than 60 years old for unsecured loan and not older than 70 years old for secured type of business loan. Meanwhile, the loanable amount for Small and Medium Loan is limited to amount at 10% of the assets for small enterprises (assets size of Php 3 million to Php 15 million) and medium enterprises (asset size of Php 15 million to Php 100 million). The same loan type is available to borrowers with the same eligibility as the borrowers for Microfinance Loans.

4. <u>Other Loans</u>

a) *Housing Loans*

Housing Loan refers to Low-Cost Housing program initiated by RBCCI aimed at providing access to affordable and quality housing. Eligible borrowers should not be older than 60 years old for unsecured type and 70 years old for secured housing loan with a loanable amount ceiling determined by the bank based on the repayment capacity of eligible borrowers.

b) *Real Estate Loans*

Real estate loans are partially secured by nature where a borrower obtains funds without offering any specific property. He/she may offer his/her property title/s as attachment to his/her loan application. Age restriction, financial situation and repayment capabilities are carefully considered to qualify for this type of loan.

c) *Gadget Loans*

Gadget loans allow borrowers to purchase electronic devices through instalment payment. It comes with fixed monthly payments over a predetermined period, with interest rates and terms varying depending on the lender and the borrower's creditworthiness. Age restriction, financial situation and repayment capabilities are carefully considered to qualify for this type of loan.

d) *Others*

Other loan products encompass a diverse range of financial instruments tailored to specific needs beyond real estate and gadgets. These include personal loans, motorcycle loans, among others. Personal loans offer funds for various purposes, from consolidating debt to covering unexpected expenses, typically based on the borrower's creditworthiness. Motorcycle purchases, providing financing options for new or used motorcycles, with terms ranging from a few years to a decade.

- **Bills Payment**

The bank now offers a convenient service for SAMELCO 1 consumers: paying electricity bills incurs a minimal charge of Php 5.00 per transaction. Additionally, depositors and other clienteles can easily make payments or withdrawals through POS transactions for a fee of Php 20.00 per transaction.

D. RBCCI's Website

Website: https://rbcalbayog.com/

Social Media Pages:

Facebook: https://www.facebook.com/profile.Php?id=100086306274335

YouTube: https://www.youtube.com/@ruralbankofcalbayogcityinc1720

E. List of Banking Units

RBCCI operates through multiple branches and branch-lite offices. The bank's main office serves as the central hub, while the two branches are located in Sta. Margarita and Allen. Additionally, there are two branch-lite offices known as the Money Shop Branch-lite Office and the Oquendo Branch-lite Office.

- **Calbayog Main Branch** – All operational aspects are available in the main branch. All types of Savings accounts and time deposits. The main branch is the only office that provides loan processing and approval.

  Address: 82T Bugallon St. Brgy. Central (Poblacion), Calbayog City, W. Samar, 6710
  Contact Details:
  Landline: (055) 209-1265 | (055) 209-1407 | (055) 209-2541
  Accounting: 0965-308-7958
  Loans: 0965-308-7892
  Collection: 0916-834-7200
  Compliance and Internal Audit: 0965-746-2763

- **Branches other than the Main Branch** – All types of Savings accounts and time deposits. Loan applications and loan payments are also accepted.

  Sta. Margarita Branch
  Address: Brgy. Cautod, Sta. Margarita, W. Samar, 6709
  Contact Details: 0997-155-5070

  Allen Branch
  Address: Rizal St., Brgy. Sabang 1, Allen, N. Samar, 6405

Contact Details: 0916-648-6683

- **Branch-lite Offices** – All types of Savings accounts and time deposits, as well as loan payments are accepted.

Oquendo Branch-lite Unit
Address: Brgy. Oquendo (Poblacion) Calbayog City, W. Samar, 6710
Contact Details: 0935-141-2430

Money Shop Branch-lite Unit
Address: Brgy. Bagacay, Calbayog City, W. Samar, 6710
Contact Details: 0997-155-5070

For all concerns, queries, and complaints, clients may contact any of the foregoing contact numbers or send an email to customercare@rbcalbayogcity.com .

SECTION III. FINANCIAL SUMMARY / HIGHLIGHTS[2]

A. Profitability Ratios

MINIMUM REQUIRED DATA	PARENT BANK (SOLO)	
	Current Year (2023)	Previous Year (2022)
Total Net Interest Income	Php 12,259,171.00	Php 11,077,712.00
Total Non-interest Income	12,104,179.00	3,667,524.00
Total Non-interest Expense	16,213,286.00	13,046,862.00
Pre-provision Profit	8,150,064.00	1,698,374.00
Provision for Income Tax	1,266,979.00	352,468.00
Allowance for Credit Losses (GLLP and SLLP)	11,671,614.00	14,666,137.00
Net Income	Php 6,883,085.00	Php 1,345,906.00

Return on Equity (ROE)	14.19%	3.03%
Return on Assets (ROA)	3.47%	0.71%
Net Interest Margin	6.72%	6.27%

[2] As provided in the submitted Audited Financial Statements 31 December 2023, following Section 174 of the MORB.

B. Capital Ratios, including the components of capital adequacy and requirements

MINIMUM REQUIRED DATA	PARENT BANK (SOLO)	
	Current Year (2023)	Previous Year (2022)
Tier 1 Capital Ratio	30.64%	19.25%
Tier 2 Capital Ratio	0.41%	0.30%
Capital Adequacy Ratio	31.05%	19.55%

Components of Tier 1:		
CET 1 Capital:		
Paid-up Common Stock	Php 20,000,000.00	Php 20,000,000.00
Retained Earnings	26,881,656.00	21,114,889.00
Deductions from CET 1:		
Deferred Tax Asset	(25,346.00)	(111,126.00)
Total CET 1 Capital	**Php 46,856,310.00**	**Php 41,003,763.00**
Additional Tier 1:		
Paid-up Preferred Stock	5,000,000.00	4,005,000.00
Total Tier 1	**Php 51,856,310.00**	**Php 45,008,763.00**
Components of Tier 2:		
General Loan Loss Provision	P 691,600.00	P 691,600.00
Deductions from Tier 2	0.00	0.00
Total Tier 2	**Php 691,600.00**	**Php 691,600.00**
Total Qualifying Capital	**Php 52,547,910.00**	**Php 45,700,363.00**

Capital Requirements For Year 2023:	Net Carrying Amount	Risk Weighted Amount
Credit Risk		
0% Risk Weight	Php 30,687,832.00	Php 0.00
20% Risk Weight	0.00	0.00
50% Risk Weight	28,171,177.00	14,085,588.00
75% Risk Weight	18,873,061.00	14,154,796.00
100% Risk Weight	1,223,722.00	1,223,722.00
150% Risk Weight	11,931,631.00	17,897,446.00
100% Risk Weight (Other Assets)	102,694,051.00	102,694,051.00
Total Credit Risk-Weighted Assets	**Php 193,581,475.00**	**Php150,055,604.00**
	Capital Charge (10% of Credit RWA)	**Php 15,005,560.40**

Market Risk:	**Php 0.00**	**Php 0.00**

Operational Risk:	
Average Gross Income for the Past Three Years[3] (2020-2022)	Php 13,236,014.00
Capital Charge (12% of ave. gross income)	**1,588,322.00**
Adjusted Capital Charge by 125%	1,985,402.00
Total Operational Risk-Weighted Assets (adj. capital charge multiply by 10)	**Php 19,854,021.00**

Total Risk Weighted Assets	**Php 169,909,625.00**

[3] Based on the 2020 to 2022 Audited Financial Statements submitted.

C. Performance Ratios

MINIMUM REQUIRED DATA	PARENT BANK (SOLO)	
	Current Year (2023)	Previous Year (2022)
Liquid Assets	Php 187,335,269.00	Php 198,910,721.00
Gross Loans	103,724,861.00	80,915,979.00
Total Assets	192,889,765.00	203,421,739.00
Deposits	136,444,153.00	146,638,029.00
Total Equity	Php 51,881,656.00	Php 45,119,889.00

Ratio of Liquid Assets Over Deposits	137.30%	135.65%
Debt to Equity Ratio	271.79%	350.85%
Past Due Ratio	20.39%	33.46%

SECTION IV. FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Message from the Chairman

"Together we will grow" – this newly proposed tagline emerged from the latest strategic planning session conducted by the Board in anticipation of 2024. While on the surface, this phrase may seem innocuous and commonplace, a closer examination reveals its profound relevance as an appropriate depiction of the bank's accomplishments over the past five years. It will undeniably remain the driving mantra as we navigate the latter half of this decade.

In 2018, just as the economic landscape was looking very bright, our loan portfolio was at Php 67.89 million increasing to Php 80.21 million in 2020, despite the pandemic induced fiscal reduction and now currently stands at Php 114.45 million.

2018 was an opportunistic year and our assets stood at Php136 million rising to Php 155 million, a testament to the resilient nature of the bank's performance and are now at Php 223 million, a certain sign of the continuing growth of the bank. Capital grew from Php 37.51 million in 2018, inching higher to Php 39.21 million in 2020 and finally bursting at a healthy Php 50.39 million in 2023. All this was achieved with minimal investment intervention but rather through ever improving performance.

To further fuel the bank's progress and in conjunction with its new tagline, a conscious establishment of customer centric and proactive programs simultaneously with the introduction of new products and deliberate transition into the digital landscape, we are confident that indeed "Together We Will Grow".

B. Report of the President and CEO

Before we examine the financial report, I extend my heartfelt thanks for your steadfast support. Your investment and its Return on Investment are paramount.

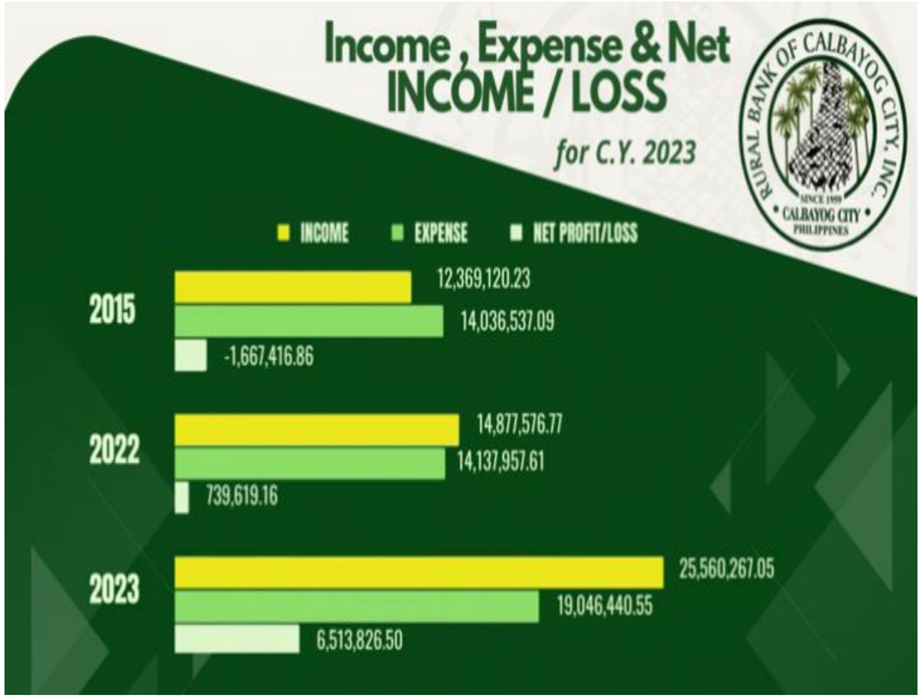
I am delighted to announce that for the last three years (2021-2023), we have consistently distributed dividends. This year marks a significant achievement as we declare a record dividend of Php 1.25 million. Following a 10% tax deduction, this dividend will be disbursed on 21 February 2024. In 2023, the dividend payout is Php 5 per share. Management and the board are committed to aiming for a dividend between Php 10 and Php 12 per share, equating to a 10-12% annual ROI for both common and preferred shares starting in 2024.

Financial Reports

Going back to 2015, our capital stood at Php 34.5 million, and we faced a challenging Php 1.6-million loss. This setback became the catalyst for the Board and Management to strive for greater heights. Last year, we achieved our highest gross income of Php 25.6 million, with a taxable income of Php 8.4 million and saw our capital grow from Php 34.5 million to Php 50.329 million in 2023 – an impressive achievement for our institution.

The bar graphs below show the comparative financial performance of the Bank from 2015, 2022, and 2023 as well as the comparative projection and actual financial analysis.

Comparative Income (2015, 2022, 2023)



Projected Income vs. Actual Income

Of course, we do not intend to stop there. Moving forward, we aspire to reach even greater financial milestones, aiming to set new benchmarks and elevate our income to unprecedented heights.

Reflecting on the financial operations of the Bank for the previous years, particularly in 2015 when the past due ratio skyrocketed to 57% and heavily skewed towards unsecured loans, the Board and the Management focused on growing the loan portfolio in 2023, a significant shift resulting to a substantial increase in the total loan portfolio to Php 114 million with 90% secured loans by 2023 and improving bad debt collection.

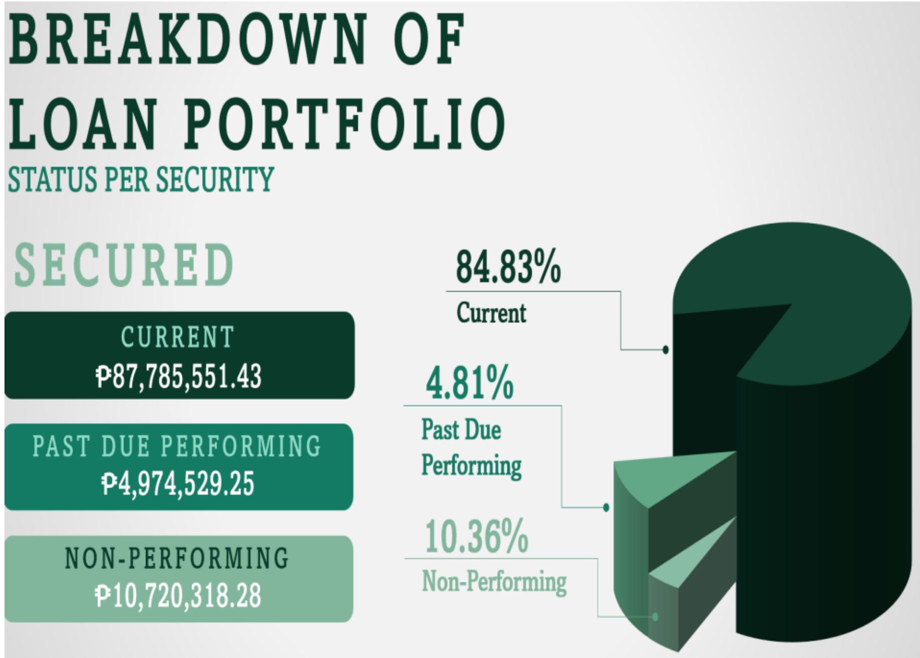
LOAN STATUS	2015		2023	
Current	Php 17,350,454.75	40.3%	Php 91,253,469.40	79.6%
Pas Due	24,505,163.64	56.9%	14,888,580.79	13%
Litigation	1,200,380.88	2.79%	8,484,215.96	7.4%
TOTAL	**Php 43,055,999.27**		**Php 114,626,266.15**	

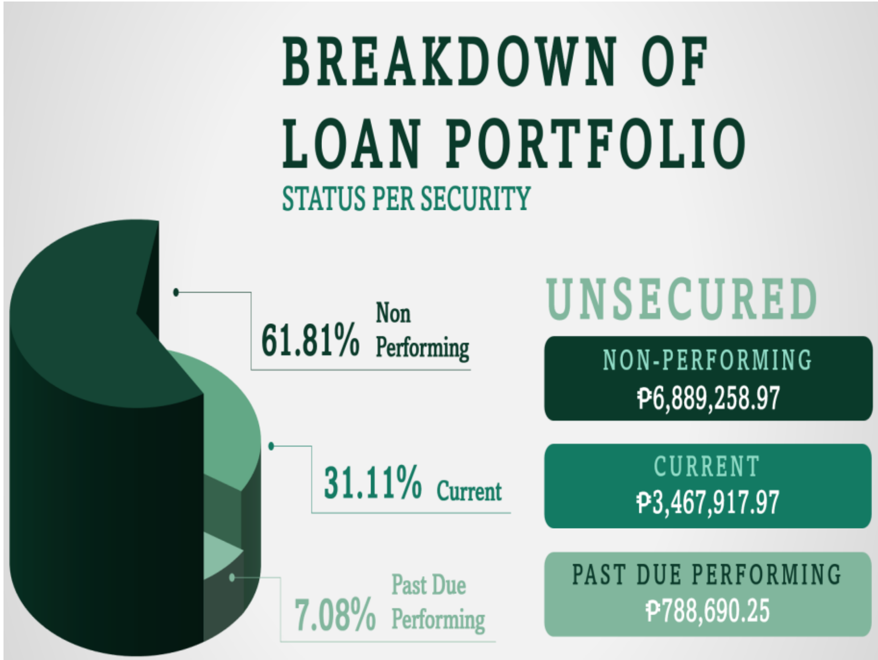
LOAN RELEASES	2015		2023	
Secured	Php 0.00	0%	Php 67,630,035.11	92.3%
Unsecured	7,287,000.00	100%	5,623,305.68	7.67%
TOTAL	**Php 7,287,000.00**		**Php 73,253,340.68**	

The reduction of past due loans is crucial to the bank's performance and profitability and the continued reduction of the ratio is a directive of the BSP and to conform with the industry standard at 25%.

The breakdown above indicates that the majority of the loan portfolio is current, with 79.61% of loans being actively serviced without issues. The past due loans are divided into non-performing and ITL categories, with 7.96% and 7.40% respectively.

The figure below will help the understand the health and risk exposure of the loan portfolio per security:





It can be gleaned from the figure above that the secured loans dominantly represent current accounts showing 84.83% while 61.81% of the unsecured loans comprise non-performing loans, which increases the credit risk of the Bank on unsecured loans.

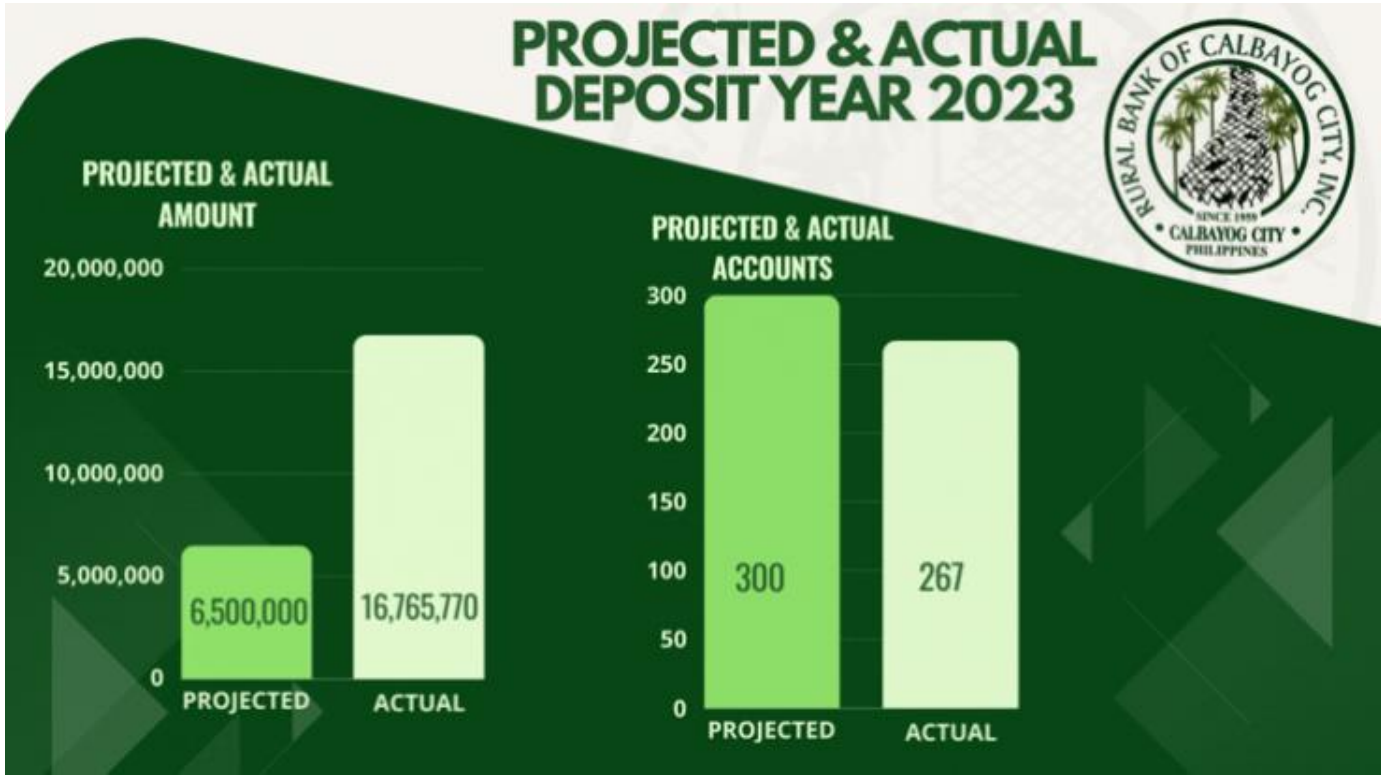
Due this, the Board and the Management opted to avoid the salary loan, seeking to recover the old past accounts arising from the old management.

ITEM	PROJECTED	ACTUAL	%TO TARGET
SECURED:			
No. Of Accounts	25	49	196.00%
Total Amounts	15,000,000	67,630,035.11	450.87%
UNSECURED:			
No. Of Accounts	45	51	113.33%
Total Amounts	15,000,000	5,623,305.68	37.49%
2023 LOAN RELEASE:			
No. Of Accounts	70	100	142.86%
Total Amounts	30,000,000	73,253,340.79	244.18%
GROSS LOAN Amounts	110,000,000	114,626,266.15	104.21%

The projections serve as a key performance indicator offering into how closely the bank actual results align with the banks initial projection.

The loan performance for 2023 exceeded expectations in several key areas. The bank projected a total loan amount of Php 110 million but achieved an actual loan portfolio of Php 114.63 million, surpassing the target by 4.21%. This demonstrates a positive variance, indicating that the bank exceeded its loan target by Php 4 million. Additionally, the actual loan releases for the year amounted to Php 67 million. In addition, secured loans saw remarkable growth, with the number of accounts reaching 49, nearly doubling the projected 25 accounts. The total amount for secured loans was Php 67.63 million, a significant 450.87% of the target, reflecting the bank's aggressive lending strategy. Unsecured loans also performed well in terms of the number of accounts, exceeding the target by 13.33% with 51 accounts compared to the projected 45. However, the total amount for unsecured loans was Php 5.62 million, achieving only 37.49% of the target, indicating a more conservative approach in unsecured lending.

As for the cash (deposit) operations, the Bank easily reached the Php 6.5 million deposit target, with actual amount of Php 16.765 million for 2023, although it fell short in terms of the projection on the number of newly opened accounts. This achievement is attributed, not only due to the required opening for new loans, but also due to the increased good reputation of the Bank raising the bar for trust and confidence.



Speaking of the Bank's reputation, the Management is actively investing effort into enhancing it, as evidenced by the ongoing renovations of the building. The updated look now exudes a more contemporary appearance compared to its previous state.

BEFORE

AFTER

SECTION V. RISK MANAGEMENT FRAMEWORK

A. Overall Risk Management Culture and Philosophy

Banking is in the business of managing risks. Risk is the exposure to loss that may have an adverse impact on the Bank's capital and earnings. They are usually unavoidable, but the consequences can be prevented. Sometimes it is exposure to the consequences of risks that needs to be managed rather than exposure to risks themselves.

A complete risk management cycle consists of identifying, analyzing, capturing, measuring, controlling, managing, re-evaluating, reporting and disclosing the risks and the possible consequences involved.

The main risks that RBCCI has identified in its operations are credit risk, market risk, liquidity risk, operational risk and compliance risk. These risks are managed with the overall objective of maintaining financial soundness and avoiding activities that could threaten the Bank's reputation.

The Bank's risk management framework comprises of risk policies and procedures formulated for each of the risks identified to assess, measure, monitor, and report risks including several layers of limits set to manage the exposure to quantifiable risks. RBCCI recognizes that effective risk management is based on a sound risk culture which is characterized, among others, by a high level of awareness concerning risk and management in the organization. Regular training of staff in risk-related matters is part of the Bank's risk management practice.

B. Risk Governance Structure

Successful implementation of the risk management process emanates from the top with the demonstration of its strong commitment to integrate basic operations and strategic decision-making in risk management. Thus, the Board of Directors (BoD) and Senior Management should have adequate understanding of how the Bank's risk profile is affected by varied factors.

In general, RBCCI's BoD is responsible for establishing the Bank's risk appetite and tolerance under normal and stressed scenarios, for the approval of strategic and action plans, providing sufficient support for the implementation of the approved plans, and oversight on the implementation of the same.

On the other, President and CEO is responsible for managing the risk profile of the Bank within the framework set and for ensuring that the Bank's aggregate risk is consistent with its financial resources and willingness to take risk. In addition, he shall report to the BoD all major/high risk deficiencies and changes to policies, procedures and/or processes to correct, revise and/or create a policy, procedure and/or process to be included in the RBCC Policies and Procedures Manual, addressing the noted findings/non-conformities.

As for the Compliance Officer and Internal Audit Head, they shall be responsible in conducting independent reviews and assessment to ensure that all regulatory requirements are complied with, and established policies and procedures are followed in all levels of the Bank. Likewise, they shall be responsible in reporting all findings and/or non-conformities noted to the Internal Control and Audit (Compliance) (ICAC) Committee for appropriate actions.

Lastly, Section Heads and their subordinates shall be responsible in monitoring the Bank's day-to-day operations, implementing the approved strategic and/or action plans and reporting to President and CEO any indicators, triggers, or breaches of risk appetite and tolerance affecting the Bank.

C. Risk Management Process

RBCCI has identified the following risks in its operations, which shall be managed with the overall objective of maintaining financial soundness and avoiding activities that threatens the Bank's operations: business and strategic, credit, market and investment, interest rate, liquidity, operational, compliance, and reputational risks. In addition to defining, documenting and updating the relevant policies and procedures, the Bank has developed, implemented, and maintains risk management framework for each of the foregoing identified risks as outlined in its RBCC Policies and Procedures Manual Chapter 10, which provides strategic direction and guidelines to ensure effective risk management. The frameworks provide comprehensive capture of data elements needed to measure and verify the risk exposures as well as implementing appropriate reporting systems and mitigation strategies.

As to measurement of identified risks, a 3X3 matrix is maintained and used by multiplying the ratings based on the probability and severity criteria.

As a rule, the ratings used shall be 1 to 3, with 1 as the low risk and 3 being the high risk. Unlike the probability criterion, severity has four (4) factors, namely: financial, client, legal and regulatory, and reputation. Each severity factor shall be assessed using the aforesaid matrix.

D. Risk Appetite and Strategy

RBCCI's ability to take risks depends on its risk-bearing capacity, considers the various risk types and is operationalized via thresholds, policies, processes, and controls. Establishing a strong risk culture and effective risk governance framework is essential for managing risk effectively and within acceptable levels. Portfolio risk limits for the quantifiable risk types are cascaded and other significant risk aspects are guided by qualitative expression of principles to ensure that the Bank's risk-taking activities are conducted in a controlled and transparent manner.

The following factors are used to determine the appetite of the Bank to ensure that the risk-taking activities align with its overall business objectives and regulatory requirements.

1. Capital Adequacy by ensuring that the Bank maintains the sufficient capital requirements to absorb potential losses arising from its risk-taking activities;

2. Asset Quality by assessing the quality of the Bank's assets such as the performance of loan portfolio and the creditworthiness of the borrowers;

3. Liquidity Management by maintaining the liquidity position enabling the Bank to meet its obligations as they fall due and ensuring to withstand liquidity stress scenarios;

4. Operational Risk by ensuring the continuity of business operations within the acceptable risk parameters for internal processes, systems, external events, and even people;

5. Compliance Risk by continuing to adhere with the regulatory requirements outlining acceptable levels of exposure in different areas such as capital, credit, liquidity, and operational risk, in addition to other standards fundamental for Rural Banks which if not complied may result to imposition of penalties, reputational damage, and other legal consequences; and
6. Strategic Risk by ensuring that the Bank's risk appetite aligns with the Bank's strategic objectives and business model.

To reiterate, RBCCI has identified the following risks in its operations, which shall be managed with the overall objective of maintaining financial soundness and avoiding activities that threatens the Bank's operations: business and strategic, credit, market and investment, interest rate, liquidity, operational, compliance, and reputational risks.

E. Practices Implemented to Mitigate and/or Prevent ML/TF Risks

To protect the Bank's integrity against unscrupulous perpetuators of money laundering activities, RBCCI created policies, procedures, and controls to combat money laundering and prevent terrorist financing, which shall serve as a tool for its employees, officers, as well as the BoD, in performing their duties and responsibilities.

As provided in the Bank's policies and procedures manual, particularly under Chapter 12, and in compliance to Section 905 of the MORB, the following policies shall be adhered to combat money laundering:

1. Use of anonymous, fictitious names or coded accounts unless otherwise permitted under any existing laws shall not be allowed nor kept by RBCCI;

2. Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system;
3. Sufficiently know your customer at all times and ensure that the financially or socially disadvantaged are not denied access to financial services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank;
4. Adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing;
5. Equip bank personnel awareness on money laundering activities and provide training programs in combating the same;
6. Comply fully with existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance;
7. Act promptly and treat with utmost confidentiality all requests for information and/or documents, as well as orders, to provide customer records pursuant to the AMLC's functions to investigate or conduct bank inquiry; and
8. Fully cooperate with AMLC for the effective implementation and enforcement of the AMLA, as amended, and its RIRR.

Furthermore, preventive measures are put in place as added layer against money laundering and terrorist financing activities such as, but not limited to, customer due diligence, record keeping, and transaction reporting.

Customer Due Diligence is mandatory in several instances such as when establishing new relationships, conducting occasional significant transactions for non-regular clients, when suspicions of money laundering or terrorist financing arise, or when existing identification data is in doubt. To comply with regulatory standards, RBCCI has implemented robust systems, methods, and internal controls, varying based on customer type, business relationship, and the nature of transactions. The process includes:

a. Customer Identification

This involves face-to-face contact at the outset of the relationship, or as soon as feasible, ensuring minimal disruption to business operations. Information and Communication Technology may assist in these procedures, provided that the Bank is in possession of and has verified the identification documents submitted by the prospective Client prior to the interview and that the entire procedure is documented.

b. Verification of Beneficial Owners

When transactions are conducted on behalf of others, the Bank verifies the identities of both the account holder and the beneficial owner. This includes determining their roles and responsibilities through documented evidence, applying enhanced diligence if suspicions of misuse arise.

c. Politically Exposed Persons (PEP)

Special measures are in place for PEPs and their relatives or associated entities, including senior management approval for business relationships, and ongoing monitoring to assess risks.

d. Risk Assessment

Each client is evaluated based on various criteria such as the nature and purpose of their transactions, the amount and regularity of funds involved, and whether they originate from high-risk jurisdictions or exhibit suspicious transaction indicators. Clients are categorized into low, normal, or high risk, with corresponding levels of due diligence applied.

e. Ongoing Monitoring

Regular updates of customer information occur at least every three years, or more frequently if risks warrant it. Enhanced due diligence is triggered by new information indicating potential inaccuracies, increased risk status, or suspicious transaction indicators.

As for **Record Keeping**, the Bank maintains meticulous records of customer identification and transaction documents. These records are securely stored for a minimum of five years from the transaction dates, ensuring they can be reconstructed as needed to provide evidence for potential legal proceedings against illicit activities, except in the following instances:

a. Retention During Legal Proceedings

If a court case involves an account, records pertaining to that account must be retained beyond the standard five-year period. They are kept until officially confirmed by the AMLC Secretariat that the case has been conclusively resolved, decided, or terminated.

b. Closed Accounts

Even after accounts are closed, the Bank retains and safely stores records of customer identification and transactions for at least five years from the closure dates.

c. Record Format

All records are preserved in their original form or in formats that are legally admissible in court.

Electronic copies of covered and suspicious transaction reports submitted to the AMLC are also archived for at least five years from the submission dates. For clients categorized as Low Risk, the Bank maintains and stores records of customer information and transactions in any form deemed appropriate.

Lastly, in accordance with stringent anti-money laundering regulations, the Bank mandates reporting of transactions that meet specific criteria to the Anti-Money Laundering Council (AMLC). Transactions exceeding Five Hundred Thousand Pesos (Php 500,000.00) within one banking day are classified as covered transactions. Additionally, any transaction flagged with suspicious indicators outlined in regulatory guidelines, regardless of amount, is categorized as a suspicious transaction.

Upon identifying a suspicious transaction, the Bank must promptly determine its suspicious nature within ten calendar days from the transaction date, unless the transaction is linked to unlawful activities or money laundering, in which case the timeline starts from the Bank's awareness. All covered and suspicious transactions must be reported to the AMLC within five working days, unless specified otherwise by the AMLC, not exceeding fifteen working days.

In **Reporting of Covered and Suspicious Transactions**, the following guidelines shall be observed:

a. Substance and Form of Reports

The Bank shall ensure the accuracy and completeness of covered and suspicious transaction reports, which shall be filed in the forms prescribed by the AMLC and be submitted in a secured manner to the AMLC in electronic form.

b. Confidentiality of Reporting

The Bank and any of its employees and bank Officers are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person or entity, or the media, the fact that a covered or suspicious transaction has been or is about to be reported, the contents of the report, or any other information in relation thereto.

Furthermore, any information about such reporting shall not be published or aired, in any manner or form, by the mass media, or through electronic mail, or other similar devices. In case of violation thereof, the concerned employee and/or bank Officer shall be held criminally liable.

c. Exemption to Confidentiality of Reporting

The Bank and any of its employees and bank Officers shall not be deemed to have violated the law on secrecy of bank deposits and other similar laws when reporting covered and suspicious transactions to AMLC. In the same manner, no administrative, criminal or civil proceedings shall lie against any person for having made a covered or suspicious transaction report in the regular performance of his duties and in good faith, whether or not such reporting results in any criminal prosecution under the AMLA or any other Philippine law.

The foregoing measures and practices underscores the Bank's commitment to regulatory compliance, ensuring transparency, accountability, and integrity in its transactions as well as the prevention of money laundering and other related and predicated crimes.

SECTION VI. CORPORATE GOVERNANCE

A. Overall Corporate Governance Structure and Practices

The corporate governance is a critical component of sound strategic business management and, therefore, the Board of Directors (BoD) and Management of the Rural Bank of Calbayog City, Inc. (RBCCI) will undertake every effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability and transparency are indispensable in conducting the day-to-day business of the bank.

Pursuant to Section 15 and 17 of R.A. No. 8791, as stipulated under Section 132 of the MORB 2020, RBCCI shall have at least five (5) directors, and a maximum of fifteen (15) members to ensure that the number thereof is commensurate to the size and complexity of the BSFI's operations.

RBCCI'S BoD operates with significant independence from its management which consists of five (5) directors, namely:

1. The Chairman of the Board, a non-executive position, as appointed by the members of the BoD;
2. The President and CEO, an executive director of RBCCI, appointed separately from the Chairman of the Board;
3. An Independent Director, having no interest or relationship with RBCCI at the time of election, appointment or re-election; and
4. Directors, elected annually by RBCCI stockholders during its Annual Stockholders Meeting held every January.

B. Selection Process for the Board and Senior Management

Identifying, assessing, and selecting candidates to ensure that the elected and/or appointed directors and officers meet fit and proper standards in accordance with the regulatory and bank-established standards is a critical process. As such, RBCCI follows a structured procedure as indicated below:

1. **Identifying Candidates**

   Generally, RBCCI utilizes referrals for the members of the BoD. As for the key officers, hiring preference is given first to employees working for the company. This is to provide opportunities for employees for their career growth. They will however still have to meet the minimum qualifications set for the applied positions.

   - Chairman of the Board of Directors
     a. He must be a non-executive director or an independent director, to promote checks and balances; and
     b. He must not have served as CEO of the Bank within the past three (3) years.

   - Independent Director
     a. Under SEC Memorandum Circular No. 16, series of 2002
        i) He must have at least one (1) share of stock of the Bank;
        ii) He must be at least a college graduate, or he must have been engaged or exposed to the business of the corporation for at least five (5) years;
        iii) He shall possess integrity/ probity; and
        iv) He shall be assiduous.

b. Additional Qualifications
   i) He must not been a member of the executive committee of the BoD, an officer or employee of the Bank, its subsidiaries of affiliates or related interests during the past three (3) years counted from the date of his election;
   ii) He must not be a director or officer of any related financial institution;
   iii) He must not be a stockholder with shares of stock sufficient to elect one seat in the BoD;
   iv) He must not be a relative within the fourth degree of consanguinity of affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the BoD;
   v) He must not be acting as a nominee or representative of any director or substantial shareholder of the Bank;
   vi) He must not be retained as professional adviser, consultant agent or counsel of the Bank, either in his personal capacity or through his firm; and
   vii) He must not be engaged and does not engaged and does not engage in any transaction with the Bank or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is partner/ director/ substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.

- <u>Directors</u>

a. He must be fit and proper for the position of a director.

In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/ probity, physical/ mental fitness, competence, relevant education/ financial literacy/ training, diligence and knowledge/ experience.

b. He must be a holder of at least one (1) share of stock of the Bank;
c. He must have attended a special seminar on corporate governance for BoD conducted or accredited by the BSP and SEC: Provided, that incumbent Directors must attend said seminar within a period of six (6) months from date of election;
d. He shall be assiduous in his work habits; and
e. He must possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

- <u>President and CEO</u>

In addition to the qualifications specified for Officers under Section 134 of the MORB, the President and CEO shall possess the following:

a. Should be a graduate of any business or management courses or related field;
b. Must have extensive experience in the banking sector, preferably with a significant portion of that experience in rural banking;
c. Must have proven track record of leadership, demonstrating the ability to lead and inspire teams;
d. In-depth understanding of banking regulations, particularly those relevant to rural banks;
e. Have strong financial management skills, including budgeting, financial analysis, risk management, and capital allocation;

f. Excellent communication skills, both verbal and written, with the ability to effectively communicate with diverse stakeholders including board members, staff, customers, and regulators;
g. Strong interpersonal skills to build and maintain a cohesive and motivated team;
h. Have ability to innovate and adapt to changes in the banking industry, leveraging technology and digital solutions to enhance operational efficiency and customer service;
i. Strong analytical and critical thinking skills to identify issues, evaluate alternatives, and make timely and effective decisions; and
j. Demonstrated commitment to the mission and values of rural banking, with a passion for serving underserved communities and promoting financial inclusion.

- Compliance Officer

In addition to the qualifications specified under Section 134 of the MORB, the Compliance Officer shall possess the following:

a. Should be a graduate of any Business Courses or related field;
b. Should have at least two (2) years of work experience in the related field;
c. Knowledgeable in banking/financial regulatory requirements, an advantage;
d. Good command in verbal and written English;
e. Must be detail oriented;
f. Must be computer literate (MS Word, Excel, PowerPoint, etc.); and
g. None of the disqualifications under Section 138 of the MORB.

- <u>Internal Audit Head</u>

  Similar with Compliance Officer who shall possess the qualifications specified under Section 134 of the MORB, Internal Audit Head shall possess the following:

  a. Should be able to demonstrate competence;
  b. At least two (2) years fulltime practical workplace experience in a bank;
  c. Shall be knowledgeable of the provisions stated in BSP's MORB as may be applicable to RBCCI's operations;
  d. Should have undergone training to ensure competence to carry out and manage internal audits;
  e. Good command in verbal and written English;
  f. Must be computer literate (MS Word, Excel, PowerPoint, etc.); and
  g. None of the disqualifications under Section 138 of the MORB.

2. Assessing Candidates

All referrals and applications will undergo rigorous screening against the established qualifications to create a shortlist of candidates. Following this, initial interviews will be conducted via phone, video, or face-to-face to evaluate their qualifications, experience, and suitability for the role.

Furthermore, the Bank will conduct a thorough assessment of fitness and propriety, meticulously evaluating integrity, physical and mental fitness, competence, relevant education and financial literacy, training, diligence, experience, and availability to fulfill responsibilities.

Moreover, comprehensive background, financial, and reference checks will be conducted to ensure candidates do not pose risks related to financial integrity or fraud, and to gain insights into their conduct.

3. Decision Making and Selection of Candidates

Throughout the decision-making process, meticulous documentation was maintained. This documentation encompassed detailed records of the selection criteria, the rationale behind each decision, and any pertinent observations made during interviews and assessments.

Once selected, the candidate shall be provided with a comprehensive orientation session covering regulatory mandates, Bank's policies and procedures, and training on corporate governance. This is to equip him with the necessary knowledge and resources to navigate his role effectively from day one.

Following the panel interviews, assessments, the final step involved obtaining confirmation from the Bangko Sentral to ensure that all regulatory standards and protocols were met.

C. Board's Overall Responsibility, together with the Role and Contribution of the Chairman of the BoD

The corporate powers of RBCCI shall be exercised, its business manage, and all its property controlled and held, by its BOD. The powers of the BOD as conferred by law are original and cannot be revoked by the stockholders. Likewise, the directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.

Under Section 132 of the MORB, the following are the specific duties and responsibilities of the Chairman of the Board, BOD, Directors and Independent Director:

- **Board of Directors**

1. Select and appoint officers who are qualified to administer the bank effectively and soundly and to establish adequate selection process for all personnel;
    - It is the primary responsibility of the BOD to appoint a competent Management Team. The BOD should apply fit and proper standards on key personnel.

2. Establish objectives and draw up a business strategy, consistent with the Bank's objectives and business plans to direct its on-going activities;
    - The board should ensure that performance against the plan is regularly reviewed with corrective action taken as needed.

3. Conduct the affairs of the Bank with high degree of integrity;

- It is in the Bank's best interest that in its dealings with the public high standard of integrity is observed. The BOD should prescribe corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.

4. Establish and ensure compliance with sound written policies;
   - The BOD should adopt written policies on all major business activities, i.e., investments, loans, assets and liability management, business planning and budgeting.

5. Prescribe a clear assignment of responsibilities and decision-making authorities, incorporating a hierarchy of required approvals from individuals to the BOD;
   - The BOD should establish in writing the limits of the discretionary powers of each officer, committee, and such other group for the purpose of lending, investing or committing the Bank to any financial undertaking or exposure to risk at any time.

6. Effectively supervise RBCCI's affairs;
   - The BOD should establish a system of checks and balances which applies in the first instance to the BOD itself. The system should also provide a mechanism for effective check and control by the BOD over the President and CEO and the latter over the officers of the Bank.

7. Monitor, assess and control the performance of Management;
   - The BOD shall put in place an appropriate reporting system so that it is provided with relevant and timely information to be able to effectively assess the performance of Management.

8. Adopt and maintain adequate risk management policy;
   - The BOD shall be responsible for the formulation and maintenance of written policies and procedures relating to the management of risks throughout the Bank.

9. Constitute the Internal Control and Audit (Compliance) (ICAC) Committee, which shall be comprised of independent board members, preferably with accounting and finance experience to provide oversight of the Bank's internal and external auditors;

10. Conduct/hold meeting/s regularly to properly discharge BOD functions;
    - Independent views in BOD meetings shall be given full consideration and all such meetings shall be duly documented.

11. Keep the members of the BOD and the shareholders informed;
    - It is the duty of the board to present to all its members and to the shareholders a balanced and understandable assessment of the Bank's performance and financial condition. It should also provide appropriate information that flows internally and to the public. All members of the BOD shall have reasonable access to any information about the Bank.

12. Assess at least annually the performance and effectiveness of President and CEO, ICAC Committee and other officers of the Bank; and

13. Keep authority within the powers of the Bank as prescribed in the Articles of Incorporation, By-laws and in existing laws, rules and regulations.

- The BOD should appoint a Compliance Officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The Compliance Officer shall be vested with appropriate authority and provided with appropriate support and resources.

- **Chairman of the Board**

1. Ensure that the BOD is properly informed, and that sufficient information is provided to enable them to formulate appropriate judgements;
2. Ensure that the order of the agenda and the conduct of meetings do justice to the importance of the issues before the BOD;
3. Work closely with the President and CEO to develop and discuss which items should appear in BOD' regular and/or special (as applicable) meetings;
4. Provide independent advice and counselling to the President and CEO; and
5. If there is a vote and it is dead lock, the Chairman's view shall prevail.

- **Directors**

1. Conduct fair business transactions with the Bank and to ensure that personal interest does not bias Board decisions;

2. Act honestly and in good faith, with loyalty and in the best interest of the Bank, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public;
   - While a Director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

3. Devote time and attention necessary to properly discharge their duties and responsibilities;
   - Directors must attend and actively participate in Board and Committee meetings, request and review meeting materials, ask questions, and request explanations.

4. Act judiciously;
   - Before deciding on any matter brought before the BOD, every Director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

5. Exercise independent judgment;
   - A Director should view each problem / situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position.

6. Have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the content of its Articles of Incorporation and By-laws, the requirements of the BSP, and where applicable, the requirements of other regulatory agencies;

7. Observe confidentiality; and
   - Directors must not disclose non-public information to any other person without the authority of the BOD.

8. Acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same.

- **Independent Director**

1. Devote time and attention necessary to properly discharge their duties and responsibilities;
   - Independent Director should strive to attend all meetings of the BOD and of the Board committees of which he is a member.

2. Be well informed about the Bank and have a working knowledge of the statutory and regulatory requirements affecting the Bank and, where applicable, the requirements of other regulatory agencies;

3. Exercise independent judgment;
   - Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct. When a disagreement with others occurs, he should carefully evaluate the situation and state his position.

4. Refrain from any action that would lead to loss of his independence;
   - Where circumstances arise which make the independent director lose his independence, the independent director must immediately inform the Board accordingly.

5. Not abuse his position to the detriment of the Bank or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person; and

6. Observe confidentiality.
   - Independent Director must not disclose non-public information to any other person, unless such disclosure is expressly approved by the Board or required by law.

D. Board Composition and Qualifications of Each Board Member

- **Board Composition**

Name	Type of Directorship	Principal Stockholder Represented (if Nominee)	Number of Years Served as Director	Number of Shares Held (Common & Preferred)	% of Shares Held (250,000 shs)
Ma. Rosario R. Santos	Non-executive	-	21.92 yrs.	15,976	6.39
Alan Giles Mary S. Sarmiento	Executive	-	8.25 yrs.	52,856[4]	21.14
Alfred Dennis B. Ancheta	Non-executive	-	8.33 yrs.	146	.06
Reynaldo M. Prudenciado, Jr.	Non-executive	-	5.08 yrs.	952	0.38
Jomari Jess S. Abellar	Independent	-	0.33 yrs.	2	0.00

[4] 26,856 common shares (out of 200,000 shares) and 26,000 preferred shares (out of 50,000 shares)

- **Qualifications of Each Board Member**

MA. ROSARIO R. SANTOS
Chairman of the Board of Directors

Ma. Rosario R. Santos, 64, Filipino, was elected to the Board on 19 January 2002, and has since stayed in the Board. She served as Vice Chairman from 5 May 2005 to 30 September 2006. She further served as President of the Rural Bank of Calbayog City, Inc. from January 2014 to January 2015 and Vice President from January 2015 to January 2016. She was elected as Chairman of Board since August 2023.

She is presently the President of Sanrose Sisters Land Corp and Vice President and Corporate Secretary of Sanrose Management, Inc.

She received her Bachelor of Science in Management (with honors) from the College of the Holy Spirit 1981 and a scholarship for a Postgraduate Degree in Business Administration from Universitas 21 Global in March 2009.

ALAN GILES MARY S. SARMIENTO
Member of the Board of Directors
President and CEO

Alan Giles Mary S. Sarmiento, 57, Filipino, was elected to the Board of Directors on January 20, 2016.

He served as President and CEO from 2017 to 2024.

He attended seminar held by Rural Bankers Research and Development Foundation, Inc. and Rural Bankers Research and Development Foundation, Inc. with a title of Orientation on BSP Cir 941: Amendments to the Regulations on Past Due and Non-Performing Loans in 2018, Operational Risk Management Seminar in 2018, Circular 950: Updated AML Rules and Regulations Seminar in 2017, and Risk Management in 2016.

He graduated at University of San Jose Recoletos with a degree of Bachelor of Science in Office in Hotel in Restaurant Management in 1987. And went to Adamson University for studying LLB Law in 2001.

ALFRED DENNIS B. ANCHETA
Member of the Board of Directors

Alfred Dennis B. Ancheta, 59, Filipino, was elected to the Board of Directors on 20 January 2003.

He served as Chairman of the Board from 2017 to 2023.

Prior to joining RBCCI, he worked various roles in Directory Philippines Corporation, with the last as District Sales Manager. He was also the first serving General Manager of Web Sales, Inc. and DSSC, the official publisher of the Digitel, Bayantel and Globe Telecom Directories. He was the former Head of Sales and Marketing for Western Union Business Solutions and the ex-Country Manager of Veem, formerly Align Commerce.

He later served as a Consultant for Agora Technologies, an e-commerce company and Paynamics Technologies, a global payment solutions provider. He is currently a Business Development and Marketing Consultant at SD Solutions Inc., an application development and IT Outsourcing company.

He received his AB Philippine Studies degree from the University of the Philippines.

REYNALDO M. PRUDENCIADO, JR.
Member of the Board of Directors

Reynaldo M. Prudenciado, Jr., 35, Filipino, a Certified Public Accountant, securing 6th rank in the 2010 CPA Licensure Examination, and a Lawyer with expertise in the fields of taxation, customs compliance, and global trade management, was elected to the Board of Directors on 19 January 2019. He graduated at Christ the King College with a degree of Bachelor of Science in Accountancy 2009 and in Arellano University School of Law with a degree of Bachelor of Laws 2015.

Prior to joining RBCCI, he worked with various company with significant roles. He first worked at Punongbayan and Araullo (P&A Grant Thornton) as Auditor from 2010 to 2012. Second was a Senior Associate at Du-Balalad and Association (BDB Law) WTS from 2012 to 2017. Third, as Tax Manager at Araneta Center Inc from 2017 to 2020.

He later served as Director and Treasurer in GOIT Consultancy Inc. and Pacific Alliance Consulting, Inc from 2023 up to present. He also served as Director of Ipraxis Financial Services Inc. and Rocket Support Services Inc from 2020 up to present. And as AVP Finance of Fast Retailing Philippines, Inc. from 2020 up to present.

JOMARI JESS S. ABELLAR

Member of the Board of Directors

Jomari Jess S. Abellar, 29, Filipino, a Certified Public Accountant securing 2nd rank in the 2018 CPA Licensure Examination, was elected as an Independent Director on 21 August 2023 and currently heads the Internal Control and Audit (Compliance) Committee.

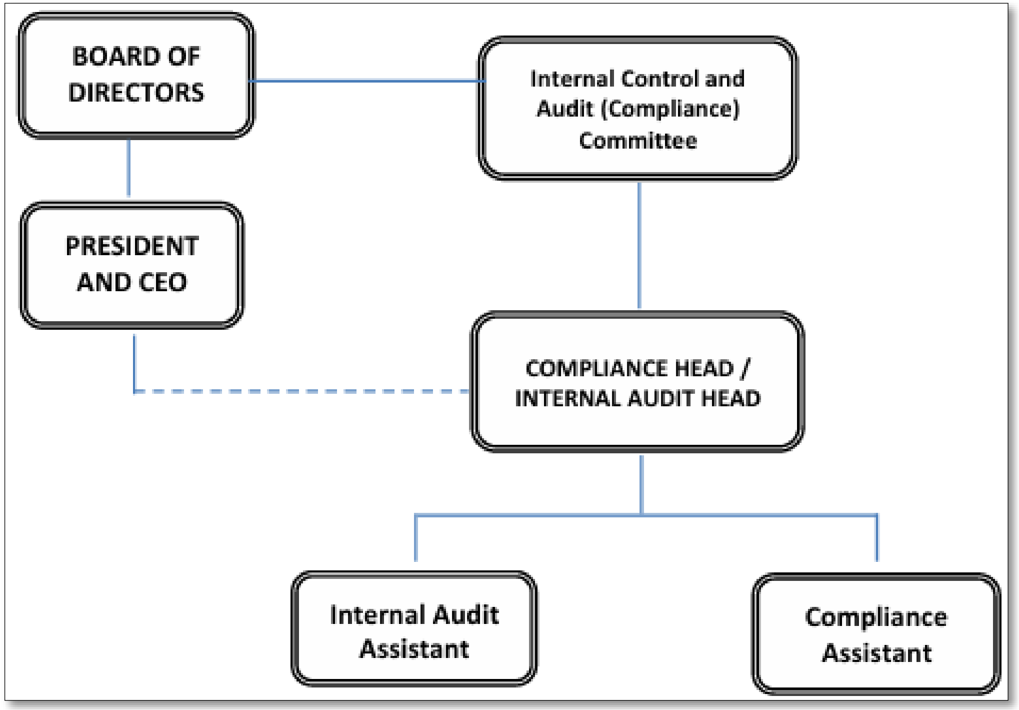
Concurrently, he is a Director in iCare Professional Review, Paytaca, Inc., and A&A Advisory and Management, Inc. Likewise he holds the positions of Chief Executive Officer and Chief Financial Officer of Paytaca and A&A Advisory, respectively. He also manages the operations of EVALCALA CPA Audit Assurance and Advisory Centre. On the side, he teaches audit and assurance courses at Saint Paul School of Professional Studies (SPSPS).

He took his Bachelor of Science in Accountancy at Saint Paul School of Professional Studies (SPSPS) and his Master of Business Administration at Philippine Christian University

E. List of Board-level Committees

- **Organizational Structure**

The Internal Control and Audit (Compliance) (ICAC) Committee Structure defines the bank-wide functional relationships in the exercise of the compliance and internal audit functions and responsibilities.



ICAC Committee Chairman: Jomari Jess S. Abellar
Members : Reynaldo M. Prudenciado, Jr.
Alfred Dennis B. Ancheta

- **Duties and Responsibilities of the Committee**

1. Oversees the implementation of the RBCCI's Internal Audit and Compliance Programs, including its MLPP, ensuring that the Bank complies with all applicable laws, regulations, codes of conduct and standards of good practice. The Committee also ensures that compliance issues are resolved expeditiously;
2. Ensures the regular review and updating, at least annually, of the Internal Audit Program, Compliance Program and the MLPP to incorporate changes in laws, rules and regulations for approval by the Board;
3. Endorses the appointment of a Compliance Head and Internal Audit Head to the Board and be responsible for coordinating, monitoring and facilitating compliance with applicable laws, rules and regulations;
4. Vests the Compliance and Internal Audit personnel with the appropriate authority and provide the necessary support and resources to effectively perform his or her responsibilities;
5. Assist the Board in making an informed assessment on how the Bank is managing its compliance risk. The Committee shall review with Senior Management and the Compliance Head the actions taken by the Bank to address any findings/directives in report of examinations by regulatory agencies;
6. Evaluate the performance of the Compliance Head and Internal Audit Head at least on an annual basis;
7. Oversees the Internal Audit function in relation to the review of the Compliance Program administered across business and support units and the discharge of Compliance Section's oversight function over this;
8. Causes Senior Management to act on regulatory findings noted insofar as it impacts the internal control;
9. Reports to the Board significant compliance risks affecting internal control necessitating BOD attention and/or approval; and
10. Approves the Internal Audit and Compliance Programs and amendments thereto.

F. Attendance at the Board and Committee Meetings

NAME	BOARD Number of Meetings		ICAC COMMITTEE Number of Meetings	
	Monthly		Quarterly	
	Attended	%	Attended	%
Ma. Rosario R. Santos	12	100	2	50
Alan Giles Mary S. Sarmiento	12	100	-	
Alfred Dennis B. Ancheta	12	100	2	50
Reynaldo M. Prudenciado Jr.	12	100	4	100
Qais Abdelhameed P. Sabi	8	67	2	50
Jomari Jess S. Abellar	4	33	2	50
Total Number of Meetings Held During the Year	**12**		**4**	

G. List of Executive Officers / Senior Management

ALAN GILES MARY S. SARMIENTO
President and CEO
Filipino, 57 years old

Mr. Sarmiento holds a degree in Hotel and Restaurant Management. He has served on the Board of Directors for over eight years and has been elected as President and CEO for more than seven years.

Throughout his tenure, he has developed in-depth knowledge of corporate finance and expertise in business management, successfully leading and managing departmental teams.

As the President and CEO of RBCCI, Mr. Sarmiento holds fundamental responsibilities, not only in managing the staff but also in overseeing the entire organization. Despite the numerous challenges faced by the bank, he successfully carried out its mission and vision. He consistently prioritized long-term goals and developed comprehensive and systematic strategies to achieve the bank's targets.

Officers below rank of President and CEO:

JUSTINE G. BALLERMO
Corporate Secretary
Filipino, 24 years old

Ms. Ballermo holds a degree in Office Administration and currently serves as the Bank's Documents and Records Controller demonstrating her potential to excellence in corporate governance. As Corporate Secretary, she plays a pivotal role in scheduling and documenting BOD and Board-level Committee meetings, effectively communicating BOD resolutions to concerned parties, and maintaining corporate records.

Prior to her appointment as Corporate Secretary, the Bank has conducted a fit and proper test on Ms. Ballermo to ensure that she meets the BSP eligibility requirements/qualifications. She also attended seminar for Corporate Secretary as Corporate Governance Professional held by Rural Bankers Association Philippines on November 29, 2023.

MARA S. MAHUSAY
Corporate Treasurer
Filipino, 28 years old

Ms. Mahusay holds a degree in Accountancy and currently serve as the Bank's Cash Management Head demonstrating her potential to excellence in corporate governance.

She first became Accountant from 2020 to 2022 and as Branch Head from 2022 to 2023 of the Bank. As Corporate Treasure, she plays a pivotal role in working with the Management in establishing growth and profit objectives of the Bank.

She elected as Bank Officer on January 1, 2023. Prior to her appointment as Corporate Treasurer, the Bank has conducted a fit and proper test on Ms. Mahusay to ensure that she meets the BSP eligibility requirements/ qualifications.

SHERLYN S. SABAR
Chief Compliance Officer and Internal Audit Head
Filipino, 29 years old

Ms. Sabar holds a degree in Accountancy and still studying in Juris Doctor. She is currently the Bank's CCO and IA Head. Prior to joining the RBCCI she worked in Fast Distribution Corporation Calbayog as Branch Internal Auditor in 2015 and Branch Accountant in 2016. And she became Part-Time Instructor in Christ the King College in 2023. Before she was elected as Bank's Officer she was first assigned as CCO Assistant from 2017-2019, Internal Auditor from 2019 to 2022, and Internal Audit Head from 2022 to present.

As CCO, she plays a crucial function in ensuring applicability and collection of all banking laws, and relevant rules and regulations of BSP, SEC, PDIC, SSS, DOLE and BIR. She also oversees and monitor the implementation of RBCCI's Compliance Program and Bank's Code of Conduct. And as IA Head, she is responsible for developing and finalizing a comprehensive annual IA Plan, as well as submitting the IA Report and Accomplishment.

Prior to her appointment, the Bank has conducted an assessment to Ms. Sabar to ensure she meets the BSP eligibility requirements/ qualifications. She went also to seminars on Compliance Officers and Internal Auditors 2nd Annual Convention held by Rural Bankers Association Philippines and Regional, and Anti-Money Laundering/ Countersign Terrorism and Proliferation Financing Training in 2024 held by Bangko Sentral ng Pilipinas.

H. Performance Assessment Program

The performance evaluation of the Board of Directors (BOD) at RBCCI holds a pivotal role in ensuring robust corporate governance practices. The BOD values feedback mechanisms aimed at assessing their effectiveness both as individual directors and collectively as a governing body.

The evaluation process comprehensively assesses several facets:

1. Individual Director Performance

   Each director receives a yearly self-assessment questionnaire. This questionnaire allows directors to evaluate their own performance objectively, focusing on attendance at board and committee meetings, active participation in discussions, and voting on significant matters. The aim is to ensure alignment of strategic goals from the top leadership down to every employee.

2. Board as a Whole

   Beyond individual assessments, the effectiveness of the BOD as a collective entity is also evaluated. This includes assessing how well the board functions as a cohesive unit, its decision-making processes, and its overall contribution to corporate governance and strategic direction.

3. Committee Evaluations

   Specific board-level committees undergo evaluation by the BOD. This assessment ensures that committees tasked with specialized functions are fulfilling their mandates effectively.

4. Evaluation of Executives

   The President, CEO, and other appointed bank officers are subject to evaluation by the BOD. This ensures accountability and effectiveness in executive leadership roles within the organization.

5. Process and Timing

Directors are given a defined period of five banking days to complete their self-assessment forms/questionnaires. This timeframe allows for thorough reflection and ensures that feedback is submitted in a timely manner.

I. Orientation and Education Program

• Training Program For Directors

In conjunction with BSP policies, the Board of Directors of the RBCCI shall undergo a training or seminar on Corporate Governance every three (3) years. Although, the Board of Directors are familiar with their duties and responsibilities as documented in the BSP MORB and RBCC Policies and Procedures Manual, as well as with the operations of the Bank, briefings on market changes and updates in regulatory and mandatory requirements shall be held every quarter through the Internal Audit and Compliance Head or in his absence, an authorized representative as appointed by the Internal Control and Audit (Compliance) (ICAC) Committee Chairman. Continuing education is salient for the Board of Directors as they become more knowledgeable and familiar with the regulatory and statutory requirements equipping them to make well-defined decisions as the Bank continues to grow.

All newly appointed directors shall be required to immediately undergo a Corporate Governance Seminar facilitated by any BSP-accredited training center. Thereafter, an orientation on a director's duties and responsibilities as documented in the MORB and RBCCI Policies and Procedures as well as the Bank's operations and programs.

- **Training Program For Senior Management, Officers and Other Employees**

The Rural Bank of Calbayog City, Inc. (RBCCI) places a strong emphasis on the career development of its employees, particularly senior management and officers. It is ingrained in the bank's policy to foster growth among its workforce, aiming to enhance job performance and prepare employees for higher responsibilities within the organization.

Under this policy, the Internal Control and Audit Committee (ICAC) along with the Head Office continually explores opportunities for training, seminars, and workshops that cater to the professional and personal development needs of RBCCI employees. These initiatives cover a wide array of subjects such as management skills, banking operations, Anti-Money Laundering Act (AMLA) compliance, internal auditing, computer proficiency, communication, and literacy.

Employees are encouraged to seek approval from their immediate supervisors or the President and CEO before participating in specific training events, ensuring alignment with their individual development plans. Additionally, external seminars may be accessible through invitations or sponsorships from external entities, endorsed by supervisors.

A crucial aspect of the training program is maintaining accurate records. After completing any training activity, employees are required to submit copies of their certificates or equivalent documents to be filed in their Training Records. In cases where certificates are not issued by the training provider, the President and CEO verifies attendance and completion before issuing a suitable document. These records, including a Summary of Training, are periodically updated to reflect the latest completed sessions.

J. Retirement and Succession Policy

• Terms in Service

Under Section 132 of the MORB, as amended, an Independent Director may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director but may continue to serve as regular director. The nine-year maximum cumulative term for independent directors shall be reckoned from 2012. Furthermore, pursuant to SEC Memorandum Circular No. 9, series of 2009:

1. A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a two-year "cooling-off period"; and
2. Persons appointed as Chairman "Emeritus", Ex-Officio" Directors/Officers or Members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subject to a one-year "cooling-off period" prior to his qualification as an Independent Director.

• Retirement Policy

RBCCI's Retirement Policy outlines clear guidelines for the retirement of its employees, ensuring fairness and consistency in managing workforce transitions.

1. Mandatory Retirement

   Employees who reach the age of sixty-five (65) years are subject to mandatory retirement. Upon retirement, they are entitled to a retirement benefit equivalent to one month's salary per year of service based on their last monthly salary. Despite retirement, employees have the option to re-apply for a position.

2. Optional Retirement

   Employees with at least fifteen (15) years of service, regardless of age, may opt for retirement at their discretion or at the company's discretion. The retirement benefit varies based on the years of service:

   - 15 years of service: 75% of the compulsory retirement benefit
   - 20 years and above: 100% of the compulsory retirement benefit

3. Service Computation

   For calculating the retirement benefit based on years of service, any fraction of at least six (6) months is considered as one (1) whole year. The computation starts from the most recent unbroken period of active service by the employee.

4. Just Cause Exception

   An employee whose actions or omissions qualify as just cause for termination under company policy forfeits entitlement to retirement benefits.

5. Termination Due to Unforeseen Circumstances

   Employees terminated due to circumstances beyond their control, such as installation of labor-saving devices, redundancy, or retrenchment resulting from mergers or economic reasons, may receive separation pay as mandated by the Labor Code or similar legislation.

6. Final Accountabilities

   Retirement benefits are included in the computation and settlement of the employee's final accounts upon retirement.

7. Payment of Benefits

   Benefits under the policy are disbursed to eligible employees in a lump sum payment.

This Policy reflects the Bank's commitment to providing structured and equitable retirement benefits while ensuring compliance with labor laws and maintaining financial sustainability.

• Succession Policy

RBCCI's Succession Plan aims to ensure seamless continuity of critical operations and services in the event of absences or vacancies among its directors, officers, and key personnel to maintain operational stability and uphold governance standards by outlining procedures for appointing temporary replacements and permanent successors across various leadership roles within RBCCI.

Key Definitions:

a. Unplanned Absence one that arises unexpectedly, in contrast to a planned leave, such as a vacation or sabbatical.
b. Temporary Absence one which is expected that the director or officer will return to his position once the events precipitating the absence are resolved.
c. Permanent Absence one which is firmly determined that the concerned director or officer will not be returning to the position.
d. Short-term Absence expected to last in three (3) months or less. Otherwise, if the absence is more than three (3) months, the same is considered as long-term absence.

Succession Procedures for Unplanned or Temporary Absences:

1. Appointing Authority
   a. President and CEO
      - The Board of Directors (BoD) selects an interim CEO from its members through majority vote immediately after the absence commences.

   b. Directors and Independent Directors

- Temporary successors are chosen from the bank's stockholders list by majority vote.

c. Compliance Officer/Internal Auditor
   - Assistants assume roles initially; subsequent appointments follow BoD majority vote.

d. Branch/Branch-lite Head, Cash Management Head, Credit Evaluation Head, Loans Reporting Head, Loan Remedial Head, Cashier
   - Successors are appointed by the President and CEO or chosen internally based on operational needs.

2. Communication

Temporary replacements are communicated to RBCCI staff promptly via email or other suitable channels on the affected officer's first business day away or within two (2) hours for unexpected absences.

The appointee, in the absence of the President and CEO, informs relevant institutions as necessary to ensure business continuity.

3. Authority and Restrictions

Appointees have full authority aligned with their assigned roles, subject to any specific restrictions imposed by the appointing authority.

Succession Plan for Permanent Absences

1. Procedures align with those for temporary absences, ensuring continuity while the BoD appoints a permanent replacement within three (3) months.

2. For positions regulated by the Bangko Sentral ng Pilipinas (BSP), confirmation and qualification processes are mandated for permanent appointments.

This Succession Plan is unanimously approved by the full Board of Directors and signed by the Board, Corporate Secretary, and President and CEO. Copies of which are maintained by key personnel, including the Chairman of the Board, Corporate Secretary, President and CEO, and Compliance/Internal Audit Heads for transparency and compliance purposes.

K. Remuneration Policy

- **Directors**

The RBCCI's Amended By-Laws provides that Directors shall receive such compensation for their services as may from time to time be fixed by the stockholders subject to the limitations set forth in Section 29 of the Corporation Code. Each director shall also be entitled to a reasonable per diem, as may be determined by the Board. The officers' salary or compensation elected or appointed by the BOD shall be fixed by the Board.

- **Officers and Other Employees**

RBCCI places a strong emphasis on maintaining competitive wages and salaries for its officers and employees, aiming to ensure that compensation remains motivational, fair, and equitable compared to other employers in the market. The bank operates under a structured salary system that is regularly reviewed and approved by its Board of Directors.

Job roles and their corresponding salary scales undergo periodic evaluations to ensure alignment with market standards and internal equity. Any significant findings from these reviews prompt revisions to the job hierarchy and salary ranges as necessary.

Salary adjustments within the Bank can occur through several avenues. Merit increases are awarded based on an individual's exceptional job performance, incentivizing employees to excel in their roles. Additionally, increases due to promotions or re-classifications are granted when an employee transitions to a higher-level position within the organization.

All employees, including officers, receive their salaries on a bi-monthly basis, with payments scheduled for the 15th and 30th of each month or earlier if these dates fall on weekends. Pay slips detailing the breakdown of salaries and deductions are distributed through the Cashier, ensuring transparency in compensation matters. Contractual staff members also receive their semi-monthly payments through the same process.

L. Policies and Procedures on Related-Party Transactions

Related Party Transactions (RPTs) can pose significant risks to the integrity and financial stability of rural banks. Recognizing this, RBCCI has established this policy to ensure transparency, fairness, and in compliance with Section 136 of the Manual of Regulations for Banks (MORB). This policy aims to govern all transactions between the Bank and its related parties to mitigate conflicts of interest and safeguard the interests of depositors, shareholders, and stakeholders.

It encompasses all types of transactions, including but not limited to loans, investments, guarantees, leases, purchases, sales, and services of all directors, officers, and their related interest

Key Definitions:

a. Related Parties refers to individuals or entities that can influence the management or operating policies of the bank or have significant financial or operational interactions with the bank, including, but not limited to, directors, officers, major shareholders, and their close family members. This shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the Bank, hence, is identified as a related party.

b. Related Party Transactions (RPTs) are transactions or dealing with related parties of the Bank regardless of whether or not a price is charged including, but not limited to, the following:
   i) Purchase and sales of assets;
   ii) Lease arrangements/contracts; and
   iii) Loans and credit accommodations.

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

c. Arm's Length Transaction refers to a transaction conducted as if between unrelated parties under no duress to act in the best interest of the other party.

Account officers are mandated to notify the Board of any potential related party transaction as soon as they become aware of it. If a transaction is determined to be a reportable RPT, the transaction along with relevant information shall be submitted for analysis and evaluation to the RPT Committee. The Committee shall determine whether or not the RPT is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances.

Transactions with amounts of at least Five Hundred Thousand Pesos or transactions requiring Board approval, like DOSRI loans, are considered as material related party transactions. The RPT Committee is a board committee composed of at least three (3) members of the Board of Directors, entirely consisting of non-executive directors, majority of which are independent, including the chairman. The RPT Committee's mandate is to review material RPTs to determine whether the terms are at arm's length.

The transaction, if endorsed, shall thereafter be presented to the Board for approval. Any member of the Board who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the approval of the Related Party Transaction.

The Board has delegated the review and approval of related party transactions below the materiality threshold to the RPT Management Committee composed of members of senior management. Review of related party transactions is part of compliance testing of the Compliance Office as well as audit work program of the Internal Audit.

M. Self-Assessment Function

The ICAC Committee works hand-in-hand with the Internal Audit and Compliance Section which is independent from the business activities of RBCCI. It shall carry out its responsibilities on its initiative in all units where business and compliance risks exist and shall be provided with sufficient resources to carry out its responsibilities effectively. The Internal Audit and Compliance Section shall have access to all operational areas and information as well as any records or files necessary to enable it to carry out its duties and responsibilities effectively, free to report to Senior Management and the BOD through the ICAC Committee, any irregularity or breach of laws, regulations, code of conduct, standards of good governance, etc., without fear of retaliation or disfavor from management and/or other affected parties.

DUTIES AND RESPONSIBILITIES IN RELATION TO ICAC PROGRAM

1. Board of Directors
    a. Oversees the implementation of the Internal Audit and Compliance Programs and ensures RBCCI's overall conformity/compliance to the said programs;
    b. Constitutes a Committee that will be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations; and
    c. Selects the Internal Control and Audit (Compliance) Committee Chairman and Members.

2. ICAC Committee
    a. Oversees the implementation of the RBCCI's Internal Audit and Compliance Programs, including its MLPP, ensuring that the Bank complies with all applicable laws, regulations, codes of conduct and standards of good practice. The Committee also ensures that compliance issues are resolved expeditiously;
    b. Ensures the regular review and updating, at least annually, of the Internal Audit Program, Compliance Program and the MLPP to incorporate changes in laws, rules and regulations for approval by the Board;
    c. Endorses the appointment of a Compliance Head and Internal Audit Head to the Board and be responsible for coordinating, monitoring and facilitating compliance with applicable laws, rules and regulations;
    d. Vests the Compliance and Internal Audit personnel with the appropriate authority and provide the necessary support and resources to effectively perform his or her responsibilities;
    e. Assist the Board in making an informed assessment on how the Bank is managing its compliance risk. The Committee shall review with Senior Management and the Compliance Head the actions taken by the Bank to address any findings/directives in report of examinations by regulatory agencies;
    f. Evaluate the performance of the Compliance Head and Internal Audit Head at least on an annual basis;
    g. Oversees the Internal Audit function in relation to the review of the Compliance Program administered across business and support units and the discharge of Compliance Section's oversight function over this;
    h. Causes Senior Management to act on regulatory findings noted insofar as it impacts the internal control;
    i. Reports to the Board significant compliance risks affecting internal control necessitating BOD attention and/or approval; and
    j. Approves the Internal Audit and Compliance Programs and amendments thereto.

3. <u>President and CEO</u>
   a. Administratively oversees the ICAC Section;
   b. Ensures that Compliance Program is established and observed across the organization and assesses its effectiveness and appropriateness;
   c. Manages and accepts Business and Compliance Risks within levels approved by the BoD; and
   d. Acts on findings noted during regulatory examinations, Internal Audit and Compliance Assessment reviews, compliance self-testing and independent testing particularly on regulatory matters.

4. <u>Compliance Officer</u>
   a. Designs the Compliance Assessment Program, parallel to the Bank's business goals and strategies, promotes its effective implementation and recommends appropriate courses of action to address breaches that may arise.

   b. Fosters a constructive working relationship with applicable regulatory agencies by:
      i) Acting as the central point of contact of RBCCI on regulatory matters.
      ii) Facilitating and monitoring non-periodic regulatory requirements, e.g. queries, correspondences, surveys, approval requests.
      iii) Managing regulatory examinations conducted by BSP, PDIC, SEC, AMLC and other applicable external examinations conducted on RBCCI
      iv) Consulting with BSP and other regulatory agencies on specific provisions of the pertinent laws and regulations governing the Bank's operations as well as regulatory concerns or issues.

c. Promotes compliance awareness and propagates a strong compliance culture by:
   i) Setting-up a monitoring system to properly account, in a timely manner, the bank activities and assess conformity with related laws, rules and regulations.
   ii) Furnishing each Branch/Branch-lite/Section with a list of applicable laws, rules and regulations, which shall be observed by its officers and staff.
   iii) Providing each Branch/Branch-lite/Section with a list of all reports required to be submitted to BSP and other regulatory bodies, whose officers and staff shall be responsible for the submission of the reports identified.
   iv) Keeping an active advisory service on compliance matters/queries.

d. Continuously monitors and assesses the Compliance Assessment Program by:
   i) Developing compliance testing procedures, documentation and reporting mechanism on identified high and medium risk areas.
   ii) Tracking remediation measures and report results to Senior Management and ICAC Committee.
   iii) Maintaining a self-assessment compliance checklist to monitor compliance assessment activities of banking units.

e. Monitors and validates BOD resolutions and action programs to regulatory examination findings and directives until completion.

f. Oversees compliance with regulatory and statutory reporting requirements.

5. Internal Audit Head

   a. Designs the Internal Audit Program, parallel to the Bank's business goals and strategies, promotes its effective implementation and recommends appropriate courses of action to address breaches that may arise.

   b. Fosters a constructive working relationship with external auditors by:
      i) Acting as the central point of contact of RBCCI.
      ii) Facilitating and monitoring non-periodic regulatory requirements, e.g. queries, correspondences, surveys, approval requests.
      iii) Maintaining a self-assessment internal audit checklist to monitor audit examination activities of banking units.

   c. Continuously monitors and assesses the Internal Audit Program by:
      i) Developing audit examination procedures, documentation and reporting mechanism on identified high and medium risk areas.
      ii) Tracking remediation measures and report results to Senior Management and ICAC Committee.
      iii) Maintaining a self-assessment internal audit checklist to monitor audit examination activities of banking units.

   d. Monitors and validates BOD resolutions and action programs to regulatory examination findings and directives until completion.

   e. In coordination with the President and CEO, adopts a system that would optimize the use of the collective resources of the Bank's governance.

6. <u>All Personnel</u>
    a. Understand their roles and responsibilities in the internal control and compliance processes.
    b. Be fully accountable in carrying out their responsibilities effectively and efficiently.
    c. Communicate to the appropriate level of management any problem in operations, action or behavior that is inconsistent with the established internal control and compliance processes as well as code of ethics.

DUTIES AND RESPONSIBILITIES IN RELATION TO ICAC COMMITTEE, SENIOR MANAGEMENT AND BOD

1. <u>Compliance Officer</u>
    a. Oversees the RBCCI's implementation of compliance programs, policies and procedures designed to respond to the various compliance and regulatory risks which may arise;
    b. Submits an assessment report after each assessment activity to the ICAC Committee Chairman for review and discussion during the BOD meetings for the continued adherence to relevant regulatory requirements, statutory mandates, best industry practices and company policies and procedures governing all areas of operations and functions of RBCCI;
    c. Immediately informs the ICAC Committee Chairman of any high-risk assessment finding/s for its immediate resolution;
    d. Have oversight responsibility for matters of non-financial compliance, significant legal or regulatory compliance exposure and material reports or inquiries from government or regulatory agencies;
    e. Oversees the investigation and may also request the investigation of any significant instances of non-compliance with laws or company's compliance program, policies and procedures or potential compliance violations;
    f. Analyzes the compliance education and training programs, providing continuing orientation and training of employees to ensure that all personnel are adequately trained and supervised and made

aware of the existence of particular laws, rules and regulations applicable to the Bank as well as its Code of Conduct and standards of good practice;

g. Assists in development of policies addressing the remediation of the identified problems; and
h. Carries out other duties/functions as may be delegated by the Board of Directors from time to time.

2. Internal Audit Head
   a. Assists the Board of Directors fulfill the corporate governance and overseeing the responsibilities in relation to an entity's financial reporting, internal control reporting, risk management system and internal and external audit functions;
   b. Immediately informs the ICAC Committee Chairman of any high-risk assessment finding/s for its immediate resolution;
   c. Submits an internal audit report after each audit examination activity to the ICAC Committee Chairman for review and discussion during the BOD meetings;
   d. Discussing the risk management policies and practices with Board of Directors and Management;
   e. Reviews the result of an audit with management including matters to be communicated as well as proposed audit/compliance approaches and handle coordination of the report with the audit/compliance team; and
   f. Carries out other duties/functions as may be delegated by the ICAC Chairman and Senior Management from time to time.

N. Dividend Policy

- **Policies and Procedures**

The Dividend Distribution Policy of Rural Bank of Calbayog City, Inc. aims to establish guidelines and procedures for declaring dividends to shareholders in a manner that ensures financial stability, compliance with regulatory requirements, set out the criteria and parameters, which the Board of Directors shall take into consideration at the time of recommendation for dividends, and fair distribution of profits.

Objectives:

- To provide shareholders with a reasonable return on their investment;
- To maintain financial soundness and stability of the Bank;
- To comply with all regulatory requirements set forth by the BSP and other relevant authorities; and
- To ensure dividends are declared and distributed in a fair and transparent manner.

General

1. Declaration of Dividends

The declaration of dividends shall be within the authority of the Board of Directors of Rural Bank of Calbayog City, Inc. taking into consideration the Bank's financial performance, profitability, and future capital requirements, as outlined below, and approved by a majority vote of the Board of Directors during the convened meeting.

The amount of dividends to be declared shall be determined by taking into consideration the following parameters:

a. Financial performance and growth opportunities of the Bank;
b. Positive impacts capital market;
c. Dividend payout trend of the Bank;

d. Tax implication;
e. Economic considerations; and
f. Regulatory requirements and statutory mandates.

For dividend payout, the Board shall consider the operating results to the Bank and the shareholders' return. Dividend shall be paid out of Divisible profit of the Bank. If the eligibility criteria for recommendation of dividend was not met by the Bank or if any threshold was fixed by the regulatory authorities; the Board of Directors may recommend dividend according to acceptable restrictions.

2. <u>Entitlement to Dividends</u>

Only bonafide shareholders duly registered with RBCCI on the record date fixed by the Bank shall be entitled to receive dividends.

3. <u>Distribution of Dividends</u>

Dividends shall be paid in cash or in the form of additional shares, as determined by the Board of Directors, and distributed in the following manner, subject to regulatory approvals:

a. Within ten (10) banking days after dividend declaration, the Cash Management Head shall issue a check in favor of each stockholder for the corresponding cash dividend (less applicable taxes) according to the number of stocks owned by the stockholder;

b. A notification shall be issued via short message service (SMS) to the mobile number or email address as provided by the shareholder or via RBCCI's official website informing the respective stockholders to claim their dividend from the Bank's Head Office by presenting the applicable identification requirements:
   i) Valid identification cards and proof of shareholding; or
   ii) Authorization Letter signed by the shareholder, for representatives; or
   iii) Extrajudicial Settlement of Estate, for the heirs of the deceased shareholder.

Stockholders are given a one-year period from the date of distribution to claim their dividends. Provided that said period shall not apply in the case where: (i) there is a dispute regarding to right to receipt of the payment; or (ii) the dividend has been fully adjusted by the Bank against any sum due to it from the shareholder; or (iii) there is any order by any court of law.

RBCCI shall not forfeit any unclaimed cash dividend. However, if the dividend is not claimed within one (1) year from distribution of dividend, all unclaimed dividends shall be reclassified as Retained Earnings.

4. Documentation and Monitoring

RBCCI, by itself or by appointing an employee, shall maintain detailed and updated information on each shareholder to include but not limited to the bank account (if any), mobile number, email and address of the shareholder for the purpose of proper distribution of dividends.

RBCCI shall keep all information confidential. Any bank personnel who are exposed to such information shall personally be liable to indemnify the Bank for any loss or damage the Bank sustains due to breach of confidentiality of information of the shareholder.

Regulatory Compliance

RBCCI shall comply with all BSP regulations and guidelines pertaining to the declaration and distribution of dividends and submit the following, in compliance with Section 124 of the MORB, within ten (10) banking days after date of declaration:

a. Certification on Compliance with Requirements on Dividend Declaration; and
b. Report on Dividends Declared.

Review and Amendment

The Board of Directors shall review and update the Dividend Distribution Policy at least once a year to tailor the same to the specific needs and circumstances of the Bank while ensuring alignment with BSP regulations and governance standards.

- **Dividend Declaration for Year 2023**

The Board of Directors, during the meeting held on 23 December 2023, approved the dividend (cash) declaration amounting to ONE MILLION TWO HUNDRED FIFTY THOUSAND PESOS (Php 1,250,000.00) or FIVE PESOS (Php 5.00) PER SHARE, to all stockholders on record as of 31 December 2023 to be distributed on 20 January 2024.

However, the declaration was retracted with the intention of rescheduling the distribution to coincide with our forthcoming celebration of the Bank's 65th anniversary in February 2024.

O. Corporate Social Responsibility Initiatives

The Rural Bank of Calbayog City Inc. (RBCCI) is the sole rural banking institution on Samar Island that has joined an agricultural initiative financially supported by the Agricultural Credit Policy Council (ACPC), which operates under the Department of Agriculture. This unique partnership underscores RBCCI's commitment to integrating modern agricultural practices with rural development.

In the fiscal year 2023, from January to December, RBCCI committed a significant portion of its resources—PHP 20 million—to assist local farmers interest free ACPC-DA funding. This financial aid forms a cornerstone of the bank's social programs designed to uplift the agricultural community in Samar. By deploying these funds, RBCCI aims to enhance the sustainability and productivity of local farming and fishing activities.

The primary offerings of RBCCI's program include providing innovative and latest technological assistance, delivering comprehensive training programs, and extending loans without interest. These services are particularly targeted at the marginalized farmers and fisherfolk in Samar, ensuring they receive support that is both impactful and accessible. With the support from ACPC-DA, the bank has already benefitted more than 150 individuals engaged in rice cultivation, various livestock, and piggery, thereby boosting their economic stability and growth potential.

Training and technology are pivotal to RBCCI's strategy for community engagement and development. Through these initiatives, the bank invests in the long-term capability of the community, teaching skills and knowledge that foster self-reliance and entrepreneurial spirit. The philosophy guiding these efforts is to "teach how to fish rather than just giving them fish," promoting enduring skills over temporary relief.

RBCCI's mission extends beyond immediate financial and educational support; it seeks to transform the mindset of local farmers. By demonstrating that agriculture is not only a viable career but also a potentially profitable enterprise, the bank aims to instill a sense of pride and possibility among farmers. The goal is to position agriculture as a profession worthy of respect and succession, encouraging farmers to view their work as a legacy to be passed down through generations, thereby securing the future of agricultural practices and community welfare on Samar Island.

In the upcoming year of 2024, Rural Bank of Calbayog City Inc. (RBCCI) plans to escalate its support to the agricultural sector by distributing PHP 25 million. This funding will not only increase in total amount but also shift in focus from micro agricultural projects to small-scale initiatives. This strategic change aims to create a larger and more profound impact on the community.

The bank intends to support over 50 new beneficiaries with this enhanced funding approach. By targeting small-scale agricultural enterprises, RBCCI seeks to empower more robust and sustainable operations that can significantly boost local food production and economic health. This focus is expected to facilitate greater job creation, increase agricultural output, and improve the livelihoods of the broader community in Samar.

Through this initiative, RBCCI continues to reinforce its commitment to developing a resilient agricultural framework in the region, ensuring that investments not only support individual farmers but also contribute to the collective prosperity and stability of the community.

P. Consumer Protection Practices

The Consumer Protection Standards reflect the core principles which the Rural Bank of Calbayog City, Inc. (RBCCI) employees shall always observe in their dealings with the Bank's clients.

RBCCI employees shall ensure that clients have a reasonable holistic understanding of RBCCI's products and services, which they may be acquiring or availing themselves. Any information given whether in writing, electronically or verbally should be fair, clear, transparent, and easily comprehensible for the client to make an informed choice about a product or service. This is made possible by providing the client with ready access to information that accurately represents the nature and structure of the product or service, its terms, and conditions, as well as its fundamental benefits and risks. In this regard, RBCCI employees shall adhere to the following principles:

a. Ensure that when offering documents regarding the Bank's products and services these should contain information necessary for the clients to be able to make an informed judgment of the product or service. All key features and risks of the products or services are highlighted prominently in a succinct manner. Where a product or service is being offered on a continuous basis, all its pertinent documents shall be updated in accordance with RBCCI's existing policies and procedures.

b. Readily and consistently make available to the client a written copy of the Terms and Conditions that apply to a product or service. The contents shall be fully disclosed and explained to the client before initiating a transaction. Where and when warranted, reference to the Terms and Conditions is made while transacting with the client and before consummating the transaction, if such reference is material to the understanding of the client regarding the nature of the product or service, as well as its benefits and risks. As a written document, the Terms and Conditions shall be complete, concise, easily understandable, accurate, and presented in a manner that facilitates the client's comprehension.

- **Terms and Conditions**

1. The full price or cost of a product or service to the customer shall include all interest, fees, charges, and penalties. The Terms and Conditions shall clearly state whether the interest, fees, charges, and penalties can change over time. The method for computing said interest, fees, charges, and penalties is presented in accordance with Truth in Lending dated 20 July 2011.

2. The Bank may only charge interest based on the outstanding balance of a loan at the beginning of an interest period. For a loan where principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.
   a. General information about the operation of the products or services including the customer's obligations and liabilities;
   b. Cancellation, return and exchange policies, and any related cost;
   c. The actions and remedies which the Bank may take in the event of a default by the client;
   d. Procedures to report unauthorized transactions and other contingencies, as well as the liabilities of parties in such case; and
   e. A summary of the Bank's Complaints Handling procedure.

3. Advise clients to read and understand the applicable Terms and Conditions, when considering a product or service.

4. Communicate in such a manner that clients can understand the terms of the contract, their rights, and obligations. Employees shall communicate with techniques that shall address literacy limitations, e.g.,

a. where a client is unable to understand English, provide an oral explanation in a language or dialect the consumer understands; or
b. where a client is unable to understand written information, explain orally to the client the written information.

5. Provide clients adequate time to review the Terms and Conditions of the product or service and encourage the client to ask questions or seek clarification prior to signing any contract or executing the transaction.

6. Be fully knowledgeable about the products and services marketed, including applicable statutory and regulatory requirements to be able to explain the applicable provisions to the clients.

7. Use a variety of communication channels to disclose clear and accurate information. Such communication channels shall be made available to the public without need for special access requirements, which may entail additional expense. Communication channels should be sufficient.

- **Duties and Responsibilities in Relation to Consumer Protection**

1. Board of Directors

The Board of Directors (BOD) shall be primarily responsible for approving and overseeing the implementation of the policies governing the Bank's consumer protection program, including mechanism to ensure compliance with the set policies. The duties and responsibilities of the BOD shall include, but not limited to, the following:

a. Approve the CPRMS and Financial Consumer Protection Assistance Mechanism (FCPAM) that take into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to risks to Financial Consumers;

b. Promote a culture of ethical behavior and ensure adherence to the Standards and all relevant laws and regulations;

c. Provide adequate resources and adopt policies to effectively implement training and competency requirements for bank personnel and authorized representatives acting on behalf of RBCCI;

d. Approve a policy on remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and avoidance/mitigation of conflict of interests; and performance assessment that could serve as basis for renewal of contract of third-party service providers;

e. Approve product oversight and governance mechanisms designed to ensure that financial products and/or services meet the needs of Financial Consumers in target markets or market segments, including those in vulnerable groups;

f. Adopt a policy on imposition of any fees and/or charges of the Bank's financial product or service which shall include among others, the basis and quantitative support for the setting of the fees/charges and rationalization of the fee structure or amount;

g. Approve and periodically review a Code of Conduct applicable to the directors, officers, staff and third-party agents/representatives of the Bank. The BOD shall define the corporate culture and values of the Bank as well as establish standards of conduct and ethics and institutionalize a system that will allow reporting of concerns or violations to an appropriate body; and

h. Periodically review the implementation and effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms are in place to enable adequate oversight. The BOD shall also periodically review the relevance of the CPRMS in case of changes in the Bank's business model and/or operating environment.

2. <u>Senior Management</u>

The Senior Management shall be responsible for ensuring that the practices of the Bank and the third-party agents/representatives are aligned with the Bank's approved policies and risk management system relative to consumer protection; and consistently displayed throughout the business units and sections of the Bank that deal directly with Financial Consumers. In this regard, the Senior Management shall, among others:

a. Ensure that approved CPRMS and FCPAM policies and procedures are clearly documented and appropriately implemented across all business units which include the responsibility of identifying the officer which will head the implementation and regular reporting of consumer-related issues to the Board;

b. Establish an effective monitoring and management information system to promptly identify, regularly measure, aggregate and analyze FCP-related issues to determine the level of Financial Consumer risks. The management information system should be able to:

   i) Provide adequate information on the performance and quality of the FCPAM and other processes that can provide relevant information that allows for identification of emerging issues and root cause analysis;

   ii) Determine the level of FCP risk exposure through assessment of its implementation of the standards;

iii) Identify and regularly monitor risks that may result in financial loss of Financial Consumers or to consumer detriment. Key indicators to monitor such risks shall include, but not limited to, consumer complaints, data from consumer redress mechanisms and reports of fraud; and

iv) Identify and assess emerging or increasing risks that affect the Bank's Financial Consumers such as social engineering schemes, social media monitoring and market monitoring.

c. Ascertain that identified weaknesses in the FCP practices or emerging risks are addressed and corrective actions are taken in a timely manner;

d. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit; and

e. Ensure regular reporting to the Board of adequate information and actions taken in terms of the risks associated with FCPAM and any other material FCP-related developments that will impact the Financial Consumers of the Bank.

- **Handling Customer Complaints and Unauthorized and/or Erroneous Transactions**

1. Complaints whether written or electronically forwarded shall be accepted.
2. A Suggestions and Complaints Box shall be placed in every branch/branch-lite office which shall be placed where clients can clearly see the box for the same to drop their concern/s.

3. Every attempt should be made to correct the situation that makes the client unhappy. Always adopt a pleasant attitude towards the client and satisfy the client's needs without any unnecessary delay. Avoid any clashes even if it is thought the client may be in the wrong.
4. When a client has a complaint, listen to the problem carefully and avoid interrupting.
5. Apologize to the client in a kind manner, regardless of the office, section or individual responsible for the complaint.
6. Do not pass judgment or involve the client in internal problems.
7. Assure the client that his complaint will be forwarded to the Management for corrective action.
8. An appropriate corrective action/s shall be implemented and monitored by the respective office/unit head.
9. For concerns raised in a client complaint, the following steps shall apply:
   a. The concerned office/unit head shall be responsible for providing the response to the client within fifteen (15) banking days from receipt of the complaint. The response shall be forwarded via mail or email to the client.
   b. A copy of the response to the client shall immediately be forwarded to the President and CEO and Compliance Head for monitoring purposes.
   c. If a complaint is resolved by the office/unit head and will not necessitate further action from Management, the office/unit head shall communicate with the client via mail or email informing the client that his concern has been resolved. If applicable, include in the response the corrective action taken to address the client's concern.
   d. In case a concern requires the BoD's decision for resolution, such as but not limited to revision/new policies and procedures, written reprimand in case of employee misconduct, etc.

the President and CEO shall report and discuss the concern with the Board in the succeeding BoD's Meeting. The Board's decision shall be forwarded to the Compliance Head for handling.

10. In cases where fund transfer disputes or alleged unauthorized transactions took place, the Bank shall be primarily responsible for providing assistance and redress to the Client. Upon receipt of such disputes or allegations, the Bank shall inform and provide relevant information to the Client and the following actions should be taken accordingly, pending the result of the investigation of the dispute or allegation:
    a. Suspend the imposition of interests, fees or charges, if applicable;
    b. Hold the disputed funds, if still intact, in compliance with company policies and procedures, existing Bangko Sentral rules and regulations, or industry conventions;
    c. Provide reasonable accommodations to the Client, such as a non-withdrawable provisional credit or temporary hold of the disputed amount within a given period as determined by the Bank; and
    d. Perform such other necessary actions to protect the Client's interests and/or assets, such as but not limited to, account blocking or freezing of funds.

    Within three (3) banking days from the conclusion of the investigation, the Bank shall send a notice to the Client informing the results thereto. The information shall include, among others, a notification of debiting the provisionally credited amount if there is sufficient proof that no unauthorized or erroneous transaction occurred.

    If, after the investigation, the disputed transaction is found to be unauthorized or fraudulent, the Bank shall immediately:
    a. Correct or reverse the transaction found to be fraudulent, including any related interest and charges thereon; and/or
    b. Make permanent the provisionally credited amount, if any.

11. In cases of unauthorized transactions resulting to liability for losses, the Bank may consider, among others, the following factors in determining the liability for losses:
    a. Actions of the accountholder before, during and after the unauthorized transaction;
    b. Acts or omissions of the Bank, its employees, third-party agent, outsourced entity or service provider acting on behalf of the Bank; and/or
    c. Non-compliance by the Bank, its employees, agents or service providers, with any requirement under the FCP Framework and other existing rules and regulations applicable to the Bank's provision of any financial product or service: and/or
    d. In case an accountholder transfers funds to a payee account other than the intended recipient account, the Client shall immediately report the error to the Bank with the following details:
        i) Name, contact number, and other credentials of the payor;
        ii) Account from which the payment was made;
        iii) Payee account details;
        iv) Transaction amount; and
        v) Transaction date and time.

In case the erroneous transaction involves different banks, the originating financial institution (OFI) shall immediately inform the receiving financial institution (RFI). Both the OFI and RFI should make reasonable efforts to recover the sum sent in error in accordance with existing regulations and industry conventions.

- **Cooling-off Period**

The Bank shall implement the application of cooling-off period for specific financial product and/or service that meet the following criteria:

1. Following the complete submission of the documentary requirements for the loan and other credit accommodation applied, the Client is entitled to a cooling-off period of at least ten (10) banking days. Provided that, the Client notifies the Bank of the termination/cancellation/withdrawal of the loan contract or agreement prior to the release of loan proceeds, if approved.

2. Products and services with any of the following features are exempt from the cooling-off period:
   a. Products and services marketed, offered or sold to the Bank's corporate clients, and medium-sized enterprises, as defined in applicable DTI regulations;
   b. Financial instruments with a remaining term of less than one (1) year;
   c. Financial instruments with aggregate investment size of Php 500,000.00 and above;
   d. Short-term and one-off transactions, such as but not limited to foreign currency exchange, remittances, fund transfers, or payments and similar transactional products/services.

3. The cooling-off period shall only be applicable to Client who is a natural person and to financial product or service whose remaining term is equal to or beyond one (1) year.

The cooling-off period is intended to provide Clients a reasonable time to consider the costs and risks of a financial product or service free from pressure, particularly those with long-term component.

SECTION VII. INFORMATION ON SUSTAINABLE FINANCE

The Rural Bank of Calbayog City, Inc.'s (RBCCI) Environmental and Social Risk Management System (ESRMS) has been issued to document, define terms, establish policies and procedures in compliance with BSP issued mandates on Sustainable Finance Framework (Circular No. 1085 dated 29 April 2020), Environment and Social Risk Management (ESRM) Framework (Circular No. 1128 dated 26 October 2021), and the Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks (Circular No. 1149 dated 23 August 2022), regulations of other financial authorities, government laws, acceptable industry standards and company policies and procedures as documented in RBCC Policies and Procedures Manual.

RBCCI's Environmental and Social Risk Management System identifies and describes the Bank approach to manage the Environmental and Social risks in its business activities. RBCCI's key considerations for determining its approach to Environmental and Social Risk Management are:

- Types of financial services offered (including their typical duration, amounts involved, number of tiers between the bank and the clients);
- Industry sectors of the clients/investment portfolio;
- Types of environmental and social issues related to the Bank's portfolio and the potential to cause adverse impacts;
- Applicable industry initiatives and legal frameworks;
- Business and Risk Strategies and corresponding risk appetite

RBCCI's Environmental and Social Risk Management System shall remain in place and adopted towards ensuring that projects financed by RBCCI are executed in a socially responsible manner and reflect sound environmental management practices.

RBCCI shall also determine whether relevant Environmental and Social standards have been adequately applied. Where avoidance of Environmental and Social impact is not possible, the Bank will agree with its clients on a plan to minimize and/or offset identified impacts and will work toward improved Environmental and Social performance with tangible and practical goals.

A. Scope and Objectives

To ensure a consistent approach across RBCCI, its Environmental and Social Risk Management System practices will apply to lending-related activities.

RBCCI's approach to its Environmental and Social Risk Management (ESRM) is that not all engagements in the Bank's portfolio require the same level of environmental and social due diligence. The time and resources dedicated to each transaction shall be commensurate with the risk profile and nature of the engagement. RBCCI shall focus more of its environmental and social assessment efforts on transactions that have potentially significant environmental and social impacts. In view of this, an ESRM review shall be conducted on each transaction by identifying the risk/s with the stakeholder/s and escalate the decision-making to the Board of Directors when any environmental and social risk (financial, non-financial risk or climate risk) is identified.

The long-term survival of the Bank depends on its determination and discipline to abide by sound Environmental and Social Risk Management practices and corporate governance principles. RBCCI is committed to delivering sustainability and sustainable banking principles through value edge products and services without endangering the future environmental and social indices.

The objectives of RBCCI's Environmental and Social Risk Management System are:

- To identify and assess social and environment impacts of the lending activities of RBCCI and thereby to enhance its understanding of environmental and social risks associated with the Bank's transactions;

- To promote improved social and environmental performance of the Bank's business activities involved in projects of loan borrowers which arise from existing weaknesses of local legislation;

- To adhere to the International Finance Corporation's (IFC) performance standards, international best risk management practices when financing private sector activities and thereby to significantly reduce RBCCI's environmental and social risks;

- To ensure that all projects include adequate provision for actions and costs necessary to prevent, control and mitigate negative impacts on the environment and society, and to improve the quality of both; and

- To consider safety and protection of the environment and the people as critical factors in all business decisions, by appropriately balancing the economic, social, and environmental outcomes.

B. Principles

RBCCI's Environmental and Social Management identifies its obligation to the environmental and social aspects and impacts that its activities, products, and services have on society and the pressures have on its ability to create sustainable value for its stakeholders.

This shall require:

- Developing and managing systems to enable effective risk and opportunity identification, and the management of performance improvement. This includes setting targets and reporting against them.
- Putting on best practices for a rural bank benchmarked against BSP standards.
- Seeking business solutions and products that provide sustainable development outcomes for RBCCI clients and the wider business community.
- Certifying environmental and social risk assessment input into the credit granting process. Where a project that the Bank intends to finance requires specific environmental and social management; a legally binding action plan shall be developed with the client.
- Mapping out opportunities to address climate risk and support RBCCI clients as they transition to a low-carbon economy.
- Creating mechanisms to minimize the impact of climate change in communities served by RBCCI.

C. Environmental and Social Risk Management Policies and Procedures

RBCCI shall adopt Environmental and Social Risk Policies and Procedure to enable Bank personnel to determine what level of Environmental and Social Risk Management is necessary for each transaction, and to carry out the necessary investigation. This requires the proactive identification, assessment and management of environment and social risks before they become significant results in an adverse outcome on the Bank's client. Although this is intended for use in analyzing new potential transactions at the time of application by the client, this can equally be applied to an existing portfolio, to identify existing loans which may present an environmental and social risk to the Bank.

1. <u>Identification and Assessment</u>

   RBCCI shall consider the economic sector and location of the borrower as well as the collateral for the loan to identify the Bank's exposure to environmental and social risks. In identifying and assessing environmental and social risks in its credit operations and at a minimum shall:

   a. Conduct an environmental and social due diligence on the borrower at the start of the client relationship and on an ongoing basis as part of the assessment of the environmental and social risk profile and creditworthiness.

   b. Request the borrower to submit additional document, such as but not limited to, certifications/permits as required by law specifically those heavily engaged in the extraction of natural resources, the emission of carbon and poisonous gases and substances in the air, land, water and other activities that are identified as harmful to the environment.

   c. Consider the ability, willingness and to track record of the borrower in introducing and implementing environmental and social risk mitigation measures.

d. Solicit external businesses to assist in the risk identification and assessment process, when necessary.

e. Upon receipt of the loan application from the client tmo08o RBCCI, the Loan Reporting Head/Loan Remedial Head shall undertake the initial screening of the proposed project and evaluates the loan's financial objectives to determine the scope of the transaction and verify the information indicated on the Loan Application such as but limited to the:
   i) Name of Client/Investor
   ii) Type of proposed activity
   iii) Geographical location of the project/activity
   iv) Scale of the project/activity
   v) Approval from the Local Authorities, as required
   vi) Any previous loans obtained for similar purposes
   vii) Amount of Loan requested
   viii) Any environmental permits/certification as required by law for the proposed project/activity
   ix) Any social issues arising from the proposed project/activity, such as but not limited to heavy engagement in the extraction of natural resources, emission of carbon and poisonous gases or substances in the air, land, and water or other activities identified as harmful to the environment.

f. After securing the required data, the Loan Reporting Head/Loan Remedial Head shall commence with the identification activity of environmental and social risks that RBCCI and its clients are exposed to (e.g., weather changes to assets, danger of employees due to political unrest or pandemic, or effects of persistent typhoons/ droughts) are determined by which locations which are salient for maintaining the respective businesses.

g. Identification of environmental and social risk factors shall include the investigation of the cause-effect relationship and/or common triggers against every risk type as identified in the Bank's risk taxonomy, a comprehensive set of risk categories. Thus, within each risk type an examination must be made of the extent the environmental and social risk are apt to change the assessment of the respective risk type.

2. <u>Measurement and Evaluation</u>

RBCCI shall measure and manage the environmental and social risks relative to its credit operations. It shall measurement methodologies that capture, qualify, and assess the most analysis aligned with RBCCI's business model, risk appetite, and credit risk strategy. At a minimum, RBCCI shall:

a. Adopt measurement methods and tools to qualify, physical and transition risks related to climate change and other environmental and social risk exposures.

b. Conduct stress testing exercises to include scenario analysis using probable scenarios and forward-thinking information to avoid miscalculating potential environmental and social risks.

   Results of the stress testing exercises shall serve as input in the monitoring and assessment of the borrower's account and/or loan portfolio and recommend to the Board of Directors for the review and/or revision of relevant policies, procedures, risk appetite and credit strategies.

c. Adopt a methodology to translate the assessed environmental and social risks to potential impact on the cashflow or the borrower.

d. Regularly communicate with borrowers to keep them abreast of their continuing alignment with RBCCI's environmental and social strategic objectives and targets throughout the terms of their loan or throughout the duration of the client relationship.

e. Conduct site visits or validation review on the actual use of the loan proceeds to ensure that the credit granted was used for the purpose/s applied for. In this manner, Management may verify if the application of the loan is consistent with the RBCCI's assessment of environmental and social risk.

A crucial step in measuring and evaluation environmental and social risks is the assessment of the current environmental and social risk exposure. Due to the range of dependencies across various financial and non-financial types of risks, risks must be evaluated for every risk type, as follows:

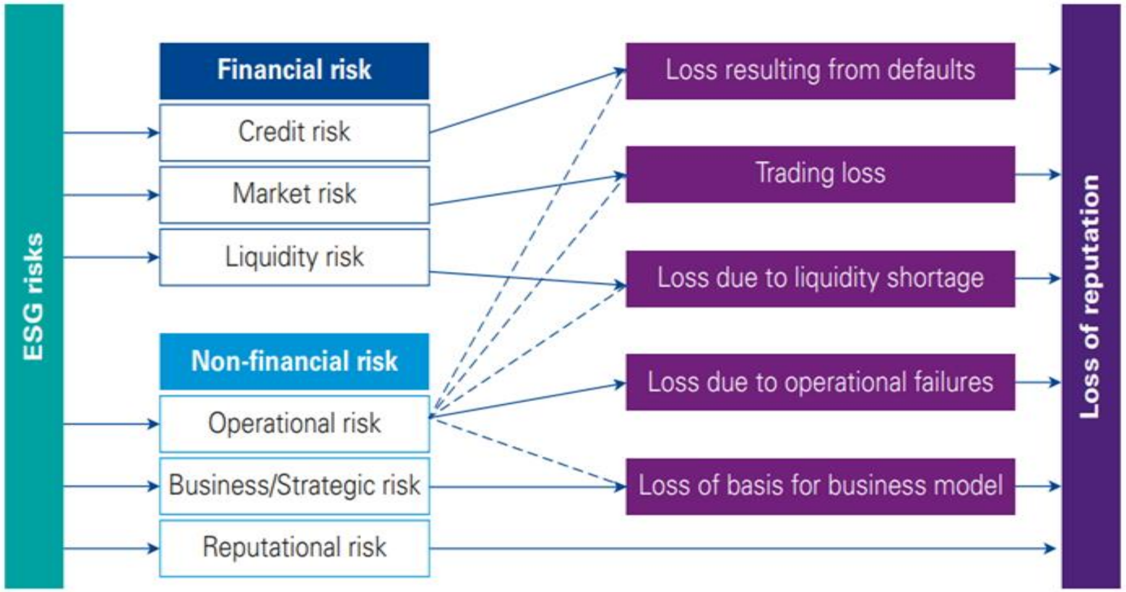
- **Financial Risk**
  a. Credit Risk – The risk of loss arising from the failure of a borrower, issuer, or counterparty to meet its financial obligations to the Bank. The Bank is exposed to credit risk in the management of its investment assets and in the standard and non-standard monetary policy operations it conducts.
  b. Market Risk – The risk of loss resulting from changes in market risk factors, including interest rates, repricing of investments and credit spreads.
  c. Liquidity Risk – The risk of financial loss or difficulties associated with being unable to meet short term financial demands arising from E&S problems. That is, converting assets into cash. This may also arise on a discretionary basis from the Bank's holdings of investment assets.

- **Non-financial Risk**
  a. Operational Risk – The risk stemming from potential disruption of the client's operations because of environmental and social problems. If not managed properly, these problems

can affect a client's stability to meet its financial obligations to the Bank and/ or can drive down the value of a client's collateral in the context of a transaction.

b. Reputation Risk – The risk due to potentially negative publicity associated with a client's poor environmental and social practices harming the financial institution's brand value and image in the media, with the public, the business and financial community, even its own personnel.

c. Legal Risk - The risk stemming from a client's legal obligations which includes fines, penalties, and costs for addressing third-party claims for damages due to negligence in managing the environmental and social risks in a client's operations and clean-up of contamination. If the Bank is a principal shareholder of a client's operations, it may also be directly liable for all environmental and social risks associated with a client's operations.



After the loan has been evaluated against the financial and non-financial risk types, the Loan Reporting Head/Loan Remedial Head shall conduct a stress test that will cover:

a. The effects of change/s to RBCCI's projects such as but not limited to the development and launching of new services/products, sourcing for new contracted service providers, acquisition activities, etc., as applicable.
b. The current risk exposures to include evaluating of RBCCI's capital adequacy as well as calculating regulatory and economic capital.
c. The Environment and Climate Risks (Physical and Transition) to include factors that may have impact to the RBCCI's Loan Portfolio, such as:
    i) Identify sources of client-specific location data (e.g., residence/ building for real estate financing, production sites for corporations) as basis to stimulate impact from physical climate threats.
    ii) Evaluate how increased physical climate threats will impact the valuation of the asset and credit rating of the client.
    iii) Analyze the material loan exposures to better understand channels of and transition risks impacting asset valuation and credit rating of the client.

- **Environmental and Social Risks**
    a. <u>Physical Risk</u> – Potential loss or damage to tangible assets arising from climate change and/or other weather-related conditions such as floods, typhoons, droughts, extreme weather variability, and rising sea levels.

Note: These events can disrupt businesses and clients' income cycle or cash flow affecting the clients' capability to pay their loans from banks resulting to deterioration of the quality of the Bank's loan portfolio.

b. Transition Risk – Potential economic adjustment cost resulting from policy, legal, technology, and market changes to meet climate change mitigation and adaption requirements.

- **Loan Categorization**

After evaluating the loan application against possible environmental and social risks, evaluate the loan according to the Loan Categorization of Transaction:

a. Category A (High Risk): Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. The loan application can be recommended for approval subject to the loan applicant's willingness to comply Environmental and Social Risk Compliance Requirements based on national and local regulations as well as the International Financial Corporation's (IFC) performance standards.

b. Category B (Moderate Risk): Business activities with potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures. The loan application can be approved subject to the loan applicant's compliance with environmental and social policies and procedures, regulatory requirements, national and local laws, etc.

c. Category C (Low Risk): Business activities with minimal or no adverse environmental or social risks and/or impacts. The loan application can be approved without additional requirements to comply with environmental and social mitigation actions.

Upon completing the evaluation, the Loan Reporting Head/Loan Remedial Head shall endorse the loan application to the President and CEO for further review and comment. If the President and CEO warrants that the loan application does not comply with the requirements and/or standards of RBCCI, the loan application shall be rejected and returned to the Loan Reporting Head/Loan Remedial Head for further review and analysis. If the Loan Application is approved by the President and CEO, the same shall be endorsed to the Board of Directors for deliberation and approval, as applicable.

Upon receipt of the Board's approval, the Loan Reporting Head/Loan Remedial Head shall prepare the necessary documents to include a Memorandum of Agreement (MOA) and discuss with the loan applicant the terms and conditions of the Memorandum of Agreement (MOA) to include requirements to comply with environmental and social parameters.

After completing the documentation requirements, the Loan Reporting Head/Loan Remedial Head shall discuss the terms and conditions of the Memorandum of Agreement and other relevant documents to the loan applicant prior to the release of the proceeds/funds to the loan applicant.

3. Monitoring

RBCCI shall monitor and evaluate each approved loan on an annual basis to ensure the loan borrower's compliance with the terms and conditions stipulated in the Memorandum of Agreement, Environmental and Social requirements, status implementation of the Agreed Corrective Action Plan, where applicable. In this manner, any non-compliance, which increases the loan's overall risk, can be identified early, and followed up with the borrower.

The regular monitoring of the loan implementation shall include a review of the borrower's ongoing environmental and social performance as well as implementation of corrective actions to warrant if such actions could be deemed successful or whether additional measures are needed.

As a monitoring process, RBCCI shall identify the borrower's ongoing Environmental and Social Risk Rating (ESRR) as guided by the following:

a. "High" ESRR - Indicates serious/critical non-compliance of the borrower. The borrower shall create a corresponding Corrective Action Plan, inclusive of the timeline for its completion to mitigate the identified non-conformity/problem. The Corrective Action Plan shall be submitted to RBCCI within 30 days from the date the borrower was notified of the non-compliance.
b. "Medium" ESRR – Indicates less serious/critical non-compliance or unresolved non-material issues. The borrower shall create a corresponding Corrective Action Plan, inclusive of the timeline for its completion to mitigate the identified non-conformity/problem. The Corrective Action Plan shall be submitted to RBCCI within 60 days from the date the borrower was noticed of the non-compliance.
c. "LOW" ESRR – Indicates that there is no noted non-compliance and thus, no corrective action shall be required.

The Table below shall serve as guide in determining the corresponding ESSR Risk:

E&S Risk Assessment Activity	E&S Level of Loan		
	Low	Medium	High
Regulatory compliance check	Confirm compliance from the beneficiary through warranties and covenants	*Confirm compliance from the beneficiary through warranties * If concerned check compliance, e.g. review permits/licenses, speak to regulator, etc.	*Confirm compliance from the beneficiary through warrantee AND check compliance e.g. review permits/licenses, speak to regulator, etc.
Evaluate beneficiary's management of E&S risk		Engage beneficiary to assess commitment, capacity and track record in managing E&S risk	Engage beneficiary to assess commitment, capacity and track record in managing E&S risk
Conduct an operational site visit		Conduct an operational site visit to check areas of concern	Conduct an operational site visit to check areas of concern

4. Reporting

The Loans Reporting Head/Loans Remedial Head shall provide the Chief Compliance Officer and Internal Audit Head with a semi-annual report on the performance of loans and, findings noted during site visits and corrective measures taken by the borrowers to reduce its overall exposer E&S risk.

To have a better understanding of RBCCI's overall exposure to E&S risk, the Compliance and Internal Audit Section shall compile all E&S findings noted on the monthly report of the Loans Reporting Head/Loans Remedial and aggregate findings at the portfolio level. All findings shall be incorporated into an E&S aggregate report and submitted to the ICAC Chairman for discussion during the ICAC Committee's on the next quarterly meeting, or earlier as necessary.

D. Credit Risk Strategy

RBCCI shall consider environmental and social factors in defining its credit strategy aligned with the objectives set out by the Board of Directors. In relation to this, the Bank shall review the composition of its loan portfolio, which may have existing exposures in markets, sectors, or geographic areas vulnerable to material environmental and social risks. Results of stress testing and scenario analysis shall be considered in setting credit strategy and risk appetite. Further, RBCCI shall define activities that are eligible for financing based on its environmental and social objectives and shall be sensitive to potential changes in the business environment and promptly respond to environmental and social risks in its loan portfolio.

Credit Risk Management System (CRMS)

RBCCI shall consider environmental and social risk in defining credit risk appetite. The type, quality, and severity of the environmental and social risk shall be evaluated considering different factors such as the type of loan, location of the borrower, project and/or collateral, business, and industry of the borrower.

Policies, Procedures and Processes

RBCCI shall adopt policies, procedures, and processes that shall reflect its risk appetite and credit risk strategy. This shall provide guidance in managing environmental and social risks, which aligns with the environmental and social objectives of RBCCI, for all its phases of the Credit Risk Management System. Thus, the board-approved policies, procedures and processes shall:

a. cover the identification and assessments of environmental and social risks coming from the borrower and loan portfolio levels;
b. provide appropriate metrics, targets, and limits to measure and control exposures; and
c. clearly set out the duties and responsibilities of the Board of Directors, Senior Management and Internal Audit and Compliance Section

Board-approved policies, procedures, and processes shall be documented in the RBCC Policies and Procedures Manual which shall be appropriately communicated throughout the organization, and shall be periodically reviewed and updated, as applicable. Compliance to policies, procedures, and processes shall be monitored and assessed periodically to ensure that environment and social risks arising from the Bank's credit operations are effectively managed. Deviation from board-approved policies, procedures and processes shall be documented and approved by the Board of Directors prior to its implementation.

Summary of the Lending Procedure Incorporated with ESMS

Key Steps	Description
Initial Contract with Client	- Client contacts RBCCI and requests for a loan - Loan Officer interviews the client and assesses whether the credit request falls within the purview of the Bank's requirements / standards.
Client's Loan Application	- The Loan Officer hands over relevant set of forms/documents including a loan application form for the borrow to complete. - The client fills the documents required by RBCCI and submits the application to the Loan Officer for review.
Evaluation of the Loan Application	- Loan Reporting Head/Loan Remedial Head shall evaluate the loan application according to a proactive identification, evaluation, and management of environmental and social risks approach.
Identification of the Project	- Conduct an initial screening of the proposed project and; a) determine scope of transaction b) verify the information indicated on the loan application c) Identify environmental and social risk factors

Measurement and Evaluation of Loan Risks	- Assess the loan application against the various types of risks to include financial, non-financial, environmental, and social risks.
Site Visit	- Conduct a site visit as part of RBCCI's environmental and social Due Diligence process to get an initial understanding of the nature of the project, geographic location, etc. - Prepare an Inspection Report indicating observations and findings noted during the site visit.
E & S Risk Categorization	- Categorize the loan application for according to one of the following Risk Levels: • Level A (High Level) – Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. • Level B (Medium Level) - Business activities with potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures. • Level C (Low Risk) – the business activities with minimal or no adverse environmental or social risks and/or impacts.

Loan Processing	- Assess the viability of granting the loan; forward the loan application to the President and CEO together with the Loan Application, Inspection Report, and other pertinent documents along with the recommendation for the approval of the loan application
Approval / Recommendation	- The President and CEO approves the loan application provided the proposal is financially viable (credit worth) and the facility is within his approval limits. - If the facility is not financially viable, the President and CEO rejects the application. - If the loan application requested is beyond the approval limits of the President and CEO, then the loan application shall be forwarded to the Board of Directors along with the recommendation for approval of the loan application. - The of Board Directors shall discuss and deliberate on the viability of the loan application and warrant if the loan amount is within the Bank's approval limits. - If the Board of Directors is not fully satisfied with the proposed loan application and attaching documents, the Board shall reject the loan application. - If the Board of Directors is fully satisfied with the proposed loan application and its attaching

	documents, the Board of Directors shall approve the loan application.
Loan Documentation	- Once the loan is approved, the Loan Reporting Head/Loan Remedial Head shall prepare the loan documentation, execute the Memorandum of Agreement to the client and other pertinent documents as applicable to the proved loan.
Regular Monitoring	- The borrower shall implement the relevant environmental and social management provisions and submit reports to RBCCI, as required. - The Loan Officer/Compliance Assistance shall visit the site of the project/investment for further due diligence surveillance and submit a report to the President and CEO and Chief Compliance Officer and Internal Audit on the level of compliance by the borrower. - Status of all Environmental and Social Management Loans and the borrowers' implementation of the relevant environmental and social requirements shall be discussed by the a) President and CEO during the Board of Directors' Monthly Meeting, and b) Chief Compliance Officer and Internal Audit Head during the Quarterly ICAC Meeting.

E. Duties and Responsibilities

1. Board of Directors

The Board of Directors shall promote the long-term financial interest of RBCCI and ensures that is has beneficial influence on the economy consistent with the expectations set under Section 132 of the MORB. The Board of Directors shall be responsible to:

a. Ensure that environmental and social risks are integrated in RBCCI’s operational risk management framework.

b. Approve portfolio objectives, overall investment strategies, general investment policies, and limits that are consistent with RBCCI's financial condition and risk tolerance.

c. Oversee the integration of sustainability principles and objectives in the Bank's investment activities and monitor the progress in attaining such objectives through the relevant committee (if available) it designated pursuant to Section153, MORB.

d. Institutionalize the adoption of sustainability principles, including those covering environmental and social risk areas in the Bank, by incorporating the same in the corporate governance and risk management frameworks, as well as in the Bank’s strategic objectives and operations, risk strategy, risk appetite and risk management policies and procedures. Moreover, the Board shall:

   i) Set strategic environmental and social objectives covering short, medium, and long-term horizons, including those for credit operations;

   ii) Approve the risk appetite on specific risk areas that the Bank is willing and capable to manage, results of stress testing exercises, and assessments of the timing and channels though which environmental and social risks may materialize; and

iii) Ensure that materials on environmental and social risks are considered in the internal capital planning process.
iv) Ensure that the frequency and manner of monitoring the Bank's progress in meeting in its environment and social objectives and targets are not conveyed.
v) Integrate the sustainability agenda in the performance appraisal system.

e. Promote a culture that fosters environmentally and socially responsible business decisions. The Board of Directors (BoD) shall ensure that sustainability implications are considered I the overall decision-making process.

f. Approve RBCCI's Environmental Social Risk Management System (ESRMS) that is commensurate with the Bank's size, nature, and complexity of operations and oversee its implementation. The Board of Directors shall ensure that the ESRMS is aligned with locally and internationally recognized principles, standards and global practices and forms part of the enterprise-side risk management (ERM) system.

g. Ensure that RBCCI's sustainability objective and policies are clearly communicated across the Bank, and to its investors, clients, suppliers, outsourced services, and other stakeholders.

h. Adopt an effective organizational structure to ensure attainment and continuing relevance of the Bank's sustainability objectives. The BoD or the designated board-level or management committee shall monitor the Bank's progress in attaining sustainability objectives.

i. Monitor the progress on the Bank in meeting its environmental and social strategic objectives and targets and ensures that issues in meeting the same are addressed.

j. Institutionalize a capacity building program for the BoD, all levels of management, and personnel to equip the bank in identifying, measuring, monitoring, and controlling environmental and social risks. The BoD shall likewise ensure that key personnel shall possess adequate knowledge, skills, and expertise necessary to perform their work.

k. Ensure that adequate resources are available to attain the Bank's sustainability objectives. The BoD shall ensure that the members of the Board, Management and personnel are regularly apprised of the developments on sustainability standards and practices.

l. Adopt an effective communication strategy to inform both internal and external stakeholders of RBCCI's environmental and social strategic objectives and targets.

m. Ensure that the sustainability agenda is integrated in the Bank's performance appraisal system.

n. For Credit Risk Management System, the Board of Directors shall set strategies with environmental and social objectives and targets for RBCCI's credit operations covering short, medium, and long-term horizon to facilitate the integration of environmental and social principles in lending operations. This may include progressively increasing targets on the proportion of loan portfolio allocated for sustainable financing. Further, the Board of Directors shall:
    i) Set out clear criteria involving decisions to finance high environmental and social risks sector during the said term horizons. The criteria shall consider the long-term financial interest of RBCCI and its role in contributing to the sustainable goals and growth of the economy.
    ii) Ensure comprehensive discussions of credit related environmental and social risk of RBCCI, to include deviations from strategic objectives and targets set.

o. For Operational Risk Management System, the Board of Directors shall:

i) Ensure that environmental and social risks are integrated in the operational risk management framework.
ii) Ensure that RBCCI's policies and procedures include the extent of the Bank's engagement with its counterparties, including the supplier and outsourced service providers, with regards to the adoption of sustainability principles, in accordance with its strategy.

2. Senior Management

Senior Management shall be responsible for the overall implementation of the Board-approved credit strategies, policies, and procedures in relation to the adoption of sustainability principles. In this regard, Senior Management shall:

a. Ensure effective implementation of policies, procedures, and processes to identity measure, monitor and control environmental and social risks arising from its credit operations, both at the individual and portfolio levels.

b. Consider environmental and social factors in the credit understating and loan pricing frameworks as well as in determining allowance for credit losses.

c. Ensure that the reporting lines and the duties and responsibilities of personnel and officers with respect to the management of environmental and social risks related to operations are clear, well-defined, and adequately documented.

d. Facilitate the identification of environmental and social risks that may affect the performance of key personnel and officers that could serve as the source of operational risks.

e. Conduct an assessment, at least annually or as frequently as necessary of the continuing relevance of the ESRM policies and procedures considering the developments in the business environment. The assessment shall verify the vulnerability of RBCCI's systems, operations and branches/BLUs to physical risks and other disaster-related events.

f. Facilitate the identification, assessment, monitoring, and mitigation of environmental and social risks.

g. Ensure that RBCCI takes a holistic approach in managing environmental and social risks aligned with the strategic objectives set by the Board of Directors.

h. Ensure that the Bank activities are aligned with the overall environmental and social strategic objectives and targets.

i. Ensure adoption of methodologies and tools that will effectively identify, and quantify, monitor and control environmental and social risks.

j. Ensure that the policies, procedures, and processes are clearly and communicated across the organization.

k. Assess consistently of operations and performance of personnel with the RBCCI's sustainability objectives.

l. Report to the Board of Directors periodically regarding the Bank's exposure to environmental and social risks arising from the credit operations, which shall include but not limited to, potential issues associated with both internal and external activities of its borrowers that may have material impact on RBCCI's reputation.

m. Apprise the Board of Directors or the Internal Control and Audit (Compliance) Committee (ICAC), RBCCI's exposure to environmental and social risks on a regular basis which shall include potential issues associated with both internal and external activities of RBCCI's clients that may have material impact on the Bank's portfolio or reputation. Furthermore, Senior Management shall report its progress in implementing RBCCI's sustainability policies and ESRMS.

n. Develop portfolio objectives that set out the acceptable instruments, expected business returns, desired asset distribution and diversification constraints, and other elements of sound investment management. The portfolio objectives should likewise provide how the investment activities will be aligned with the sustainability objective of RBCCI.

o. For Credit Risk Management System, Senior Management shall:
    i) Ensure effective implementation of policies, procedures, and processes to identify, measure, monitor, and control environmental and social risks arising from credit operations, both at the individual and portfolio levels.
    ii) Consider environmental and social factors in the credit underwriting and loan pricing frameworks as well as determine allowance for credit losses.
    iii) Regularly inform the Board of Directors regarding RBCCI's exposure to environmental and social risks arising from its credit operations including potential issues related with the activities of its borrowers that have material impact and the corresponding control measures to mitigate such risks.

p. For Operational Risk Management System, the Senior Management shall:
    i) Be responsible for the overall implementation of the board-approved policies, procedures, and systems for managing operational risk arising from environmental and social risks consistent with the risk appetite set of the Board of Directors.

ii) Ensure that the reporting lines and the duties and responsibilities of RBCCI personnel and officers with respect to the management of environment and social risks related to operations are well-defined, and effectively documented in the RBCC Policies and Procedures Manual.
iii) Simplify the identification of environmental and social risks that may affect performance of key personnel ad officers that could serve as source of operational risk.
iv) Conduct an assessment, annually or as frequently as necessary, of the vulnerability of RBCCI's systems, operations, and branch/BLUs to physical risks and other disaster-related events.

3. <u>Internal Audit and Compliance</u>

The Internal Audit and Compliance Section shall:

a. Conduct an assessment on the compliance to Rural Bank of Calbayog City, Inc.'s (RBCCI) Environmental and Social Risk Management System (ESRMS) in compliance with:
    i) BSP issued mandates on Sustainable Finance Framework (Circular No. 1085 dated 29 April 2020)
    ii) Environment and Social Risk Management (ESRM) Framework (Circular No. 1128 dated 26 October 2021),
    iii) Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks (Circular No. 1149 dated 23 August 2022),
    iv) Regulations of other financial authorities, government laws, acceptable industry standards and company policies and procedures as documented in RBCC Policies and Procedures Manual.

b. Report to the ICAC Chairman any observed deviation from environmental and social- related regulations, government laws, company policies and procedures.

c. Ensures that any non-compliance observed or noted against RBCCI shall be appropriately resolved within the acceptable timeframe.

F. Training

As part of RBCCI's commitment to its Environmental and Social Management System, the Bank shall focus on raising awareness of environmental and social risk issues and mitigants among its employees and Board of Directors. It shall likewise keep all personnel abreast with the developments in the relevant Environmental and Social-related policies, regulatory and statutory requirements, best practices, and company policies and procedures by conducting training (face-to-face or online), employee meetings or by issuing of interoffice memorandums, as applicable.

SECTION VIII. AUDITED FINANCIAL STATEMENTS

2023 Audited Financial Statements.p

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	1	4	9	5	2

COMPANY NAME

RURAL BANK OF
CALBAYOG CITY, INC.

PRINCIPAL OFFICE ***(No. / Street / Barangay / City / Town / Province)***

82 T. BUGALLON STREET
BARANGAY CENTRAL
CALBAYOG CITY, SAMAR
PHILIPPINES

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
rbcalbayog.wsamar@gmail.com	(055) 209-1265	09657462763
No. of Stockholders	**Annual Meeting**	**Fiscal Year (Month / Day)**
EIGHTY-ONE (81)	Every 3rd Saturday of February	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alan Giles Mary S. Sarmiento	alan.sarmiento@rbcalbayogcity.com	(055) 209-1265	09178957798

CONTACT PERSON's ADDRESS

Brgy. Payahan, Calbayog City, Samar, Philippines 6710

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **RURAL BANK OF CALBAYOG CITY, INC.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended **December 31, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

JACKIE LOU R. OCBENIA-DUNGCA, CPA the independent auditor appointed by the stockholders, has audited the financial statements of the bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.

MA. ROSARIO R. SANTOS
Chairperson of the Board

ALAN GILES MARY S. SARMIENTO
President and Chief Executive Officer

MARA S. MAHUSAY
Treasurer

ATTY. ANTHONY U. SINGZON
ROSALES BLVD. BRGY. WEST AWANG, CALBAYOG CITY
NOTARIAL COMMISSION No. 22-07 UNTIL December 31, 2024
IBP NO. 381061 / 12-29-23 SAMAR
PTR No. 2010639/ 01-02-24 CALBAYOG CITY
MCLE COMPLIANCE No. VII-14842 / 4-06-22 until 4-14-2025
ROLL No. 64990
NOTARY PUBLIC FOR CALBAYOG CITY & SAMAR

Signed this ___ day of ________ 2024

SUBSCRIBED AND SWORN TO BEFORE ME
THIS 29 APR 2024 AT CALBAYOG CITY
AFFIANT EXHIBITING TO ME HIS CTC/ID No. ______
ISSUED ON ______ AT ______

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Page No. 71
Book No. III
Series of 2024

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **RURAL BANK OF CALBAYOG CITY, INC. is** responsible for all information and representations contained in the Annual Income Tax Return for the years ended **December 31, 2023 and 2022**. Management is likewise responsible for all information and representation contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representation contained in all the other tax returns filed for the reporting period, including but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, and any all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2023 and 2022** and the accompanying Annual Income Tax Return are in accordance with the books and records of **RURAL BANK OF CALBAYOG CITY, INC.** are complete and correct in all material respects.

Management likewise affirms that:

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

b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances.

c. The **RURAL BANK OF CALBAYOG CITY, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

MA. ROSARIO R. SANTOS
Chairperson of the Board

ALAN GILES MARY S. SARMIENTO
President and Chief Executive Officer

MARA S. MAHUSAY
Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME THIS 29 APR 2024 AT CALBAYOG CITY AFFIANT EXHIBITING TO ME ... ISSUED ON ... AT ...

Signed this ____ day of ____________ 2024

ATTY. ANTHONY U. SINGZON
ROSALES BLVD., BRGY. WEST AWANG, CALBAYOG CITY
NOTARIAL COMMISSION No. 22-07 UNTIL December 31, 2024
IBP NO. ...61 / 12-29-23 SAMAR
PTR No. 2010639 / 01-02-24 CALBAYOG CITY
MCLE COMPLIANCE No. VII-14842 / 4-06-22 until 4-14-2025
ROLL No. 64390
NOTARY PUBLIC FOR CALBAYOG CITY & SAMAR

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Page No. 71
Book No. II
Series of 2024

ACCOUNTING OFFICE
JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE
CERTIFIED PUBLIC ACCOUNTANT
#212 Prk. 3 Brgy.Suclayin, Arayat, Pampanga
Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

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

In accordance with your instructions, I have undertaken the financial audit of the **RURAL BANK OF CALBAYOG CITY, INC.** for the year ended December 31, 2023. In this regard, I am respectfully submitting the following reports enumerated below:

1. Audited Financial Statements for the year ended December 31, 2023;
2. Supplemental and Written representations required by SEC,
3. Reconciliation statement of Audited Financial Statements vis-a-vis submitted balance sheet and income statement;
4. Certification by the EA under Section 174 of the MORB:
   a. dates of start and termination of audit;
   b. date of submission of the Financial Audit Report and certification under oath stating that no material weakness or breach in the internal control and risk management systems was noted in the course of the audit;
   c. the absence of any direct or indirect financial interest and other circumstances that may impair the independence of the EA;
5. Reports required to be submitted under Appendix 55 (Appendix to Section 174),
   a. Any material finding involving fraud or dishonesty (including cases that were resolved during the period of audit) and any potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated assets of the Bank;
   b. Termination or resignation as EA and stating the reasons therefore;
   c. Discovery of any material breach of laws of BSP rules and regulations such as but not limited to (a.) prescribed capital and liquidity ratios, (b.) significant deficiency in allowance for credit losses, (c.) material weaknesses in fair value measurement methodology, and (d.) significant vulnerabilities to money laundering and combating the financing of terrorism; and
   d. Findings on matters of corporate governance that may require urgent action by the BSP.

During the course of my audit, I received excellent cooperation from the officers and members of their staff. To them, I express my appreciation and my thanks.

Respectfully yours,

JACKIE LOU R. OCBENIA-DUNGCA, CPA
CPA Cert. No.0146814
TIN: 236-447-466-000
PTR No.:4278594, January 09, 2024,
City of San Fernando Pampanga
BIR ACC.No.: 04-005756-001-2022, Expiring on January 2025
BOA ACC.No.:5299, Expiring on June 30, 2024
BSP ACC No. 146814; CY 2021-2025

March 24, 2024

Member: Philippine Institute of Certified Public Accountants

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#212 Prk. 3 Brgy.Suclayin, Arayat, Pampanga
Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

STATEMENT OF REPRESENTATION

TO THE SECURITIES AND EXCHANGE COMMISSION

In connection with my examination on the financial statements of **RURAL BANK OF CALBAYOG CITY, INC.** for the year ended December 31, 2023 which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That the financial statements are presented in conformity with the Philippine Financial Reporting Standards, in all cases where I shall express an unqualified opinion, except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof and the reasons why compliance with the principles would result in a misleading statement if such is a fact;
3. That I fully met the requirements of independence as provided in the Code of Professional Ethics for CPAs;
4. That in the conduct of such audit, I complied with the Philippine Standard of Auditing promulgated by the Board of Accountancy, in case of any departure from such standards or any limitations in the scope of my examination, I shall indicate the nature of the departure and the extent of limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion; and
5. That relative to the expression of my opinion, on the financial statements, I shall not commit any act discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engage in public practice, I make these representations in my individual capacity.

JACKIE LOU R. OCBENIA-DUNGCA, CPA
CPA Cert. No.0146814
TIN: 236-447-466-000
PTR No.:4278594, January 09, 2024,
City of San Fernando Pampanga
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March 24, 2024

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Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

The Board of Directors and Stockholders
RURAL BANK OF CALBAYOG CITY, INC.
82 T. Bugallon Street, Calbayog City, Samar

Opinion

I have audited the accompanying Financial Statements of the **RURAL BANK OF CALBAYOG CITY, INC.** of the Statements of Financial Position as of December 31, 2023 and 2022 and the Statements of Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, including a summary of significant accounting policies and explanatory notes.

In my opinion, the financial statements presents fairly, in all material respects, the financial position of the **RURAL BANK OF CALBAYOG CITY, INC.** as of December 31, 2023 and 2022 and its financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for opinion

I conducted my audit in accordance with the Philippine Standards on Auditing (PSA's). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements' section of the report. I am independent from the entity in accordance with the Code of Ethics for Professional Accountants in the Philippines together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial misstatements, whether due to fraud or error, design and perform audit procedures responsive to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. 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 company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention to my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease, or to continue as a going concern.

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

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

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010, RR No. 19-2011 and Bangko Sentral ng Pilipinas (BSP) under Circular 1074

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Note 29 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and is not required part of the basic financial statements. Such information is the responsibility of management of the **RURAL BANK OF CALBAYOG CITY, INC.** The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respect in relation to the basic financial statements taken as a whole.

JACKIE LOU R. OCBENIA-DUNGCA, CPA
CPA Cert. No.0146814
TIN: 236-447-466-000
PTR No.:4278594, January 09, 2024,
City of San Fernando Pampanga
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March 24, 2024

Member: Philippine Institute of Certified Public Accountants

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Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

INDEPENDENT AUDITOR'S REPORT
FOR SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
RURAL BANK OF CALBAYOG CITY, INC.
82 T. Bugallon Street, Calbayog City, Samar

I have audited in accordance with Philippine Standards on Auditing, the financial statements of **RURAL BANK OF CALBAYOG CITY, INC.** as at and for the taxable year ended December 31, 2023 on which I issued my report thereon dated March 24, 2024. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on financial soundness indicators including their definitions, formulas, and calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management.

These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other banks. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code, Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2023 and no material exceptions were noted.

JACKIE LOU R. OCBENIA-DUNGCA, CPA
CPA Cert. No.0146814
TIN: 236-447-466-000
PTR No.:4278594, January 09, 2024,
City of San Fernando Pampanga
BIR ACC.No.: 04-005756-001-2022, Expiring on January 2025
BOA ACC.No.:5299, Expiring on June 30, 2024
BSP ACC No. 146814; CY 2021-2025

March 24, 2024

Member: Philippine Institute of Certified Public Accountants

ACCOUNTING OFFICE
JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE
CERTIFIED PUBLIC ACCOUNTANT
#212 Prk. 3 Brgy.Suclayin, Arayat, Pampanga
Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

SUPPLEMENTAL WRITTEN STATEMENT OF INDEPENDENT AUDITOR

The Board of Directors and Stockholders
RURAL BANK OF CALBAYOG CITY, INC.
82 T. Bugallon Street, Calbayog City, Samar

Gentlemen:

I have examined the financial statements of the **RURAL BANK OF CALBAYOG CITY, INC.** for the year ended December 31, 2023, on which I have rendered the attached report dated 24 March 2024.

In compliance with SRC Rule 68, I am stating that the bank has a total of twenty-seven (27) stockholders owning One Hundred (100) or more common shares each as at December 31, 2023.

In compliance with Revenue Regulations V-20, I am stating that I and the immediate members of my family are not related by consanguinity or affinity to the members of the Board of Directors, majority stockholders or principal officers of the Bank.

JACKIE LOU R. OCBENIA-DUNGCA, CPA
CPA Cert. No.0146814
TIN: 236-447-466-000
PTR No.:4278594, January 09, 2024,
City of San Fernando Pampanga
BIR ACC.No.: 04-005756-001-2022, Expiring on January 2025
BOA ACC.No.:5299, Expiring on June 30, 2024
BSP ACC No. 146814; CY 2021-2025

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CERTIFIED PUBLIC ACCOUNTANT

#212 Prk. 3 Brgy.Suclayin, Arayat, Pampanga

Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

The Board of Directors and Stockholders
RURAL BANK OF CALBAYOG CITY, INC.
82 T. Bugallon Street, Calbayog City, Samar

Gentlemen:

I have audited the financial statements of the **RURAL BANK OF CALBAYOG CITY, INC.** for the year ended December 31, 2023, on which I have rendered the attached report dated 24 March 2024.

In compliance with Revenue Regulations V-20, I am stating that I and the immediate members of my family is not related by consanguinity or affinity to the members of the Board of Directors, majority stockholders or principal officers of the Bank.

The schedule of taxes paid and accrued by the Bank for the year ended December 31, 2023 is embodied in Note 28 of the Audited Financial statements attached to the Income Tax Return.

JACKIE LOU R. OCBENIA-DUNGCA, CPA
CPA Cert. No.0146814
TIN 236-447-466-000
PTR No.:4278594, January 09, 2024,
City of San Fernando Pampanga
BIR ACC.No.: 04-005756-001-2022, Expiring on January 2025
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BSP ACC No. 146814; CY 2021-2025

March 24, 2024

Member: Philippine Institute of Certified Public Accountants

RURAL BANK OF CALBAYOG CITY, INC.

STATEMENTS OF FINANCIAL POSITION

		As at December 31		
		2023		2022
ASSETS				
Cash and Other Cash Items (Note 7.1)	**P**	**5,602,854**	P	4,912,775
Due from BSP and other Banks (Note 7.2)		**68,495,560**		112,877,147
Debt Securities Measured at Amortized Cost (Note 8)		**9,511,994**		204,821
Loans and Receivable, Net (Note 9)		**103,724,861**		80,915,979
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 10)		**926,330**		794,732
Investment Properties (Note 11)		**3,494,341**		2,234,652
Right of Use Assets (Note 12)		**301,452**		538,002
Intangible Assets (Note 13)		**353,809**		414,409
Other Assets (Note 14)		**453,218**		418,097
Deferred Tax Assets (Note 24)		**25,346**		111,126
TOTAL ASSETS		**192,889,765**		203,421,739
LIABILITIES & SHAREHOLDERS' EQUITY				
LIABILITIES				
Deposit Liabilities (Note 15)		**136,444,153**		146,638,029
Bills Payable (Note 16)		**-**		7,049,058
Accrued Interest, Taxes and Other Expenses Payable (Note 17)		**51,588**		58,886
Other Liabilities (Note 18)		**4,337,037**		4,204,635
Income Tax Payable		**175,331**		351,242
TOTAL LIABILITIES		**141,008,109**		158,301,850
SHAREHOLDERS' EQUITY				
Share Capital (Note 19)				
Ordinary Share Capital		**20,000,000**		20,000,000
Preferred Stock		**5,000,000**		4,005,000
Retained Earnings		**26,881,656**		21,114,889
TOTAL SHAREHOLDERS' EQUITY		**51,881,656**		45,119,889
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**P**	**192,889,765**	P	203,421,739
BOOK VALUE PER SHARE	**P**	**259.41**	P	225.60

See accompanying Notes to Financial Statements

RURAL BANK OF CALBAYOG CITY, INC.
STATEMENTS OF INCOME

		For the Years Ended December 31		
		2023		2022
INTEREST INCOME ON				
Loans & Receivables (Note 9)	**P**	**12,168,395**	P	11,428,120
Sales Contract Receiveble (Note 9.1)		**628,605**		296,548
Due from Other Banks (Note 7.2)		**153,525**		162,278
Debt Securities Measured at Amortized Cost (Note 8)		**253,439**		5,260
		13,203,964		11,892,206
INTEREST EXPENSE ON				
Savings Deposits (Note 14)		**926,648**		812,221
Lease Liabilities		**18,145**		2,273
		944,793		814,494
NET INTEREST INCOME		**12,259,171**		11,077,712
Other Income (Note 20)		**12,104,179**		3,667,524
TOTAL OPERATING INCOME		**24,363,350**		14,745,236
OTHER OPERATING EXPENSES				
Provision for Credit Losses		**-**		357,818
Compensation and Fringe Benefits (Note 21)		**7,619,450**		6,395,899
Other Operating Expenses (Note 23)		**7,192,660**		5,321,898
Depreciation and Amortization (Note 24)		**449,044**		303,875
Taxes and Licenses (Note 28)		**952,132**		667,372
TOTAL OPERATING EXPENSES		**16,213,286**		13,046,862
INCOME BEFORE INCOME TAX		**8,150,064**		1,698,374
PROVISION FOR INCOME TAX (Note 24)		**1,266,979**		352,468
NET INCOME AFTER INCOME TAX	**P**	**6,883,085**	P	1,345,906
EARNINGS PER SHARE	**P**	**34.42**		6.73

See accompanying Notes to Financial Statements.

RURAL BANK OF CALBAYOG CITY, INC.

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended December 31, 2023 and 2022

		ORDINARY SHARE CAPITAL (Note 19)		PREFERRED STOCK		RETAINED EARNINGS - FREE		Total Equity
Balance at January 1, 2023	**P**	**20,000,000**	**P**	**4,005,000**	**P**	**21,114,889**	**P**	**45,119,889**
Issuance of shares		**-**		**995,000**		**-**		**995,000**
Total income for the year		**-**		**-**		**6,883,085**		**6,883,085**
Issuance of Dividends		**-**		**-**		**-**		**-**
Provision and Adjustments		**-**		**-**		**(1,116,318)**		**(1,116,318)**
Balance at December 31, 2023		**20,000,000**		**5,000,000**		**26,881,656**		**51,881,656**
Balance at January 1, 2022		20,000,000		2,832,400		20,905,858		43,738,258
Issuance of shares		-		1,172,600		-		1,172,600
Total income for the year		-		-		1,345,906		1,345,906
Issuance of Dividends		-				(480,100)		(480,100)
Provisions and Adjustments		-		-		(656,775)		(656,775)
Balance at December 31, 2022	P	20,000,000	P	4,005,000	P	21,114,889	P	45,119,889

See accompanying Notes to Financial Statements.

RURAL BANK OF CALBAYOG CITY, INC.

STATEMENTS OF CASH FLOWS

		For the Years Ended December 31		
		2023		2022
CASH FLOW FROM OPERATING ACTIVITIES				
Income before tax	P	8,150,064	P	1,698,374
Adjustment to reconcile Net Income to				
Net cash provided by operating activities:				
Depreciation/Amortization (Note 10, 11, 12 and 22)		449,044		303,875
Appraisal on Bank Buildings		-		
Gain on sale of ROPA		-		
Adjustments to Investment Properties		-		
Non-cash adjustments on bank premises, furniture, fixtures and equipment		37,583		-
Income from Asset Acquired (Note 18)		(2,722,000)		-
Provision for credit losses on loans receivable		-		357,818
Interest Income		(13,203,964)		(11,892,206)
Interest Expense		944,793		814,494
Operating income before working capital adjustments		(6,344,480)		(8,717,645)
Decrease/(Increase) in:				
Loans & Receivables (Note 9)		(22,808,882)		(4,722,413)
Other Assets (Note 14)		(35,121)		1,619
Increase / (Decrease) in current liabilities				
Deposit liabilities (Note 15)		(10,193,876)		19,655,833
Accrued interest, taxes and other expense payable (Note 17)		(7,298)		15,492
Other liabilities (Note 18)		354,256		1,219,558
Interest received		13,203,964		11,892,206
Interest paid		(944,793)		(814,494)
Income Taxes paid		(1,442,779)		(163,297)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(28,219,009)		18,366,862
CASH FLOW FROM INVESTING ACTIVITIES				
Debt Securities Measured at Amortized Cost		(9,307,174)		468,931
Cash payments on Investment Properties (Note 11)		(1,288,926)		(666,477)
Cash payments on Premises, Furniture, & Equipment (Note 10)		(291,838)		(54,690)
Cash receipts from Acquired Assets		2,722,000		-
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES		(8,165,938)		(252,236)
CASH FLOW FROM FINANCING ACTIVITIES				
Adjustments Charged to Retained Earnings		(1,116,318)		(656,775)
Issuance of Shares		995,000		1,172,600
Payments of Lease Liabilities		(136,185)		(117,730)
Payment of Cash Dividends		-		(480,100)
Procceds (Payments) of Bills Payables		(7,049,058)		2,143,730
NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES		(7,306,562)		2,061,725
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS		(43,691,508)		20,176,351
CASH & CASH EQUIVALENTS - BEGINNING		117,789,922		97,613,571
CASH & CASH EQUIVALENTS - ENDING	P	74,098,414	P	117,789,922

See accompanying Notes to Financial Statements.

RURAL BANK OF CALBAYOG CITY, INC.
FINANCIAL HIGHLIGHTS
As of December 31, 2023

	2023	2022	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	**25,308,143**	15,559,730	9,748,413
TOTAL EXPENSES	**18,425,059**	14,213,825	4,211,234
NET INCOME	**6,883,084**	1,345,905	5,537,179
EARNINGS PER SHARE			
Ordinary Shares	**34.42**	6.73	27.69
RETURN ON AVERAGE EQUITY	**14.19%**	3.03%	11.16%
RETURN ON AVERAGE ASSETS	**3.47%**	0.71%	2.77%
NET INTEREST MARGIN	**6.72%**	6.27%	0.45%
AT YEAR END			
TOTAL ASSETS	**192,889,765**	203,421,739	(10,531,973)
LOANS AND RECEIVABLES (NET)	**103,724,861**	80,915,979	22,808,882
LIQUID ASSETS	**187,335,269**	198,910,721	(11,575,452)
FIXED ASSETS	**926,330**	794,732	131,599
DEPOSIT LIABILITIES	**136,444,153**	146,638,029	(10,193,876)
EQUITY ACCOUNTS	**51,881,656**	45,119,889	6,761,767
BOOK VALUE PER SHARE			
Ordinary Shares	**259.41**	225.60	33.81
CAPITAL ADEQUACY RATIO	**35.02%**	19.55%	15.47%
PAST DUE RATIO	**20.39%**	33.46%	-13.08%
RATIO OF LIQUID ASSETS OVER DEPOSITS	**137.30%**	135.65%	1.65%
DEBT TO EQUITY RATIO	**271.79%**	350.85%	(0.79)
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	**1.79%**	1.76%	0.02%

1. CORPORATE INFORMATION

RURAL BANK OF CALBAYOG CITY, INC. ("the Bank") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1959 with Registration No. 14952 and granted by the Bangko Sentral ng Pilipinas (BSP) an authority to operate on February 7, 1959.

The Bank was organized under Rural Bank Act of 1952 (Republic Act No. 720, as amended by Republic Act No. 7353) primarily to carry and engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises; to have and exercise all authority and powers, to do and perform all acts, and to transact all business which may legally be had or done by Rural Banks organized under and in accordance with the Rural Banks' Act, as it exists or may be amended, and to do all other things incident thereto and necessary and proper in connection with said purpose within such territory as may be determined by the Monetary Board of the Central Bank of the Philippines. The Bank is also subject to the provisions of Republic Act (RA) No.8791, otherwise as the General Banking Law of 2000.

The Bank's principal address which is also its registered address located at 82 T. Bugallon Street, Calbayog City, Samar and is domiciled in the Philippines. The Bank currently holds its main office at Calbayog City, Samar. It has currently two (2) branches and one (2) branch-lite office located at:

1.	Allen (Branch)	Rizal St. Sabang I, Allen, Northern Samar
2.	Sta. Margarita (Branch)	Brgy. Monbon, Sta. Margarita, Samar
3.	Moneyshop (Extension Office)	Stall #170 New Public Market, Brgy. Bagacay,Calbayog City, Samar
4.	Oquendo (Branch-lite Office)	Public Market, Brgy. Oquendo (Pob.), Calbayog City, Samar

Approval of Financial Statements
The accompanying financial statements of the Bank for the year ended December 31, 2023 were authorized for issue by its Board of Directors on March 24, 2024.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

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

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

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

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

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

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

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except that the Bank has adopted the following new accounting pronouncements beginning January 1, 2023. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated.

Amendments, and Interpretations Adopted

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

- Amendment to PFRS 16, Leases - COVID-19-Related Rent Concessions beyond June 30, 2021 – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Bank did not apply the practical expedient in its financial statements for the year ended December 31, 2022.

Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Bank has applied the amendment in the current year financial statements.

The adoption of the amended PFRS did not materially affect the financial statements of the Bank.

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies* instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* –
  The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendment is permitted.

  Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

  Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Amendment to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, Fair Value Measurement. The amendment should be applied prospectively. Earlier application is permitted.

<u>New and Amended PFRS Issued But Not Yet Effective</u>

Relevant new and amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

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

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

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

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

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

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

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

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

Deferred effectivity

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

Financial Instruments

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

Initial Recognition and Measurement

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

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after recognition, an expected credit allowance (ECL) is recognized for financial assets measured at amortized cost.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognizes the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that used only data from observable markets, the difference is recognized as a gain or loss.
b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial Assets

Classification and Subsequent Measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

Cash and Cash Equivalents

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

Cash on Hand

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

Due from Bangko Sentral ng Pilipinas

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

Due from Other Banks

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

Loans Receivables

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

Loans & Discounts

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

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

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

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

Sec. 304 of the Manual of Regulations for Banks (MORB) states that past due accounts of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at contractual due date.

Sec. 304 states that loans, investments, receivables or any financial asset shall be considered non performing even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date or accrued interest for more than 90 days have been capitalized, refinanced or delayed by agreement. Restructured loans shall be considered performing only, if prior to restructuring, the loans were categorized as performing. Non-performing loans and other receivables shall remain classified as such until a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or b) written off.

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

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

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

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

Financial Liabilities

Classification and Measurement

A financial liability is any liability that is:

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

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

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

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

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

Deposit Liabilities
The deposit liability account includes savings deposits and term deposits. Savings deposits are interest bearing or non-interest bearing and are withdraw-able upon presentation of properly accomplished withdrawal slip and passbook. Term deposits refer to interest-bearing deposits with specific maturity dates and evidenced by certificate issued by the Bank.

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

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

As of December 31, 2023 and 2022, the Bank has not designated any financial liabilities upon initial recognition as at FVTPL

Classification as Debt or Equity Instruments
Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liabiliy and an equity instruments.

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

Borrowing Costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period or time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognized in the Statement of Comprehensive Income in the period in which they are incurred.

Derecognition of Financial Instruments

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

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

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

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

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

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

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

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

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

The Bank measures expected credit losses of a financial instrument in a way that reflects:
a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) The time value of money; and
c) Reasonable and supportable informatiob that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect expected collectability of the future cash flows of the instruments.

In applying this forward-looking approach, a distinction is made between:
(i) financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
(ii) financial instruments that have not deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

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

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

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

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

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

The Bank may write-off financial assets that are still subject to enforcement activity. Any outstanding contractual amounts of such assets written off during the period ended December 31, 2023, and 2022, if there is any is disclosed in the notes discussing details of Loans and Other Receivables.

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

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

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

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

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

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

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

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

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

Building	10 years
Leasehold Improvements	10 years
Transportation equipment	3 - 5 years
Furniture and fixtures	3 - 5 years

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

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

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

Intangible Assets

An intangible asset pertains to acquired information technology software capitalized on the basis of the cost incurred to acquire and bring to use the specific software. This asset is stated at historical cost less amortization. However, costs for licenses incurred for maintaining the software are charged to operations. Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets provided, they meet the following recognition requirements:

- Demonstration of technological feasibility of the prospective product for internal use or sale;
- The intangible asset will generate probable economic benefits through internal use or sale;
- Sufficient technical, financial and other resources are available for completion; and
- The intangible asset can be reliably measured.

Intangible assets are subject to impairment testing. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install specific software.

Amortization on other computer software is provided on a straight-line method over the estimated useful lives of five (5) years

Investment Properties

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

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

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

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

Transfers are made to ROPA when there is a change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending construction or development. Transfers are made from ROPA when, and only when, there is a change in use evidenced by commencement of owner-occupation or commencement of development witha view sell.

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

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

Investment properties including the related accumulated depreciation and any impairment losses are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss and is presented as part of Other Operating Income in the statement of comprehensive income in the year of retirement or disposal.

Right-of-use Assets

The Banks recognizes right-of-use assets 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 any accumulated depreciation and impairment losses, and adjusted for any re-measurement 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. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

	Years
Building	2 to 3

Impairment of Non-Financial Assets

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

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

Equity

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

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

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

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

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

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

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

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

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

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

Revenue within the scope of PFRS 15:

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

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

Revenue outside the scope of PFRS 15:

Interest Income

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

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

Other Income
Other income arising from from sources which are not included in all income sources are, penalties and charges for clients' request of statement of accounts.

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

Interest Expense
Interest expense for financial liabilities is recognized in profit or loss on accrual basis using EIR of the financial liabilities to which they relate.

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

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

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

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

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

Income Taxes

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

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

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

Related Party Relationships and Transactions

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

Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. This also includes any provisions of bank for losses and provision for retirement of employees.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

Subsequent Events

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

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

Judgments

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

a. *Classification of financial instruments*

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

b. *Determination of Functional currency*

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

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

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

c. *Recognition of Provision and Contingencies*

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

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

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

Estimates

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

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

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

b. *Allowance for Credit Losses*

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

Other Risk Assets

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

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

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

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

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

d. *Useful life of Depreciable Investment Property*

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

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

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

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

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

f. *Recognition of Retirement Costs*

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

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Additionally, the tables below show the maximum exposure to on-balance sheet credit risk of the Bank as at December 31, 2023 and 2022:

	2023	2022
Cash and other cash items	**P 5,602,854**	P 4,912,775
Due from BSP	**5,461,341**	5,561,573
Due from other banks	**63,034,219**	107,315,574
Debt Securites Measured at Amortized Cost	**9,511,994**	204,821
Loans Receivable	**103,724,861**	80,915,979
Total	**P 187,335,269**	P 198,910,722

Credit quality per class of financial assets

The tables below show the credit quality per class of financial assets as at December 31, 2023 and 2022:

2023

		High grade		Standard grade		Past due but not impaired		Impaired		Total
Due from BSP	P	5,461,341	P	-	P	-	P	-		5,461,341
Due from other banks		63,034,219		-		-		-		63,034,219
Debt Securities		9,511,994		-		-		-		9,511,994
Loans Receivable*		90,519,751		5,787,260		6,629,565		10,980,014		113,916,590
Sales contract receivable*		-		1,479,885		-		-		1,479,885
Other Assets**				78,826		-		-		78,826
	P	168,527,305	P	7,345,971	P	6,629,565	P	10,980,014	P	193,482,855

amount is gross of ACL and net of unamortized discounts

*****comprised of retirement fund, accrued interesy and accounts receivable***

2022

		High grade		Standard grade		Past due but not impaired		Impaired		Total
Due from BSP	P	5,561,573	P	-	P	-	P	-	P	5,561,573
Due from other banks		107,315,574		-		-		-		107,315,574
Debt Securities		204,821		-		-		-		204,821
Loans Receivable*		117,041		15,912		77,324,379		13,974,537		91,431,869
Sales contract receivable		-		3,493,792		-		-		3,493,792
Other Assets***		-		54,934		-		-		54,934
	P	113,199,009	P	3,564,638	P	77,324,379	P	13,974,537	P	208,062,563

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

****comprised of retirement fund, accrued interest and accounts receivable*

Market Risk

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

Interest rate risk

The Bank's loan receivables earn effective interest rates ranging from 5% to 30% and 8% to 30% for 2023 and 2022, respectively. The Bank's interest rate on its deposit liabilities is ranging from 0.025% to 1.45% for all years presented.

However, the Bank earns interest at 0.01% to 0.5% and 0.18% with other Banks for the year 2023 and 2022, respectively.

Liquidity Risk

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

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

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

2023	0 - 3 months	3 - 6 months	6 - 12 months	Beyond 1 year	Total
Financial Liabilities:					
Deposit liabilities	P 136,436,777	P 7,376	P -	P -	P 136,444,152
Bills Payable	-	P -	P -	P -	-
Accrued Interest Payable	51,588	-	-	-	51,588
Other Liabilities*	2,520,907	-	-	1,460,398	3,981,305
Total Financial Liabilities	P 139,009,272	P 7,376	P -	P 1,460,398	P 140,477,046
Financial Assets:					
Cash and other cash items	P 5,602,854	P -	P -	P -	P 5,602,854
Due from BSP	5,461,341	-	-	-	5,461,341
Due from other banks	63,034,219	-	-	-	63,034,219
Debt Securities	9,511,994	-	-	-	9,511,994
Loans receivable**	113,916,590	-	-	-	113,916,590
Sales contract receivable	1,479,885	-	-	-	1,479,885
Other Assets ***	78,826	-	-	-	78,826
Total Financial Assets	P 199,085,709	P -	P -	P -	P 199,085,709
Liquidity Position (Gap)	P (60,076,437)	P 7,376	P -	P 1,460,398	P (58,608,663)

**comprise of accounts payable, lease liability and pension obligation*

***amount is net of unamortized discount and gross of specific loan loss provision*

**** comprised of accounts receivable*

2022	0 - 3 months	3 - 6 months	6 - 12 months	Beyond 1 year	Total
Financial Liabilities:					
Deposit liabilities	P 99,390,801	P 47,239,862	P 7,366	P -	P 146,638,029
Bills Payable	7,049,058	-	-	-	7,049,058
Accrued Interest Payable	58,886	-	-	-	58,886
Other Liabilities*	103,643	-	-	1,765,936	1,869,578
Total Financial Liabilities	P 106,602,388	P 47,239,862	P 7,366	P 1,765,936	P 155,615,551
Financial Assets:					
Cash and other cash items	P 4,912,775	P -	P -	P -	P 4,912,775
Due from BSP	5,561,573	-	-	-	5,561,573
Due from other banks	107,315,574	-	-	-	107,315,574
Debt Securities	204,821	-	-	-	204,821
Loans receivable**	85,184,268	-	-	-	85,184,268
Sales contract receivable**	3,493,792	-	-	-	3,493,792
Other Assets***	54,934	-	-	-	54,934
Total Financial Assets	P 206,727,735	P -	P -	P -	P 206,727,735
Liquidity Position (Gap)	P (100,125,348)	P 47,239,862	P 7,366	P 1,765,936	P (51,112,183)

**comprise of accounts payable, lease liability and pension obligation*

***amount is net of unamortized discount and gross of specific loan loss provision*

**** comprised of accounts receivable*

Operational Risks

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

Minimum Liquidity Ratio (MLR)

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

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

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

			2023		2022
PART 1. MINIMUM LIQUIDITY RATIO (MLR)					
A.	Stock of Liquid Assets		**P 74,098,414**		P 117,789,922
B.	Qualifying Liabilities		**105,771,817**		119,275,886
Minimum Liquidity Ratio			**70.05%**		98.75%
PART II. STOCK OF LIQUID ASSETS					
Cash on Hand			**5,602,854**		4,912,775
Bank Reserves in the BSP			**5,461,341**		5,561,573
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP			-		-
Deposits in Other Banks			**63,034,219**		107,315,574
			74,098,414		117,789,922
PART III. QUALIFYING LIABILITIES					
A.	Qualifying Liabilities				
	1. Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below	**P 70,472,585**	**P 35,236,293**	P 78,051,928	P 39,025,964
	2. Borrowings that are non-callable in , or have contractual maturity dates beyond, the next 30 calendar days	-		-	
	3. Total on Balance Sheet Liabilities	**141,008,109**		158,301,850	
	4. Deduct: [Sum of A1 to A2]	**70,472,585**	**35,236,293**	78,051,928	39,025,964
B.	Other non-balance sheet liabilities (Item A.3 less A.4)	**70,535,524**	**70,535,524**	80,249,922	80,249,922
C.	Irrevocable obligations under off-balance sheet items		-		
D.	Total (Sum of Adjusted Amount of Item A(1), A(2), B and C)		**P 105,771,817**		P 119,275,886

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

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

As at December 31, 2023

		Carrying Value		Level 1		Level 2		Level 3
Cash and other cash items	P	**5,602,854**	P	-	P	**5,602,854**	P	-
Due from BSP		**5,461,341**		-		**5,461,341**		-
Due from other banks		**63,034,219**		-		**63,034,219**		-
Debt Securities		**9,511,994**		-		**9,511,994**		-
Loans and Receivable		**103,724,861**		-		**103,724,861**		-
Deposit Liabilities		**136,444,153**		-		**136,444,153**		-
Bills Payable		-		-		-		-
Accrued Expenses and Other Liabilities		**4,388,625**		-		**4,388,625**		-
Total	P	**328,168,047**	P	-	P	**328,168,047**	P	-

As at December 31, 2022

		Carrying Value		Level 1		Level 2		Level 3
Cash and other cash items	P	4,912,775	P	-	P	4,912,775	P	-
Due from BSP		5,561,573		-		5,561,573		-
Due from other banks		107,315,574		-		107,315,574		-
Debt Securities		204,821		-		204,821		
Loans and Receivable		80,915,979		-		80,915,979		-
Deposit Liabilities		146,638,029		-		146,638,029		-
Bills Payable		7,049,058		-		7,049,058		-
Accrued Expenses and Other Liabilities		4,263,521		-		4,263,521		-
Total	P	356,861,329	P	-	P	356,861,329	P	-

7'. CASH AND CASH EQUIVALENTS

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

		2023		2022
7.1. Cash and Other Cash items				
Cash on Hand and in Vault	**P**	**5,602,854**	P	4,912,775
Check and Other Cash Items		-		-
Total cash and other cash items		**5,602,854**		4,912,775
7.2. Due from BSP and other Banks				
Due from Bangko Sentral ng Pilipinas		**5,461,341**		5,561,573
Due from Other Banks		**63,034,219**		107,315,574
Total		**68,495,560**		112,877,147
Total Cash and Cash Equivalents	**P**	**74,098,414**	P	117,789,922

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

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

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

		2023		2022
Private banks				
Commercial banks	P	**15,129,985**	P	28,488,848
Government bank				
Land Bank of the Philippines		**47,872,718**		78,744,014
Development Bank of the Phils.		**31,516**		29,852
Total Due from Other Banks	**P**	**63,034,219**	P	107,262,714

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

On March 19, 2020, the Monetary Board, on its Resolution issued the Memorandum No. M-2020-011 increasing the single borrower's limit (SBL) from 25% to 30% for a period of six (6) months from March 19, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the effectivity of the single borrower's limit for Philippine banks and foreign bank branches until end of December 31, 2022.

As of December 31, 2023, the Bank's SBL was registered at ₱12,783,252 and as per BSP Manual of Regulations, banks are exempted on the ceiling of single borrower's limit (SBL) on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for clearing operation.

As of December 31, 2023, none of the Banks has exceeded the prescribed limit or ₱ 100 million under Circular No. 734 Series of 2011.

Cash in bank represents current, savings and time deposit account in local bank which earns interest at 0.01% to 0.5% and 0.18% for the year end 2023 and 2022, respectively.

Interest income from bank accounts and short-term cash deposits amounted ₱153,525 and ₱162,2778 in 2023 and 2022, respectively.

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

The Bank holds no cash and cash equivalents in 2023 and 2022 which are not available for use by Bank.

8. DEDT SECURITIES MEASURED AT AMORTIZED COST

This account consists of:

		2023		2022
Agrarian Bonds	P	9,511,994	P	204,821
Less: Unamortized Discount/Premium		-		-
Allowance for Credit Losses		-		-
Total	**P**	**9,511,994**	P	204,821

Under current bank regulations, investments in bonds and other debt instruments shall not exceed 50% of adjusted statutory net worth plus 40% of total deposit liabilities. As of December 31, 2023 and 2022, the Bank's investments are within the prescribed within.

Interest income from investments accounts and short-term cash deposits amounted ₱253,439 and ₱5,260 in 2023 and 2022, respectively.

As of December 31, 2023 and 2022, no amount of these financial assets are used as collateral for liabilities or contingent liabilities

9. LOANS AND RECEIVABLE

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

		2023		2022
Current Loans	P	91,277,511	P	56,854,908
Past Due Loans				
Performing		5,763,220		7,623,956
Non-Performing		9,125,361		11,691,882
Items in Litigation		8,484,216		9,276,552
Total		114,650,308		85,447,298
Less: Unamortized Interest and Discount		733,718		263,029
Total, net of discount		113,916,590		85,184,267
Less: Allowance for Credit Losses				
Specific		10,980,014		13,974,537
General		691,600		691,600
Total Loans Receivables-net	P	102,244,976		70,518,130
Add: Sales Contract Receivable, net (Note 9.1)		1,479,885		3,493,793
Other Loans (Note 9.2)		-		6,904,056
Total Loans and Receivables-net	P	103,724,861	P	80,915,979

As of December 31, 2023 and 2022, total interest earned amounted to ₱12,796,999 and ₱11,724,669, respectively.

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, and deposit hold outs over assets.

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

Note 9.1 - Sales Contract Receivable

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

This account consists of:

		2023		2022
Performing	P	1,537,598	P	3,668,446
Non- performing		-		-
Total		1,537,598		3,668,446
Less: Allowance for Credit Losses		-		-
Unamortized Discount		57,713		174,654
Sales Contract Receivable-net	**P**	**1,479,885**	P	3,493,792

Note 9.2 - Other Loans

The Bank acts as a conduit between the Agricultural Credit Policy Council (ACPC) and its borrowers whereby the loans granted were funded by the ACPC. All credit policies and programs in support of the latter's priority programs. The breakdown of Other Loans as follows:

As of December 31, 2023, there are no Agricultural Credit Policy Council (ACPC) which already fully complied with the previous year.

2022

		Current		Past Due				Items in Litigation		Total
				Performing		Non-Performing				
Agri	P	1,879,536	P	1,567,039	P	2,164,286	P	-	P	5,610,861
Agra		440,282		354,380		498,533		-		1,293,195
	P	2,319,818	P	1,921,419	P	2,662,819	P	-	P	6,904,056

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

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

		2023		2022
Balance at beginning of year	P	14,666,138	P	17,776,606
Provision		-		357,818
Accounts written-off		(2,994,566)		-
Adjustment		42		(3,468,286)
Balance at end year	P	11,671,614	P	14,666,138

The total Allowance for Credit Losses of ₱11,671,614 which composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the BSP Memorandum Circular 1011.

10. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

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

Details of net carrying amount as of December 31, 2023

		Cost		Accumulated Depreciation/ Amortization		Net Carrying Amount
Cost						
Land	**P**	**337,500**	**P**	**-**	**P**	**337,500**
Building		**584,406**		**584,406**		**-**
Furniture and Fixtures		**3,631,287**		**3,273,499**		**357,788**
Transportation Equipment		**2,084,629**		**1,853,587**		**231,042**
Leasehold Improvements		**1,579,290**		**1,579,290**		**-**
Total	**P**	**8,217,112**	**P**	**7,290,782**	**P**	**926,330**

Details of net carrying amount as of December 31, 2022

		Cost		Accumulated Depreciation/ Amortization		Net Carrying Amount
Cost						
Land	P	337,500	P	-	P	337,500
Building		584,406		584,406		-
Furniture and Fixtures		3,377,032		3,187,342		189,691
Transportation Equipment		2,084,629		1,817,087		267,542
Leasehold Improvements		1,579,290		1,579,290		-
Total	P	7,962,858	P	7,168,125	P	794,733

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2023 and 2022 is shown below:

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

		Balance at beginning of year		Additions		Disposals		Adjustments		Balance at end of year
Cost										
Land	**P**	**337,500**	**P**	**-**	**P**	**-**	**P**	**-**	**P**	**337,500**
Building		**584,406**		**-**		**-**		**-**		**584,406**
Furniture and Fixtures		**3,377,032**		**291,838**		**-**		**37,583**		**3,631,287**
Transportation Equipment		**2,084,629**		**-**		**-**		**-**		**2,084,629**
Leasehold Improvements		**1,579,290**		**-**				**-**		**1,579,290**
Total		**7,962,857**		**291,838**		**-**		**37,583**		**8,217,112**
Accumulated Depreciation										
Building		**584,406**		**-**		**-**				**584,406**
Furniture and Fixtures		**3,187,342**		**86,157**		**-**		**-**		**3,273,499**
Transportation Equipment		**1,817,087**		**36,500**		**-**		**-**		**1,853,587**
Leasehold Improvements		**1,579,290**		**-**				**-**		**1,579,290**
Total		**7,168,125**		**122,657**		**-**		**-**		**7,290,782**
Net carrying amount	**P**	**794,732**	**P**	**169,181**	**P**	**-**	**P**	**37,583**	**P**	**926,330**

Roll forward analysis of acquisition cost for the year ended December 31, 2022:

	Balance at beginning of year	Additions	Disposals	Adjustments	Balance at end of year
Cost					
Land	P 337,500	P -	P -	P -	P 337,500
Building	584,406	-	-	-	584,406
Furniture and Fixtures	3,322,342	54,690	-	-	3,377,032
Transportation Equipment	2,084,629	-	-	-	2,084,629
Leasehold Improvements	1,579,290	-		-	1,579,290
Total	7,908,167	54,690	-	-	7,962,857
Accumulated Depreciation					
Building	584,406	-	-		584,406
Furniture and Fixtures	3,078,557	110,585	-	1,800	3,187,342
Transportation Equipment	1,780,587	36,500	-	-	1,817,087
Leasehold Improvements	1,579,290	-		-	1,579,290
Total	7,022,840	147,085	-	1,800	7,168,125
Net carrying amount	P 885,327	P (92,394)	P -	P (1,800)	P 794,732

Depreciation amounting to ₱449,043 and ₱303,875 in 2023 and 2022, respectively, are shown as separate components of operating expenses in the Statements of Comprehensive Income.

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

The value of the Bank premises, furniture, fixtures and equipment of ₱926,330, net of accumulated depreciation, as of December 31, 2023 is 1.81% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Section 109).

The Bank, after due consideration of the assessment of its impairment, believes that there are no indications that the property and equipment as of December 31, 2023 and 2022 are impaired or its carrying amount cannot be recovered.

11. INVESTMENT PROPERTIES

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

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

	2023	2022
Land	P 2,595,075	P 1,942,285
Building	292,367	292,367
Others	658,063	-
Total	3,545,505	2,234,652
Less: Accumulated Depreciation	51,164	-
Total	3,494,341	2,234,652
Less: Allowance for Credit Losses	-	-
Net Carrying Amount	P **3,494,341**	P 2,234,652

A reconciliation of the carrying amounts of the Bank's investment propertyat the beginning and end of 2023 and 2022 is shown in below:

		2023		2022
Balance at beginning of year net of accumulated depreciation and Impairment loss	P	2,234,652	P	1,568,175
Additions		1,310,853		666,477
Disposal		-		-
Depreciation		(51,164)		-
Adjustments		-		-
Balance at end of year net of accumulated depreciation and Impairment loss	P	3,494,341	P	2,234,652

As of December 31, 2023 and 2022, no amount of investment in property was used as collateral for liabilities.

Additions to investment property during the year are through transfer of loans receivables to ROPA account.

12. RIGHT TO USE ASSET

The bank has several lease agreements of which are under the finance lease model of accounting. With the exception of short term leases and leases of low-value underlying assets, the lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The bank classifies its right-of-use assets in a consistent manner as Bank Premises, Furniture, Fixtures and Equipment.

In compliance with PFRS 16, the movement of right-of-use assets is as follow:

		Total
Cost		
Balance at January 1, 2022	P	620,505
Additions		537,427
Balance at December 31, 2022		1,157,932
Additions		-
Balance at December 31, 2023		1,157,931
Accumulated Amortization		
Balance at January 1, 2022		521,940
Amortization		97,990
Balance at December 31, 2022		619,930
Amortization		236,549
Balance at December 31, 2023		856,479
Net Book Value - 2023	P	301,452
Net Book Value - 2022	P	538,002

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

13. INTANGIBLE ASSETS

		Systems and Softwares
Cost		
Balance at January 1, 2022	P	606,000
Additions		-
Adjustments		-
Balance at December 31, 2022		606,000
Additions		-
Balance at December 31, 2023		**606,000**
Accumulated Amortization		
Balance at January 1, 2022		130,991
Amortization		60,600
Adjustments		-
Balance at December 31, 2022		191,591
Amortization		60,600
Balance at December 31, 2023		**252,191**
Net Book Value - 2023	**P**	**353,809**
Net Book Value - 2022	P	414,409

14. OTHER ASSETS

This account is consists of:

		2023		2022
Prepaid Expenses	P	**57,729**	P	45,737
Petty Cash Fund		**10,000**		10,000
Stationery and Supplies		**306,663**		307,426
Miscellaneou Asset		**78,826**		54,934
Total Other Assets	P	**453,218**	P	418,097

15. DEPOSIT LIABILITIES

This account is consists of:

	2023	2022
Savings Deposit	**P 136,436,777**	P 146,630,663
Time Deposit	**7,376**	7,366
Total Deposit Liabilities	**P 136,444,153**	P 146,638,029

Savings Deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period oftime. The total deposits for the year decreased by P10,193,876 or 6.95% over the figures of 2022.

For the year 2023 and 2022, regular savings deposit carries an annual interest rate of 0.025%, while special savings and time deposits ranges between 0.65% to 1.45% per annum.

On June 23, 2023, the Monetary Board in its Resolution No. 727 approved a reduction in the reserve requirement (RR) ratios of deposits and deposit substitute liabilities of rural banks (RBs) and cooperative banks (Coop Banks) decreasing the reserve requirement to one percent (1%) effective reserve week 30 June 2023. The required reserve as of December 31, 2023 amounted to ₱ 1,364,442 or 1% of the total deposit liabilities. This amount is in the form of deposit with Bangko Sentral ng Pilipinas which has a balance of ₱5,461,341 as at December 31, 2023 which is higher than the required reserves for rural banks.

Interest expense for the years ended December 31, 2023 and 2022 amounted to ₱926,648 and ₱812,221, respectively.

16. BILLS PAYABLE

This account consists of borrowings from Agricultural Credit Policy Council (ACPC) availed for the purpose of funding the loans extended to marginalized group of farmers and fisherfolks. The loan bears no interest with maturity of ten (10) years from date of grant.

		2023		2022
Bills Payable	P	-	P	7,049,058
Total	**P**	**-**	P	7,049,058

17. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

		2023		2022
Accrued Interest Expense on Financial Liabilities	P	**51,588**	P	58,886
Total	**P**	**51,588**	P	58,886

Accrued interest payable represents the recognition of interest expense already due on financial liabilities as of December 31, 2023 but subsequently paid in the next accounting period.

18. OTHER LIABILITIES

This account consists of:

		2023		2022
Accounts Payable	P	**2,520,907**	P	103,643
Withholding Taxes Payable		**58,661**		83,321
Lease Liability		**301,007**		522,862
Pension and Other Retirement Benefits (Note 22)		**1,159,391**		1,243,074
Dividends Payable		**69,647**		502,988
Documentary Stamp Tax		**3,900**		50
Unclaimed Balances		**-**		896,455
Miscellaneous		**223,524**		852,242
Total	**P**	**4,337,037**	P	4,204,635

The above liabilities are settled either by cash or check payments. As December 31, 2023 and 2022, no amount of assets was used as collateral, security or guarantee for the above liabilities.

Withholding tax payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is obliged to withhold as a withholding agent of the government. SSS, Medicare and Pag-ibig Contribution are employees contribution and payment of loan which are to be remitted by the Bank on January 2024.

Pension and Other RetirementBbenefits represents liability recognized by the Bank for the benefit of its officers and employees upon reaching their retirement age.

Dividends Payable are due to preferred shares

The lease liability is calculated using the present value of the lease payments over the lease term discounted using the average incremental borrowing rate as provided by the Bangko Sentral ng Pilipinas.

Unclaimed Balances are deposit account balances which are dormant for ten years or longer which are due for transfer to the Treasurer of the Philippines due to absence of claimant

19. EQUITY

19.1 SHARE CAPITAL

Preference Share Capital

The preference share capital of the Bank is given priority in the distribution of the assets of the corporation in case of liquidation. As to dividends, preferred shares are entitled to receive dividends on the said shares to the extent agreed upon before any dividends at all are paid to ordinary shareholders. Preferred shares are non-cumulative and non-participating. As to voting rights, preference shareholders are not entitled to vote in the normal course of business and decision making of the bank except as those provided in Sec X of the Corporation Code of the Philippines.

Ordinary Shares

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

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

	2023			2022		
	Shares		**Amount**	Shares		Amount
Share Capital – P100 par value, 200,000 authorized shares						
Ordinary Shares at the beginning of the year	**200,000**	**P**	**20,000,000**	200,000	P	20,000,000
Additional Infusion	-		-	-		-
Issuance of shares of stocks from settlement of subscriptions receivable	-		-	-		-
	-		-	-		-
Ordinary Shares the end of the year	**200,000**		**20,000,000**	200,000		20,000,000
Subscribed			-	-		-
Subscription receivable	-		-	-		-
Total	**200,000**	**P**	**20,000,000**	200,000	P	20,000,000

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

	2023			2022		
	Shares		**Amount**	Shares		Amount
Share Capital – P100 par value, 50,000 authorized shares						
Peferred Shares at the beginning of the year	**40,050**	**P**	**4,005,000**	28,324	P	2,832,400
Issuances of shares	**9,950**		**995,000**	11,726		-
Issuance of shares of stocks from settlement of subscriptions receivable	-		-	-		-
	-		-	-		-
Preferred Shares the end of the year	**50,000**		**5,000,000**	40,050		4,005,000

19.2 RETAINED EARNINGS

The reconciliation of surplus during the period is as follows:

		2023		2022
Balance, Beginning	**P**	**21,114,889**	P	20,905,858
Net Income		**6,883,085**		1,345,906
Dividend Declaration		**-**		(480,100)
Provisions and Adjustments		**(1,116,318)**		(656,775)
Balance, Ending	**P**	**26,881,656**	P	21,114,889

Provision and Adjustments

		2023		2022
Prior Period Income and expense	**P**	**(1,116,318)**	P	-
Appraisal of building		**-**		(656,775)
Total	**P**	**(1,116,318)**	P	(656,775)

19.3 CAPITAL MANAGEMENT

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

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

Regulatory Qualifying Capital

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

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

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

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

Under Section 121: *Minimum Required Capital*, Rural Banks with up to five (5) branches including head office in all other areas are required to comply with the new minimum capital of P50M within five (5) years as amended by BSP Circular No. 1151 series of 2022. A capital build up program is also required to be submitted to the BSP within six (6) months from date of the circulars effectively. Despite of the capital deficiency, the Bank submitted its capital build-up program to BSP and to comply their preferred incentives within five (5) years.

The CAR of the Bank as at December 31, 2023 and 2022, as adjusted, is shown in the table below:

		2023		2022
Tier 1 Capital	P	51,856,310	P	45,008,763
Tier 2 Capital		691,600		691,600
Total Qualifying Capital	P	52,547,910	P	45,700,363
Risk Weighted Assets	P	150,055,604	P	233,788,720
Tier 1 Ratio		34.56%		19.25%
Tier 2 Ratio		0.46%		0.30%
Capital Adequacy Ratio (CAR)		35.02%		19.55%

The Bank's Total Qualifying Capital as at December 31, 2023 and 2022 were computed as follows:

		2023		2022
A. Calculation of Qualifying Capital				
A.1 Tier 1 Capital				
Core Tier 1 Capital				
Paid-Up Capital - Ordinary	P	**20,000,000**	P	20,000,000
Paid-up perpetual and non-cumulative preferred stock		**5,000,000**		4,005,000
Retained Earnings		**26,881,656**		21,114,889
Deductions from Core Tier 1 Capital				
Deferred Tax Asset, Net of Deferred Tax Liability		**25,346**		111,126
Total Tier 1 Capital		**51,856,310**		45,008,763
A.2 Tier 2 Capital				
General Loan Loss Provision		**691,600**		691,600
Deductions from Upper Tier 2		**-**		-
Total Upper Tier 2 Capital		**691,600**		691,600
TOTAL QUALIFYING CAPITAL	P	**52,547,910**	P	45,700,363

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

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments. As at December 31, 2023 and 2022, the Bank is compliant with CAR requirement.

20. OTHER INCOME

This account consists of:

		2023		2022
Fees and Commissions	P	**281,050**	P	304,528
Gains From Sale/Derecognition of Investment Properties		**2,722,000**		-
Miscellaneous Income		**9,101,129**		3,362,996
Total	P	**12,104,179**	P	3,667,524

Miscellaneous Income consists of amounts from recovery of written-off accounts amounting to P1,789,486, loan processing fees amounting to P475,00, penalties for past-due accounts P5,295,146, and others amounting to P1,541,497, respectively.

21. COMPENSATION AND BENEFITS

This account consists of the following:

		2023		2022
Salaries, Wages and Other Benefits	P	**5,768,872**	P	5,153,974
Director's Fee		**1,470,333**		885,000
SSS, Philhealth, and Employees Compensation Premium and Pag-ibig Fur		**380,245**		356,925
Total	P	**7,619,450**	P	6,395,899

22. RETIREMENT BENEFITS PLAN

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

The bank has not obtained an updated actuarial valuation of its employees' retirement benefits computed using the projected unit credit method as of December 31, 2023 as required by PAS/IAS 19, Employee Benefits and PAS/IAS 26, Accounting and Reporting of Retirement Plan. The bank has its own retirement policy to comply with the requirements of Philippine Laws the Republic Act 7641. The required disclosure such as, its exposure to risk, demographic and financial assumptions, defined benefits plan and fair value of assets and the stress test dealing with timing and uncertainty of future cash flows were not disclosed. There is no sufficient information to compute the retirement obligation using the "Projected Unit Credit" method and to prepare the required disclosure pursuant with the provision of PAS 19 and PAS 26. The Management believes that the effect of such non-compliance is not material and will not affect the decision of users of these financial statements. Despite that, the bank maintains a retirement liability and plan asset.

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

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

This account refers to the bank liability with respect to other post employment benefits given to employees.

		2023		2022
Beginning Balance	P	1,243,074	P	1,623,064
Additional provisions		-		-
Reductions arising from settlements		(83,683)		(379,990)
Balance at the end of the year	**P**	**1,159,391**	P	1,243,074

23. OTHER OPERATING EXPENSES

This account consists of the following:

		2023		2022
Traveling Expenses	P	608,048	P	233,892
Representation and Entertainment		62,496		88,937
Security, Clerical, Messengerial& Janitorial Services		604,907		532,599
Power, Light & Water		338,585		406,642
Information and Technology		174,825		67,456
Litigation Expenses		710,447		808,496
Postage, Telephone, Cables & Telegram		89,236		85,547
Insurance Expenses		501,778		475,747
Advertising & Publicity		151,967		127,829
Fines, Penalties and Other Fees		80,103		68,372
Fuel & Lubricants		180,710		305,244
Stationeries & Supplies Used		127,899		116,952
Management and Other Professional Fees		866,600		931,233
Repairs and Maintenance		1,406,032		321,144
Membership Fees & Dues		22,120		5,520
Donations and Charitable Contributions		95,000		86,598
Supervision Fees		21,130		17,824
Other Expenses		1,081,477		483,616
Rental		69,300		158,250
Total	**P**	**7,192,660**	P	5,321,898

24. DEPRECIATION AND AMORTIZATION EXPENSE

This account is consists of:

		2023		2022
Furniture, Fixtures and Equipment	P	**86,157**	P	108,785
Transportation Equipment		**36,500**		36,500
Right-of-use		**236,550**		97,990
Intangible		**60,600**		60,600
Investment Properties		**29,237**		-
Total	P	**449,044**	P	303,875

25. INCOME TAXES

Provision for income tax consists of:

		2023		2022
Current:	P	**1,276,243**	P	507,700
Deferred		**-**		(155,232)
Tax Expense reported in Statement of Income	P	**1,276,243**	P	352,468

The current and deferred tax is computed as follows:

Current Tax

		2023		2022
Statutory income tax	P	**2,037,516**	P	424,593
Income tax effects of:				
Interest income subject to final tax		**(101,741)**		(41,885)
Provision for credit losses on loans and receivables		**-**		89,454
Non-deductible expenses		**89,109**		35,537
Remeasurement due to changed in tax rates		**(748,641)**		-
Provision for Income Tax-Current	P	**1,276,243**	P	507,700

Computation of Income Tax:

		2023		2022
Net Income per books	P	**8,150,064**	P	1,698,374
Add: Non-deductible Expenses/Taxable Other Income				
Provision for Credit Losses on Loans and Receivables		**-**		357,818
Non-deductible expenses		**356,436**		142,148
Total		**8,506,500**		2,198,340
Less: Non-taxable Income and Income Subjected to Final Tax				
Accounts written-off		**2,994,566**		-
Lease Payments		**37,500**		278,250
Interest Income Subject to Final Tax		**406,964**		167,538
Net Taxable Income		**5,067,470**		1,752,551
Tax Rate		**25%**		25%
Normal Corporate Income Tax		**1,266,868**		438,138
Minimum Corporate Income Tax**		**242,120**		79,366
Income Tax Due		**1,266,868**		438,138
Less:				
Prior Year's Excess Credits – Taxes Withheld		**-**		-
Tax Payments other than MCIT		**1,091,537**		86,896
Income Tax Still Due/(Overpayment)	P	**175,331**	P	351,242

**Below is the computation of Minimum Corporate Income Tax (MCIT) for the year ended December 31, 2023 and 2022.

		2023		2022
Revenue	P	13,203,964	P	11,892,206
Cost of Revenue		8,759,869		7,455,625
Gross Income		4,444,096		4,436,581
Add: Other Income		12,104,179		3,667,524
Less: Interest Income Subjected to Final Tax		406,964		167,538
Total Gross Income		16,141,311		7,936,567
MCIT Rate		1.50%		1%
Minimum Corporate Income Tax	P	242,120	P	79,366

An analysis of Deferred Tax Assets as follow:

		2023		2022
Deferred Tax Asset				
Deferred Tax Asset – Beginning	P	245,627	P	25,457
Provision for allowance credit losses		-		89,454
Provision for pension and other retirement benefits		-		-
Lease Liability		75,252		130,715
MCIT used		-		-
Others		(85,670)		-
Deferred Tax Asset – Ending		235,209		245,627
Deferred Tax Liability				
Deferred Tax Liability – Beginning		134,500		-
Right of use asset		75,363		134,500
Remeasurement impact of CREATE Law		-		-
Deferred Tax Liability – Ending		209,864		134,500
Deferred Tax Assets, Net	P	25,346	P	111,126

25. RELATED PARTY TRANSACTIONS

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

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

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

Remunerations of Key Management Personnel

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

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

		2023		2022
Short-term employee benefits	P	5,766,872	P	4,447,714
Post-employment benefits		83,683		314,925
Total	P	5,850,555	P	4,762,639

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

26. RECLASSIFICATION OF ACCOUNTS

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

Certain prior year amounts have been reclassified to align with the current year's presentation. These reclassifications had no effect on the reported results of operations. Adjustments have been made to the Statements of Financial Position and Statements of Cash Flows for the fiscal year ended December 31, 2022. These changes in classification do not affect previously reported financial statements.

27. OTHER MATTERS

1. Anti-Money Laundering Act (AMLA)
   The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering

2. As of December 31, 2023, all of the Bank's directors had undergone the requirements for corporate governance as confirmed by the Monetary Board as mandated by Section 132 of the MORB.

28. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR No. 15-2010 and RR NO. 19-2011

Revenue Regulation (RR) No 15-2010

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

Percentage Taxes (Gross Receipt Tax)

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

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

Maturity period of five (5) years or less	5%
Maturity period is more than five (5)	1%

b.) On dividends.. 0%

c.) On royalties, rentals of property, real or personal, profit from exchange and all other items treated as gross income under Section 32 of the 7%

c.) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments... 7%

GRT in 2023 consists of taxes on:

		Tax Base		GRT
Interest income	P	12,051,742	P	197,643
Other income		13,050,361		661,107
Total	P	25,102,103	P	858,750

Documentary Stamp

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

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

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

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

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

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2023, follow:

Taxes and Licenses

		2023
a. Local		
Business Permit	P	**161,925**
Real Property Tax		**10,633**
Others		**12,481**
b. National		
Percentage Tax		**764,594**
Annual Registration-BIR		**2,500**
Total-Taxes and Licenses	**P**	**952,133**

Withholding Taxes

The Bank total withholding taxes paid for the year 2023 is brokendown as follows:

Withholding Tax on Compensation	P	-
Withholding Tax at Sources		226,218
Final Winthholding Tax (Interest and Dividends)		310,544
Total	**P**	**536,762**

Tax Assessments and Cases

As at December 31, 2023, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.

Revenue Regulation (RR) No 19-2011

The Bank reported the following schedules and information on taxable income and deductible expenses to be taken in 2023 and 2022:

Sale of Services

The Bank's taxable sale of services amounted to ₱24,901,178, and income subject to final income tax and are exempt from tax amounted to ₱406,964 for the year ended December 31, 2023.

Cost of Services

Details of the Bank's tax deductible cost of services accounts are as follows:		2023
Direct Charges - Salaries and wages	P	7,619,450
Direct Charges - Insurance (PDIC)		294,382
Direct Charges – Supervision Fee		21,130
Direct Charges - others (interest expense net of 20% limit)		
Interest expense		926,648
Less: Limit (20% of interest income subj. to final tax)		(101,741)
Total	P	8,759,869

Itemized Deductions

		2023
Insurance- Others	P	207,397
Power, Light and Water		338,585
Litigation Expenses		710,447
Stationeries and Supplies Used		127,899
Janitorial and Security		604,907
Fuel and Lubricants		180,710
Postage, Telephone, and Telegram		89,236
Management and Other Professional Fees		866,600
Traveling Expense		608,048
Repairs and Maintenance		1,406,032
Representation and Entertainment		62,496
Information Technology Expense		174,825
Membership Fees and Dues		22,120
Advertising and Publicity		151,967
Donations and Charitable Contributions		95,000
Fines, Penalties and Other Charges		80,103
Taxes and Licenses		952,132
Depreciation		212,494
Other Expenses		1,081,477
Bad Debts		2,994,566
Rental		106,800
Total	P	11,073,840

29. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

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

In compliance with the requirements set forth by Circular No. 1074, hereunder are the supplementary information:

Financial Performance

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

		2023	2022
A.	Return on Average Equity	**14.19%**	3.03%
B.	Return on Average Assets	**3.47%**	0.71%
C.	Net Interest Margin	**6.72%**	6.27%
D.	Debt to Equity Ratio	**271.79%**	350.85%

The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2023 and 2022 was computed as follows:

Return on Average Equity (ROE)

Formula: ROE = Net Income after Tax / Average Capital

		2023		2022
Net Income	P	**6,883,085**	P	1,345,906
Equity				
2023		**51,881,656**		
2022		**45,119,889**		45,119,889
2021				43,738,258
Total		**97,001,544**		88,858,147
Average Equity	P	**48,500,772**	P	44,429,073
Return on Average Equity		**14.19%**		3.03%

Return on Average Assets (ROA)

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

		2023		2022
Net Income	P	**6,883,085**	P	1,345,906
Assets				
2023		**192,889,765**		
2022		**203,421,739**		203,421,739
2021				178,310,955
Total		**396,311,504**		381,732,694
Average Assets	P	**198,155,752**	P	190,866,347
Return on Average Assets		**3.47%**		0.71%

Net Interest Margin

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

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

		2023		2022
Net Interest Income	P	**12,259,171**	P	11,077,712
Interest Earnings Assets				
2023		**176,271,075**		
2022		**188,436,373**		188,436,373
2021				164,752,011
Total		**364,707,448**		353,188,384
Average Interest Earnings Assets	P	**182,353,724**	P	176,594,192
Net Interest Margin		**6.72%**		6.27%

Capital Instruments

As of December 31, 2023 and 2022, the Bank share capital consist of:

	2023		2022	
	Shares*	Amount	Shares*	Amount
Authorized:				
Common stock - ₱100 par value	200,000	20,000,000	200,000	20,000,000
Preferred stock - ₱100 par value	50,000	5,000,000	50,000	5,000,000
Subscribed and paid-up:				
Common stock	200,000	20,000,000	200,000	20,000,000
Preferred stock	50,000	5,000,000	40,050	4,005,000
Balance at the end of the year	250,000	25,000,000	240,050	24,005,000

**Absolute number of shares*

Movements of common and preferred stock are shown below:

Common Stock

	2023		2022	
	Shares	Amount	Shares	Amount
January 1	200,000	20,000,000	200,000	20,000,000
Issuance	-	-	-	-
December 31	200,000	20,000,000	200,000	20,000,000

Preferred Stock

	2023		2022	
	Shares	Amount	Shares	Amount
January 1	40,050	4,005,000	28,324	2,832,400
Issuance	9,950	995,000	11,726	1,172,600
December 31	50,000	5,000,000	40,050	4,005,000

There are capital instruments issued by the Bank in year 2023 and 2022.

Significant credit exposures as to industry/economic sector

As of December 31, 2023 and 2022, information on the concentration of credit as to industry, net of unearned discounts and deferred credits, follows:

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

Percentage per total loan portfolio		**2023**	**%**		2022	%
Agriculture, Forestry & Fishing	**P**	**11,197,787**	**9.83%**	P	11,804,530	12.91%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle		**19,926,392**	**17.49%**		30,788,164	33.67%
Manufacturing		**7,711,766**	**6.77%**		6,370,000	6.97%
Real Estate Activities		**42,617,578**	**37.41%**		17,004,739	18.60%
Other Service Activities		**2,812,073**	**2.47%**		1,828,706	2.00%
Construction		**14,742,955**	**12.94%**		12,772,329	13.97%
Transportation and Storage		**1,384,362**	**1.22%**		2,398,843	2.62%
Information and Communication		**3,737,841**	**3.28%**		3,691,079	4.04%
Financial and Insurance Activities		**3,024,927**	**2.66%**		-	0.00%
Accomodation & Food Services Activities		**3,639,265**	**3.19%**		-	0.00%
Activities of Households for own use		**3,121,646**	**2.74%**		4,773,480	5.22%
Total	**P**	**113,916,590**	**100.00%**	P	91,431,869	100.00%

Percentage per tier 1 capital		**2023**	**%**		2022	%
Agriculture, Forestry & Fishing	**P**	**11,197,787**	**21.59%**	P	11,804,530	26.23%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle		**19,926,392**	**38.43%**		30,788,164	68.40%
Manufacturing		**7,711,766**	**14.87%**		6,370,000	14.15%
Real Estate Activities		**42,617,578**	**82.18%**		17,004,739	37.78%
Other Service Activities		**2,812,073**	**5.42%**		1,828,706	4.06%
Construction		**14,742,955**	**28.43%**		12,772,329	28.38%
Transportation and Storage		**1,384,362**	**2.67%**		2,398,843	5.33%
Information and Communication		**3,737,841**	**7.21%**		3,691,079	8.20%
Financial and Insurance Activities		**3,024,927**	**5.83%**		-	0.00%
Accomodation & Food Services Activities		**3,639,265**	**7.02%**		-	0.00%
Activities of Households for own use		**3,121,646**	**6.02%**		4,773,480	10.61%
Total	**P**	**113,916,590**		P	91,431,869	

The BSP considers that significant credit exposures exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital.
As at December 31, 2023, one (1) of the industries exceeding 30.0 percent of the total loan portfolio and five (5) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

Breakdown of total loans as to security and status
The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2023 and 2022: Classification of loans: (Net of Unamortized Discounts)

As to Maturity:

		2023		2022
Due within one (1) year	P	1,454,847	P	1,424,437
Due beyond one (1) year to five (5) years		112,461,743		90,007,432
Total Loan Portfolio	P	113,916,590	P	91,431,869

As to Status

		2023		2022
Current Loans	P	90,543,793	P	58,402,632
Past Due Loans		14,888,581		23,799,700
Items in Litigation		8,484,216		9,229,537
Total Loan Portfolio	P	113,916,590	P	91,431,869

As to Security:

		2023		2022
Secured	P	102,783,684	P	69,322,528
Unsecured		11,132,906		22,109,341
Total Loan Portfolio	P	113,916,590	P	91,431,869

As to type of security:

		2023		2022
REM	P	102,338,274	P	68,804,924
Chattel		1		1
Hold-out		-		-
Others		445,409		517,604
Total	P	102,783,684	P	69,322,528

The following table shows the breakdown of receivable from customers gross of unearned discounts and deferred credits as to performing and non-performing as of December 31, 2023 and 2022:

Product Line		2023				
		Performing		Non-Performing		Total
Agrarian Reform loans	P	3,159,460	P	287,117	P	3,446,577
Other Agricultural Credit Loans		9,526,596		1,314,915		10,841,511
Microfinance Loans		7,456,734		1,948,389		9,405,123
Small Scale Enterprise Loans		5,595,919		1,249,693		6,845,612
Medium Scale Enterprise Loans		5,415,196		-		5,415,196
Loans to Individuals for Housing Purposes		28,273,053		1,503,985		29,777,038
Loans to Individuals for Personal Purposes		852,726		2,244,877		3,097,603
Loans to Individuals for Other Purposes		36,027,329		9,060,602		45,087,931
Total	P	96,307,013	P	17,609,577	P	113,916,590

Product Line		2022 Performing		Non-Performing		Total
Agrarian Reform loans	P	2,841,930	P	1,425,609	P	4,267,539
Other Agricultural Credit Loans		4,445,700		4,592,285		9,037,984
Microfinance Loans		869,795		3,616,390		4,486,185
Small Scale Enterprise Loans		4,552,318		2,065,860		6,618,178
Medium Scale Enterprise Loans		6,370,000		-		6,370,000
Loans to Individuals for Housing Purposes		2,982,014		-		2,982,014
Loans to Individuals for Personal Purposes		1,171,030		3,602,450		4,773,480
Loans to Individuals for Other Purposes		44,617,375		8,279,114		52,896,489
Total	P	67,850,162	P	23,581,707	P	91,431,869

Information on related party loans

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

In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As at December 31, 2023 and 2022, the Bank has no DOSRI accounts.

2023

Particulars	**DOSRI Loans**	**Related Party Loans (inclusive of DOSRI Loans)**
Outstanding Loans	**P 1,691,352**	**P 1,691,352**
Percent of DOSRI/Related Partyloans to total loan portfolio	**1.49%**	**1.49%**
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**4.76%**	**4.76%**
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**

2022

Particulars	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding Loans	P 2,175,856	P 2,175,856
Percent of DOSRI/Related Partyloans to total loan portfolio	2.38%	2.38%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	4.76%	4.76%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	0.00%	0.00%

Aggregate amount of secured liabilities and assets pledged as security
As of December 31, 2023 and 2022, the Bank has no secured liabilities and assets pledged.

Commitments and contingent liabilities
This account consists of:

a.) The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of

b.) The Bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.

c.) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.

d.) The Bank has no contingent accounts for the years ended December 31, 2023 and 2022.