ANNUAL REPORT 2024

RURAL BANK OF ANGELES

Rural Bank of Angeles (RBA) remains steadfast in its mission to provide accessible banking services to underserved communities across the Philippines. In 2024, RBA expanded its footprint with the opening of three new branches, including its first in Mindanao, bringing its total network to 36 nationwide. The bank continues to focus on unbanked areas, offering a comprehensive range of deposit and loan products designed for farmers, teachers, micro-entrepreneurs, and small businesses.

TABLE OF CONTENTS

4 Company Profile

9 President's Message

11 President's Report

23 Financial Summary/Financial Highlights

24 Financial Condition and Results of Operation

30 Sustainability Framework

34 Risk Management Framework

43 Corporate Governance

57 Corporate Social Responsibility

60 Financial Consumer Protection

67 Corporate Information

73 Products and Services

77 Audited Financial Statements with Auditor's Opinion

Company Profile

Rural Bank of Angeles was established on August 26, 1952 and started its operations on January 31, 1953. It is the 7th Rural Bank in the Philippines and the first in the Province Pampanga. In April 2009, RBA was formally acquired by Asia United Bank, a universal bank under the Rebisco Group. Obtaining RBA allows AUB to continuously build its growing network of branches nationwide and offer loan and deposit products to the middle and small market segments.

RBA has a wide market reach serving customers throughout the country with branches in the Provinces of Pampanga, Bulacan, Tarlac, Nueva Ecija, Aurora, Pangasinan, Ilocos Norte, Ilocos Sur, La Union, Kalinga, Apayao, Nueva Vizcaya, Isabela, Cagayan, Qurino, Batangas, Mindoro, Camarines Sur, Negros Occidental, Iloilo, and Bukidnon, With its presence in rural areas, RBA serves loan and deposits customers from the agricultural sector, small and medium scale entrepreneurs and the underbanked segments of the economy.

RBA provides customers' the ultimate rural banking experience with a premium on personalized services aligned to their financial needs while remaining one of the most profitable Rural Bank in the Philippines. It continuously explores opportunities to expand in other areas or regions and to timely respond to its customer needs with the introduction of relevant and innovative products and services. It supports the aim of government to make affordable credit and other banking services available to all Filipinos.

Bank's Mission, Vision & Core Values

MISSION

To promote comprehensive rural development with the end in view of attaining a more equitable distribution of opportunities, income and wealth; in expanding productivity as a key to raising the quality of life for all, especially the underprivileged; and to make needed credit available and readily accessible in the rural areas on reasonable terms.

VISION

We are committed to be the Rural Bank of choice known for financial strength and superior delivery of innovative products and services driven towards total customer satisfaction.

CORE VALUES

RURAL BANK OF ANGELES

AT A GLANCE

AUG 1952	• Rural Bank of Angeles was established
JAN 1953	• Started its operations
JULY 2009	• Monetary Board Resolution No.955 approval in principle AUB purchase of RBAI • AUB Audit Group and Transition Team parallel management control over RBA operations.
AUG 2009	• 125 Million Equity Infusion • Officially acquired by AUB under Rebisco Group
SEPT 2009	• 2nd tranche of P125 Million New Equity
OCT 2009	• Monetary Board Resolution No. 1555 approval of AUB acquisition of RBA
SEPT - DEC 2009	• P100 Million Additional Equity in various amounts to support RBA operations
DEC 2009	• Board of Directions meeting formalizing the RBA organization
SEPT 2010	• P70 Million Additional Equity • Completes the P420 Million Capital Infusion under Monetary Board Resolution no. 1555.
OCT 2013	• Approval in Principle to purchase all assets and assume the liability of the Cooperative Bank of Pampanga (CPAMP) • P50 Million Capital Infusion – Start of serving of CPAMP depositors • Board Resolution No. 1662 approval of RBA acquisition of Cooperative Bank of Pampanga
NOV 2013	• P150 million Additional Capital Infusion • PCIC Board Resolution No. 2013-10-215, Approval In Principle of the acquisition of CPAMP with Financial Assistance under the SPCB Plus
MAY 2022	• Acquisition of Cavite United Rural Bank (CURB) Oriental Mindoro Branches and other transferred to Occidental Mindoro and Bicol area
DEC 2023	• Opening of Bago Branch in Negros Occidental, first branch in Visayas region
NOV 2024	• Opening of Valencia, Bukidnon. Marking our footprint across Luzon, Visayas, and Mindanao, as highlighted by the President during the Annual Planning. • Hit the 1Billion Capital

BUSINESS MODEL

VISION

To become a "Rural Bank of Choice"

MISSION / OBJECTIVE / CORE VALUES

MISSION

- Equitable distribution of opportunities & income.
- Expanding productivity raising the quality of life.
- Available & accessible credit to rural areas.

OBJECTIVE

Living up with FAST&EASY culture

CORE VALUES

KEY RESULT AREAS

LOAN PRODUCTS

A — Agriculture
MACHINERY, CROPS & ANYO

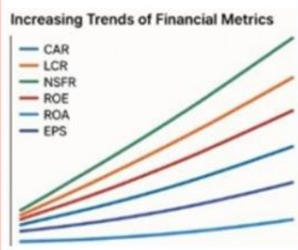
B — Business
COMMERCIAL, TRADING AND TRUCK LOANS

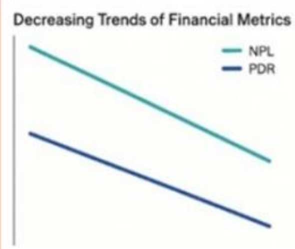
C — Consumption
TEACHERS' SALARY LOAN AND EMPLOYEE'S LOAN

D — Deposit Products
SAVINGS, CHECKING ACCOUNT, SSA, TIME DEPOSIT

PERFORMANCE INDICATOR

Above or belowindustry standards required ratios



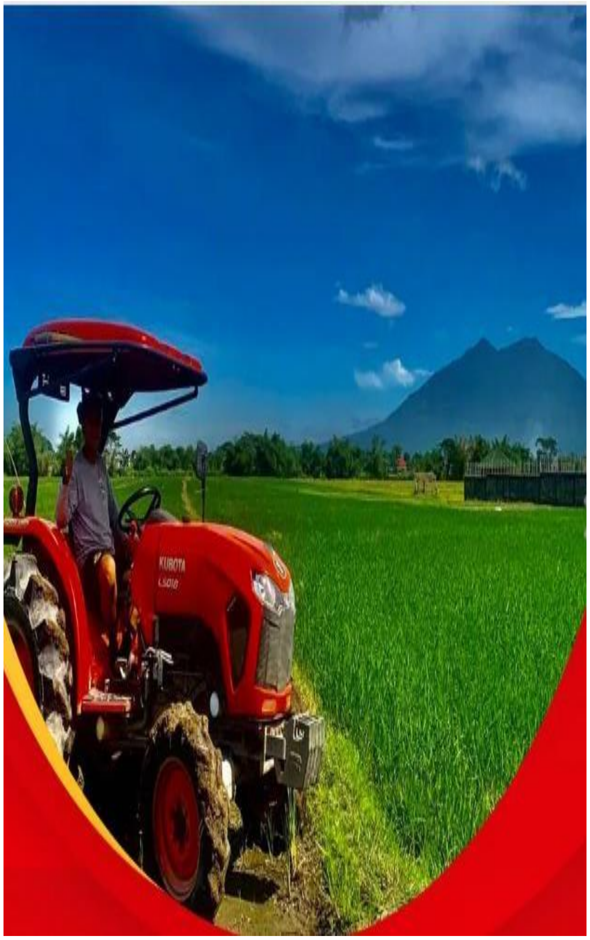


STRATEGIES STAKEHOLDERS

STRATEGIES

- To establish partnership with dealers & other companies that need financing to form the value chain.
- To be pro active and always updated with industry's best practices.
- To adhere to calculated risks

STAKEHOLDERS



The RBA's business model starts with its Vision to become a "Rural Bank of Choice" consistent with its defined objective and core values in order to achieve Key Results Areas based on the set of Performance Indicators with underlying strategies conceptualized, contributed and formulated by all its stakeholders.

Key Results Areas defines the two main products that the bank provides to its customers such as the deposit and loan products. Customer relationships and convenience exhibit the type of services that the RBA offers to its clientele through the use of the bank channels **(branches & automated or online processing)** to reach its customer segments. These are revenue generating activities to propel and direct the sustainable banking operation.

The President's Message

2024 was a year that tested the resilience of our bank and the communities we serve. Despite facing adverse weather events, operational challenges, and competitive headwinds, the Rural Bank of Angeles (RBA) delivered one of its strongest performances to date—marked by solid growth, improved operational efficiency, and deeper customer engagement across our regions.

We closed the year with ₱6.039 billion in total assets—up 10.62% from 2023—driven by our core lending business. Our loan portfolio expanded by 31.85%, reaching ₱4.152 billion, reflecting our sustained efforts to provide fast and easy access to credit, especially to farmers, public school teachers, and rural entrepreneurs. This growth was achieved while maintaining strong asset quality, with our non-performing loans reduced to ₱140.402 million and our NPL ratio significantly improved to 2.64%.

Our net income rose to ₱178.298 million, surpassing both the previous year and internal targets. This robust performance was supported by higher interest income, careful cost control, and prudent risk provisioning.

We strengthened our position in agricultural finance, with machinery loans accounting for nearly 57% of total agri-loan releases. We also continued expanding our partnerships with top farm equipment brands. Our Teachers' Salary Loan (TSL) portfolio grew by over 36%, and although we did not fully meet our volume target, we laid the groundwork for future scalability through the launch of our Salary Loan Mobile App in November 2024.

RBA also responded decisively to challenges in microfinance and unsecured lending by rebalancing our portfolio toward secured, lower-risk loans. At the same time, we continued to support micro-entrepreneurs through tailored SME loans and transitioned many successful microfinance clients to more sustainable financing programs.

In deposits, while we saw a year-on-year decline due to intensified competition from digital banks, our total CASA deposits rose by 4.65%. We also began deploying field sales associates to boost low-cost funding and enhance our deposit mix. These strategic adjustments are part of our long-term plan to improve our funding base and better manage costs.

Our branch network now spans 36 locations across 22 provinces, supported by 378 dedicated personnel. Through technology, process streamlining, and tighter internal controls, we have managed to do more with less—serving more clients without compromising on quality or compliance.

As we move forward into 2025, our priorities remain clear:

- Sustain growth while protecting portfolio quality
- Expand digital platforms to improve reach and operational efficiency
- Invest in people by improving employee retention, training, and engagement
- Reinforce our mission of delivering inclusive, responsive, and responsible banking to underserved communities

We are grateful to our clients, partners, and regulators for their continued trust, and to our board and staff for their unwavering commitment. RBA remains steadfast in its mission to empower lives through accessible and reliable financial services. With your continued support, we will continue to build a stronger, more inclusive future.

Atty. Rainer T. Defante
President

President's Report

The past year has been a period of positive growth for the bank, despite challenges such as extended drought, frequent typhoons, and other weather disturbances affecting RBA's areas of operation and a significant number of our loan borrowers. Our financial performance reflects our ability to adapt to difficult circumstances while staying focused on meeting the needs of our customers and expectations of stakeholders. We made improvements in our operations by enhancing credit policies, identifying high-risk geographic areas proactively, and focusing on understanding customer needs. These efforts allowed us to deliver faster service, simplify processes, and offer relevant solutions. By balancing growth, innovation, and prudent risk management, we remain committed to driving positive impact and supporting the communities we serve.

Key Financial Highlights

Total Assets increased from **₱5.459 billion** to **₱6.039 billion**, representing an expansion of our asset base and financial capacity.

Net Income grew significantly from **₱122.962 million** to **₱178.298 million**, driven by strong loan growth, effective cost management, and improved operational efficiency.

Agricultural Loans expanded from **₱2.016 billion** to **₱2.608 billion**, demonstrating our sustained support for the agricultural sector and rural development.

Teachers' Salary Loans increased from **₱1.029 billion** to **₱1.402 billion**, reflecting our dedication to providing accessible credit solutions to educators.

Commercial Loans achieved growth from **₱55.076 million** to **₱99.139 billion**, fueled by demand and alignment with the needs of business clients.

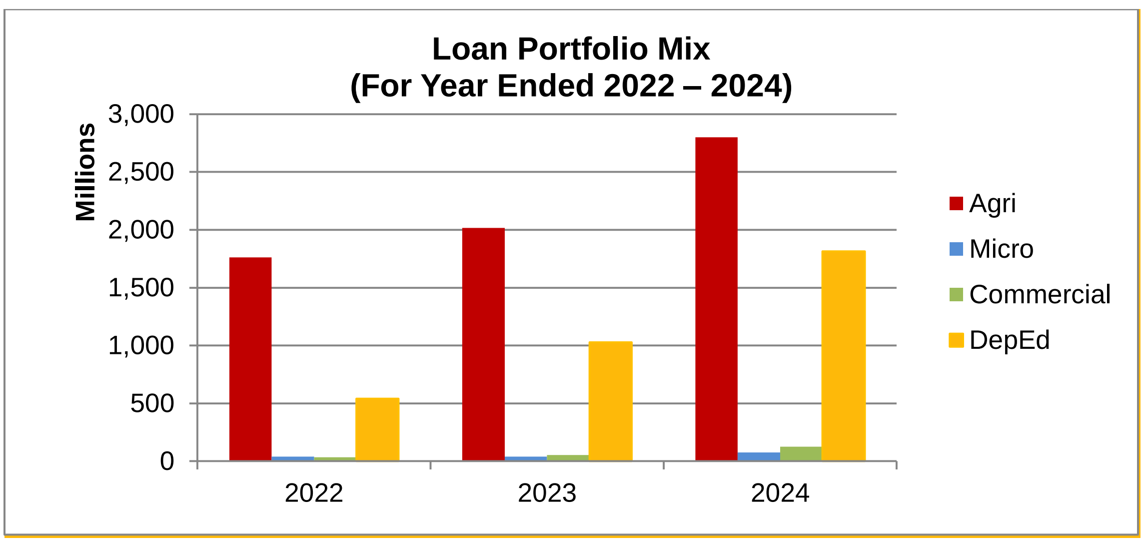
Microfinance Loans adjusted from **₱39.884 million** to **₱32.951 million**, as part of a focused realignment to optimize portfolio quality and manage risks effectively.

Non-Performing Loans successfully reduced from **₱179.452 million** to **₱140.401 million**, reflecting our commitment to maintaining a high-quality loan portfolio through proactive risk management and collection efforts.

Loan Portfolio

In Millions	2022	2023	2024
Agricultural	1,763	2,016	2,608
> Machinery	1,193	1,412	2,080
> Crops / Others	570	604	528
Micro Finance	40	40	33
Commercial	34	55	99
Salary Loans	542	1,029	1,402
Others	8	9	9
TOTAL	**2,387**	**3,149**	**4,152**

RBA concluded the year with a total loan portfolio of ₱4.152 billion, reflecting a 31.85% increase, or an additional ₱1.003 billion, compared to loan levels in 2023. Machinery Loans was the major driver for the growth of the loan portfolio with ₱1.348 billion in total loan releases. Loan releases for Machinery Loan releases for Machinery Loans would have been higher by 20% if not for the shortage in supplies experienced by farm equipment dealers and distributors. As of year-end, the total loan portfolio stands at 88% of the 2024 target. The successive typhoons that affected several areas in Luzon disrupted lending operations particularly in the agricultural sector and among public school teachers due to widespread class suspensions and mobility issues.



LOAN PORTFOLIO DETAILS AS OF DECEMBER 2024

Agricultural Loans

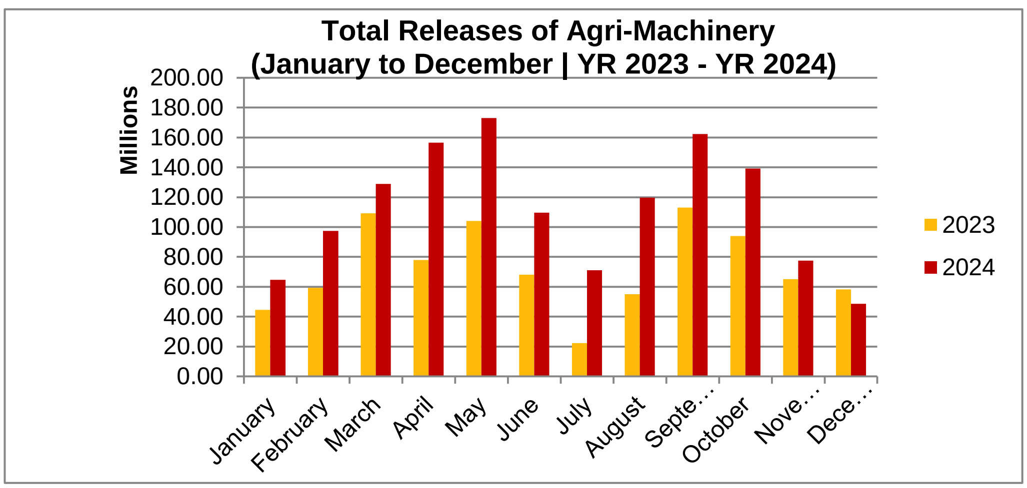
(in millions)	2022	2023	2024
Machinery	1,193	1,412	2,080
Crops / Others	570	604	528

As of 2024, the Rural Bank of Angeles' (RBA) Agricultural Loans portfolio stood at ₱2.608 billion, reflecting a ₱592 million or 29.37% increase from the previous year's ₱2.016 billion.

Total agricultural loan releases in 2024 amounted to ₱2.367 billion, covering 8,307 accounts, compared to ₱1.747 billion across 6,892 accounts in 2023. This represents a ₱620.2 million or 35.5% increase in loan releases and a 20.54% growth in the number of accounts. Notably, 56.97% of the total loan releases were allocated for machinery acquisition.

Outstanding loan balances also increased significantly, rising from ₱2.016 billion in 2023 to ₱2.697 billion in 2024—an increase of ₱680.85 million or 33.77%. These trends underscore RBA's continued success in expanding its outreach and providing vital financial support to the agricultural sector.

To build on this momentum, RBA aims to introduce innovative loan products tailored to the evolving needs of farmers, fisherfolk, and agribusinesses. It also plans to enhance its digital platforms, including the launch of a mobile app to streamline the loan application process and improve accessibility. Additionally, the bank remains committed to financial literacy programs that empower clients and promote long-term sustainability.

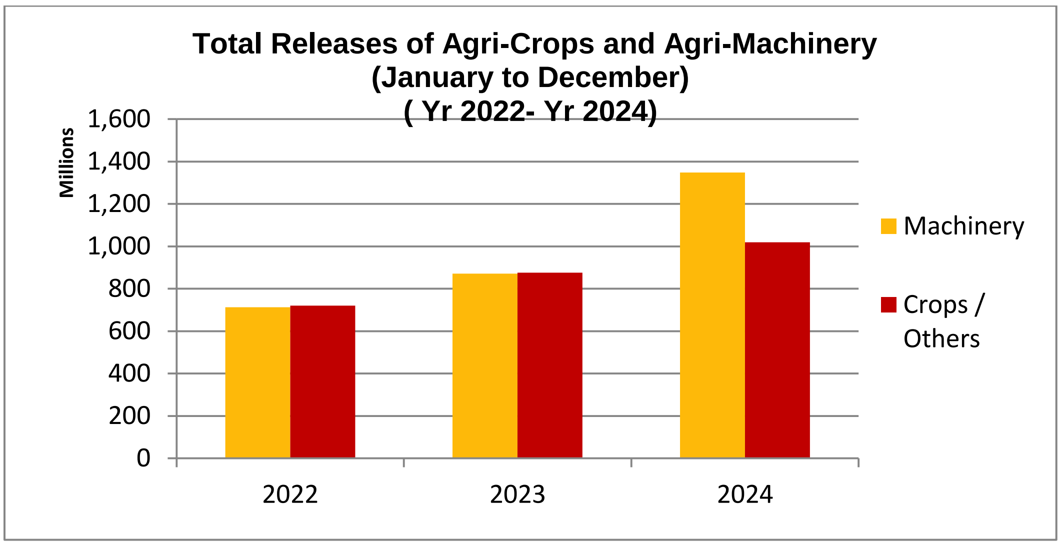


.AGRICULTURAL LOANS MONTHLY RELEASE

In 2024, Machinery Loan releases ₱1.348 billion (with 1,378 accounts) compared to only ₱871.265 million (with 998 accounts) in 2023 by or higher by almost ₱477 million. Machinery Loans account for 56.97% of total Agri Loans with an NPL of less than 1%.

RBA has continued to expand its marketing and cooperation agreements with all major farm machinery brands. It now has 26 agreements with dealers and distributors throughout the country. Based on data provided by Kubota Philippines Inc., (the number one farm machinery distribution company in the country) the bank has financed almost 20% of the harvesters and tractors sold by the company.

In addition, RBA released a total of ₱617 million in loans for crop production, trading, and other agriculture related activities. However, this fell short of the ₱776 million target for 2024. The shortfall may be attributed to the revised parameters of the bank in granting crop loans to address the risks of default due to the El Nino phenomenon and the exclusion of pre-identified high-risk areas from lending operations.



Salary Loans

(in millions) 2022	2023	2024
542	1,029	1,402

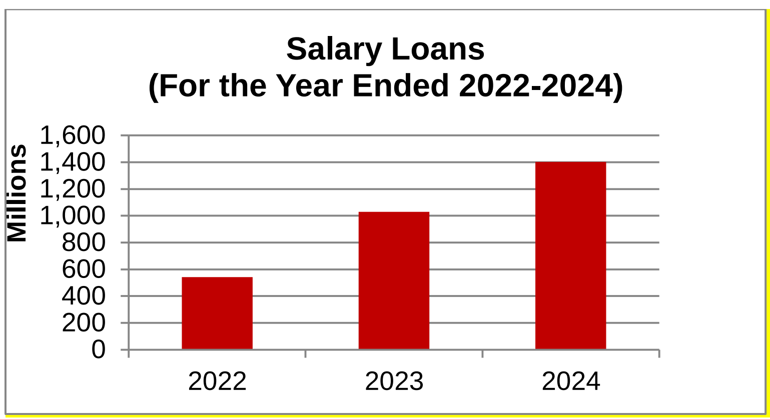
The Rural Bank of Angeles' Teacher's Salary Loan portfolio continued to demonstrate solid growth in 2024, reaching ₱1.402 billion, an increase of ₱373.6 million or 36.25% from ₱1.029 billion in 2023. This expansion reflects the Bank's sustained efforts to broaden its reach among public school teachers, despite being a relatively new entrant in this lending market. However, the portfolio fell short of the ₱1.8 billion year-end target, with a shortfall of ₱398 million or 22.11%, largely due to operational and external factors.

In terms of loan releases, the Bank disbursed a total of ₱1.042 billion in 2024, serving 3,516 teacher-borrowers. This marked a 16.15% increase from the ₱897.21 million released in 2023, which covered 3,357 accounts. While both the loan amount and number of borrowers grew, the momentum was not enough to meet the original target for the year.

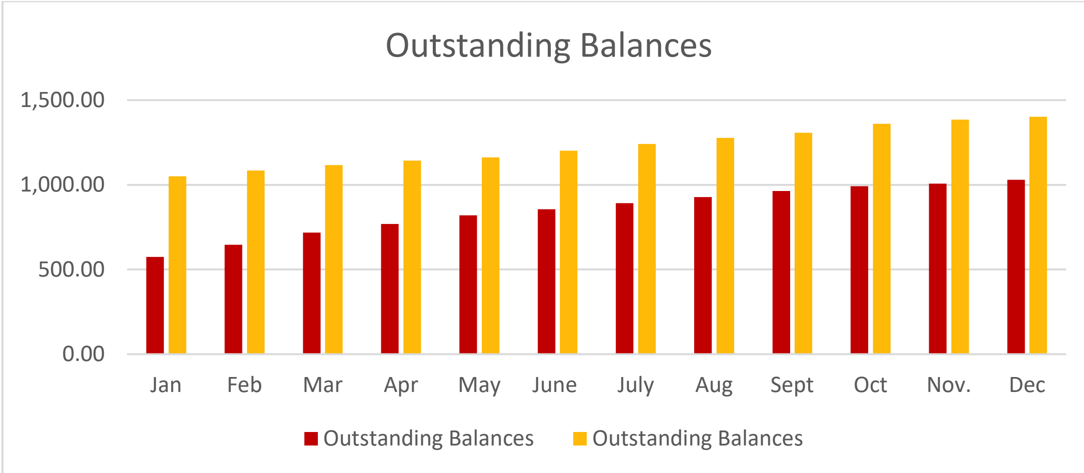
Several challenges affected the Bank’s ability to achieve its targets. The delayed deployment of Account Officers in key provinces limited client engagement and market coverage. Recruitment difficulties in some areas further slowed expansion. In addition, the Bank experienced a high turnover of experienced Account Officers, many of whom left for better employment opportunities abroad or with other financial institutions. As a result, newly hired and less experienced staff took longer to reach full productivity, extending the learning curve and slowing down overall loan origination.

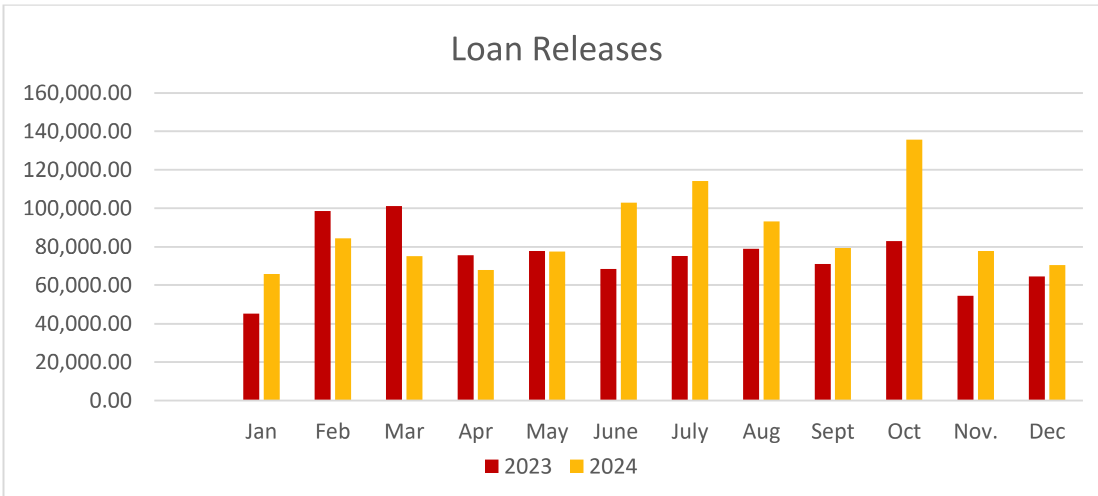
External disruptions also played a role. Extreme weather conditions, including hot months in March and April and multiple typhoons in September, October, and November, led to frequent class suspensions. These interruptions reduced opportunities to engage with teachers and delayed the submission and processing of loan applications. Furthermore, the implementation of new tax adjustments affected teachers’ borrowing capacity, while many opted to defer their loan applications in anticipation of a salary increase scheduled for January 2025. The Bank also focused more on renewing existing loans rather than acquiring new clients, which limited the growth of the borrower base.

To address these challenges and support future expansion, RBA launched its Teachers’ Loan App in November 2024. The app aims to improve efficiency, reduce client acquisition costs, and enhance accessibility by allowing teachers to apply for loans digitally and track their applications in real time. This digital initiative is expected to complement the Bank’s efforts to reach more borrowers, especially in areas with limited physical presence.



Looking ahead to 2025, RBA is targeting a total loan generation of ₱1.082 billion. The Bank will focus on accelerating the deployment of Account Officers, strengthening employee retention strategies, and improving training for new hires to reduce the time needed to reach optimal productivity. Additionally, loan campaigns will be aligned with key salary adjustments and seasonal behavior, while enhancements to the Teachers’ Loan App will support more efficient and client-friendly loan processing. Through these strategic initiatives, RBA aims to further strengthen its support for educators and sustain the growth of its salary loan portfolio





Microfinance Loans

(in millions) 2022	2023	2024
40	40	33

As of end-2024, the Rural Bank of Angeles' microfinance loan portfolio recorded an outstanding balance of ₱32.951 million, reflecting a 17.38% decrease from ₱39.884 million in 2023. This decline was primarily driven by the Bank's strategic decision to discontinue offering new microfinance loans, limiting releases to renewals of existing accounts. The move was in response to persistent asset quality concerns within the portfolio, highlighted by the increase in non-performing loans, which rose by ₱4.952 million year-on-year, ending at ₱9.809 million.

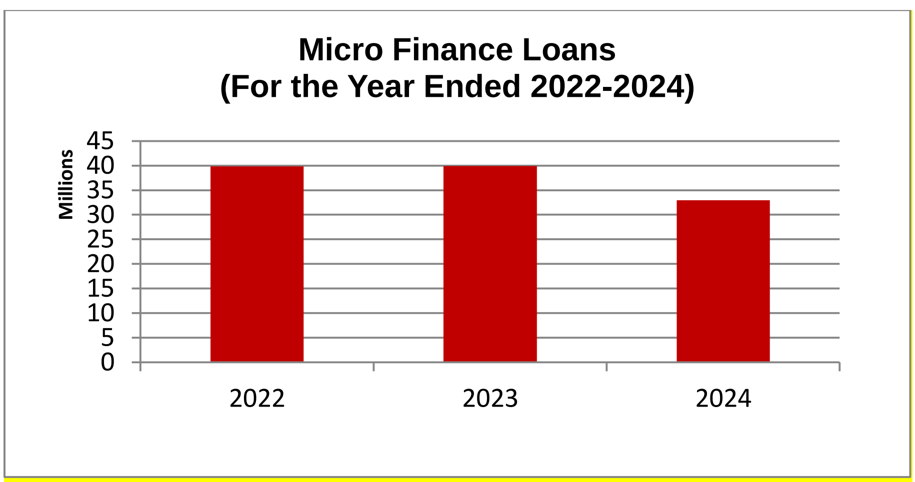
To manage risks more effectively, the Bank streamlined its operations by reducing the number of Account Officers assigned to the microfinance segment to six. These officers are now focused on selected areas with long-standing, high-quality clients. This targeted approach allows the Bank to conserve resources while continuing to support trusted borrowers.

In addition to internal measures, external challenges also contributed to the portfolio's contraction. Several typhoons and the southwest monsoon (Habagat) significantly disrupted microenterprises, particularly in Luzon. Many small business clients experienced reduced sales and earnings, impairing their ability to repay their loans. These adverse conditions affected various sectors, including ready-to-wear (RTW), auto and motor supplies, and general merchandise—especially within public markets.

During the fourth quarter of 2024, approximately 20% of microfinance clients opted not to renew their loans. This trend reflected changing business dynamics and growing caution among borrowers facing uncertain market conditions. Furthermore, the increasing presence of digital lenders and other microfinance institutions has intensified competition and contributed to a more leveraged environment, further discouraging new loan uptake.

In response to these challenges, the Bank reaffirmed its commitment to supporting microentrepreneurs by aligning financial products with clients' evolving business needs and repayment capacities. However, to safeguard asset quality, the Bank has adopted a more risk-sensitive strategy that prioritizes secured loan products over traditional microfinance lending. This strategic pivot is designed to balance continued financial inclusion with the Bank's broader risk management objectives.

Looking ahead, RBA does not anticipate growth in its microfinance loan portfolio. Instead, the Bank will focus on reinforcing portfolio quality, mitigating credit risks, and supporting microentrepreneurs through more sustainable, collateral-backed lending solutions.



Business Loans

(in millions) 2022	2023	2024
34	55	99

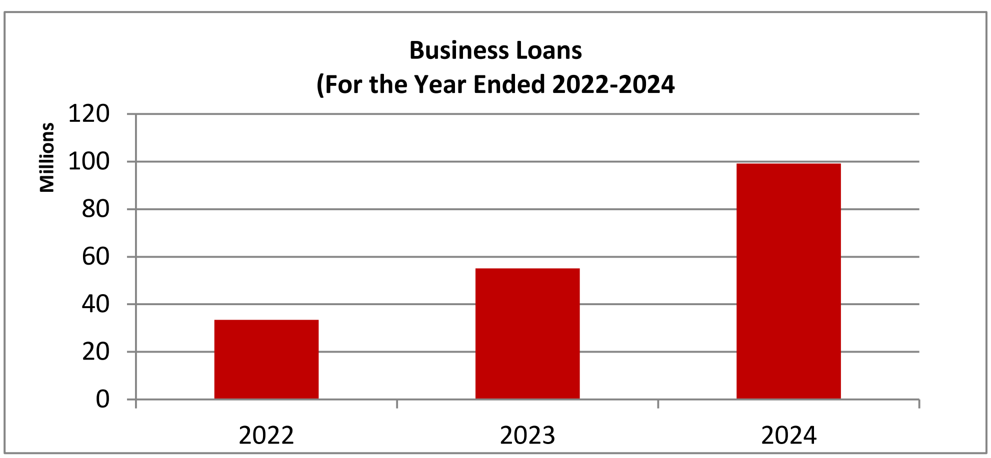
The Rural Bank of Angeles' Business Loans portfolio posted significant growth in 2024, with the outstanding balance rising to ₱99.139 million from ₱55.076 million in 2023—an 80.0%

increase year-on-year. This strong performance was driven primarily by the Bank's strategic focus on secured loan offerings targeted at small and medium enterprises (SMEs), particularly those involved in retail and construction-related industries. A notable portion of these borrowers were former microfinance clients who had successfully graduated into larger, collateralized credit facilities. Loan demand was also supported by financing for the acquisition of heavy equipment such as backhoes, dump trucks, and loaders, catering to the growing needs of the construction and logistics sectors.

Despite this substantial increase, the portfolio fell short of the Bank's internal target of ₱165 million, revealing a shortfall of ₱65.861 million. Several factors contributed to this underperformance. Severe weather disturbances, including multiple typhoons and the southwest monsoon (habagat), disrupted business operations and slowed economic activity in key areas, prompting many clients to delay loan applications or scale down expansion plans. The resulting business uncertainty led clients to adopt a more cautious stance, prioritizing recovery and liquidity over borrowing for capital investments.

In addition, the Bank faced internal capacity challenges. The unexpected resignation of key Account Officers created staffing gaps that affected the Bank's ability to process loans efficiently and maintain regular client engagement. This disruption led to delays in credit evaluations and a reduced volume of new loan bookings. Client retention was also affected, as some borrowers shifted to other lending institutions—particularly Private Lending Institutions (PLIs)—that offered higher loanable amounts and unsecured loan options.

To counter these challenges and position the Business Loan segment for sustainable growth, the Bank has identified and is preparing to expand into new markets, specifically in Batangas, Bukidnon, and the Iloilo region. These areas have been assessed as high-potential locations for SME lending, based on local economic activity and demand for equipment financing. With the planned branch expansion, strengthened manpower deployment, and continued focus on secured lending, the Bank aims to further grow its business loan portfolio while maintaining credit quality and enhancing client retention.



Non-Performing Loans

PERIOD	LOAN OB (In millions)	NPL (In millions)	NPL RATIO
2023	3,149	179	4.84%
2024	4,152	140	2.64%
VARIANCE	1,002	-39	-2.20%

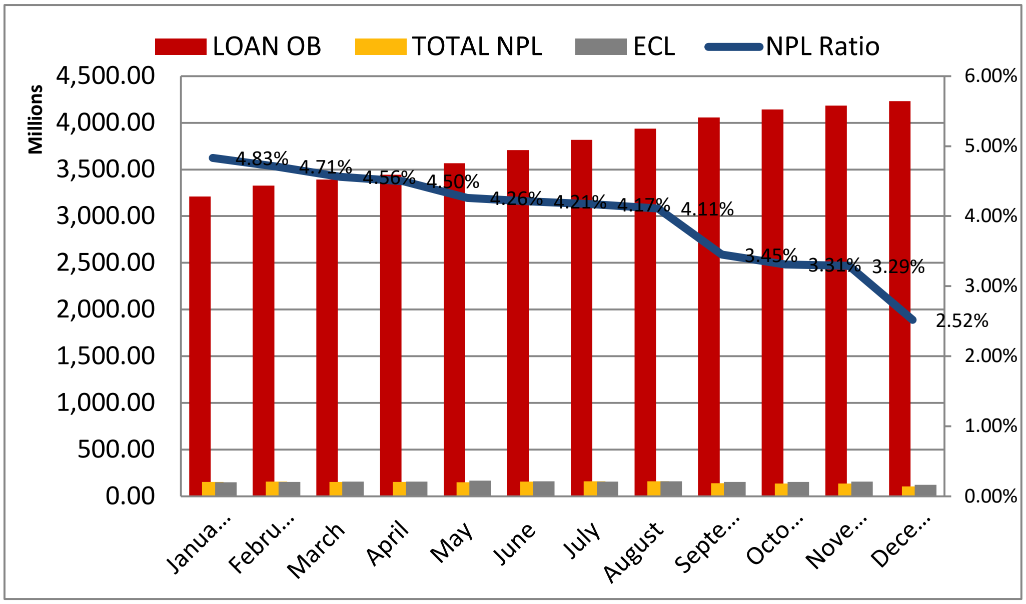
In 2024, the Rural Bank of Angeles demonstrated notable improvements in asset quality while growing its loan portfolio by ₱1.002 billion, from ₱3.149 billion in 2023 to ₱4.152 billion in 2024. Non-performing loans (NPLs) declined by ₱39.050 million, bringing the year-end total to ₱140.401 million, down from ₱179.451 million in the previous year. As a result, the Bank's NPL ratio dropped significantly from 4.84% in 2023 to 2.64% in 2024, marking a 2.20 percentage point improvement.

This performance reflects effective delinquency management despite operational disruptions brought about by natural calamities throughout the year. The consistent year-on-year decline in past due accounts and NPLs highlights the Bank's strengthened credit oversight and client monitoring practices. Total past due and non-performing loans stood at ₱137.52 million in 2024, a reduction of ₱39.26 million from the 2023 figure of ₱176.78 million. Meanwhile, non-performing loans alone declined by ₱45.14 million, ending at ₱106.78 million compared to ₱151.91 million in the prior year. This translated to a final NPL ratio of 2.00%, outperforming expectations and surpassing budgetary benchmarks.

The Bank had allocated a substantial NPL budget of ₱322.11 million for 2024. With actual NPLs amounting to only ₱106.78 million, the Bank realized a favorable variance of ₱215.33 million, demonstrating the success of its risk management strategies and recovery initiatives. This positive outcome also allowed the Bank to maintain its loan loss provisioning well below budget, incurring only ₱17.54 million in provisions against the ₱60 million initially set aside. The savings from reduced provisioning directly contributed to a stronger bottom line for the year.

Breakdown by loan type reveals that the most significant improvement was in agricultural loans, where past due balances fell by ₱42.75 million, and NPLs declined by ₱50.41 million year-on-year. This offset increases in the commercial and microfinance portfolios. Commercial loan delinquencies rose slightly, with past due balances increasing by ₱2.04 million and NPLs by ₱1.84 million. These increases were mostly attributed to borrowers' declining sales performance, relocation, or medical issues affecting household members. The DepEd Salary Loan portfolio also posted modest improvements, with past due and NPL balances declining by ₱3.31 million and ₱0.73 million, respectively. Meanwhile, microfinance loans experienced a rise in both past due and NPL figures, increasing by ₱4.76 million and ₱4.16 million, respectively, consistent with the Bank's ongoing challenges in this segment.

In summary, 2024 marked a year of substantial progress in managing credit risks, reducing delinquency levels, and improving loan quality across key portfolios. The Bank's proactive approach—centered on conservative underwriting, targeted collection efforts, and strategic reprioritization of lending products—positions it well to sustain credit quality improvements in the year ahead.



Income

(in millions) 2022	2023	2024
	41.399 (cash basis)	150.626 (cash basis)
68.045 (accrual basis)	122.961 (accrual basis)	178.298 (accrual basis)

In 2024, the bank achieved income growth, reaching ₱178.298 million, a 45% increase compared to ₱122.961 million in 2023. This figure also exceeded the target income of ₱125.668 million by 41.88%. Interest income rose significantly to ₱630.942 million in 2024, compared to ₱460.851 million in 2023, representing a 36.91% increase fueled by the bank's focused efforts to expand its loan portfolio. Non-interest income increased by 22.51%, growing from ₱109.604 million in 2023 to ₱134.275 million in 2024. This reflects improved performance in fee-based services and other non-interest revenue streams. Operating expenses remained within target, even coming in 1% below the budget of ₱325 million, with cost management and operational efficiency. Provisions for loan losses were kept significantly below budget at ₱17.540 million, compared to the allocated ₱60 million this reflects effective risk management and the quality of the loan portfolio.

Deposits & Cost of Funds

(in millions) 2022	2023	2024
2.018	3.476	3.045

RBA exceeded its deposit target of P2.400 billion ending 2024 with total deposits of 3.045 billion. Nonetheless, RBA's deposit levels decreased P431 million from P3.476 billion in 2023 to P3.045 billion largely due to the competition from digital banks offering higher interest rates with no initial deposit requirements. The average cost of deposits slightly increased to 3.38% in 2024, up from 3.21% in 2023, reflecting the upward trend in deposit rates driven by market conditions. However, the average cost of bills payable decreased to 5.41%, compared to 4.93% in the previous year. Despite these fluctuations, the overall cost of funds remained steady at 4.81% amidst challenging interest rate environments.

To support efforts to lower funding costs, the bank started deploying field sales associates middle of 2024, focusing on generating low-cost Current Account and Savings Account. As a result, total CASA increased to ₱586.294 million, up from ₱560.242 million in 2023, representing a 4.65% growth. Additionally, the ratio between high-cost time deposits and special savings accounts improved, increasing CASA from 16.11% of deposits in 2023 to 19.25% of the total in 2024. RBA aims to further improve the deposit mix in 2025 with more seasoned and better trained personnel in the frontlines as part of the bank's initiatives to optimize funding sources and reduce overall funding costs.

Assets

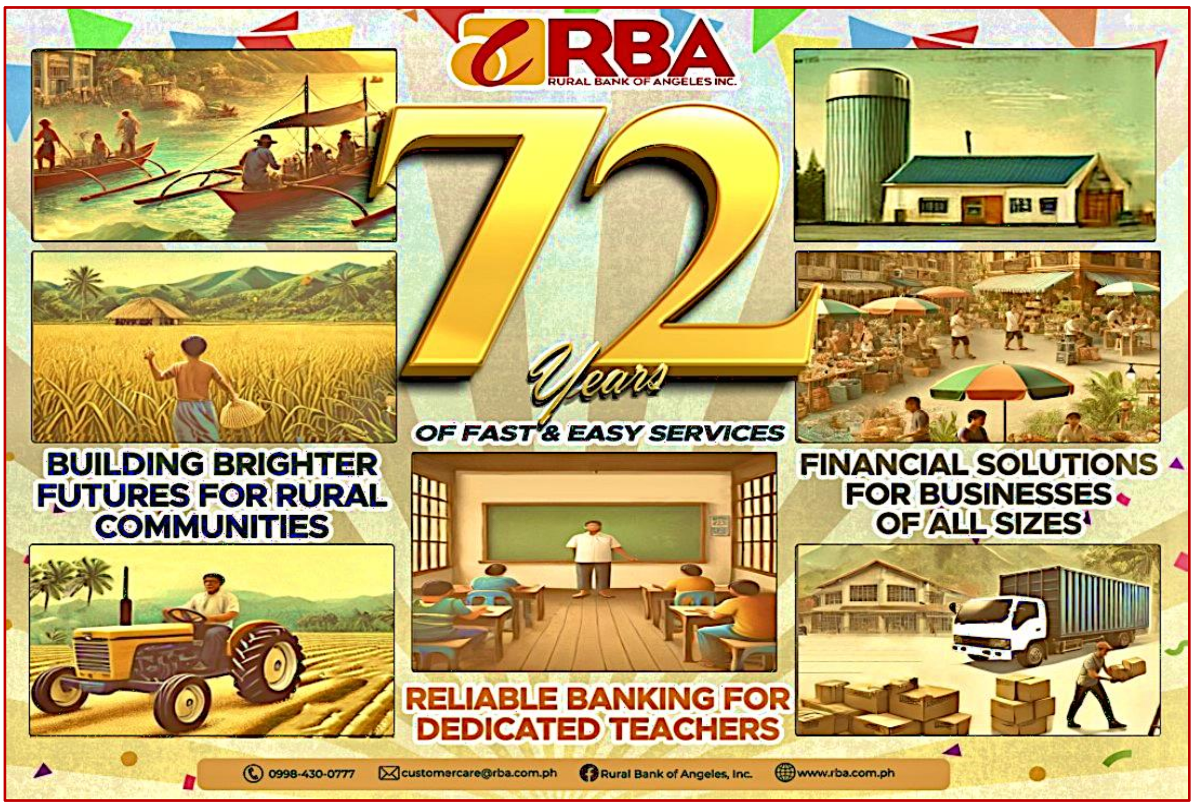
(in millions) 2022	2023	2024
3,982	5,459	6,039

The bank ended 2024 with total assets of ₱6.039 billion, an increase of 10.62% compared to ₱5.459 billion in 2023. This growth was primarily driven by the year-on-year expansion of the loan portfolio, which grew to ₱4.152 billion in 2024, a significant 31.84% increase from ₱3.149 billion in 2023. This performance underscores the bank's ability to grow its core lending operations while maintaining a solid asset base. The growth in loans reflects the the bank's expanding reach anchored on fast service and easy on-boarding processes.

Branches, Personnel & Quality Assurance

2022	2023	2024
34	34	36

RBA now operates 36 Branches across 22 Provinces in Luzon, Visayas and Mindanao. Despite expanding its branch network and increasing lending operations, the bank successfully reduced its manpower complement to 378 employees in 2024, down from 408 employees in 2023, representing a 7.4% decrease. This figure is also 7% lower than the budgeted headcount of 406 employees. This reduction highlights the bank's efforts to optimize efficiency and productivity while maintaining service levels amidst growth and operational expansion. The bank successfully maintained control and service quality across its branches even with the increased level of operations and transactions. Out of the 22 branches audited in 2024, almost 60% (13 branches) received an Above Acceptable rating, while 36% (8 branches) were rated as Acceptable.



FINANCIAL HIGHLIGHTS

FINANCIAL INFORMATION / DATA	CURRENT YEAR 2024	PREVIOUS YEAR 2023
Profitability		
Total Interest Income	630,942,069	460,851,341
Net Interest Income	441,692,653	333,851,679
Total Non-Interest Income	134,275,577	109,604,226
Total Interest Expenses	189,249,416	126,999,662
Pre-provision Profit	223,480,551	139,867,852
Allowance for Credit Losses	17,540,348	(1,819,822)
Net Income	178,298,109	122,961,683
Selected Balance Sheet Data		
Gross Loans	4,160,852,571	3,158,721,436
Loans and Receivables Net	4,064,134,795	2,988,434,955
Total Assets	6,039,281,293	5,459,353,702
Minimum Required Data		
Deposits	3,045,126,699	3,476,083,241
Total Equity	1,001,504,286	823,206,178
Selected Ratios		
Return on Average Equity	19.03%	16.58%
Return on Average Assets	3.02%	2.69%
Capital Adequacy Ratio	18.51%	17.24%
Net Income per Share	39	27
Book Value	219	180
Liquidity Coverage Ratio	137.18%	169.35%
Net Stable Funding Ratio	103.42%	117.55%
Non-Performing Loans	140,401,864	179,452,202
NPL Ratio	2.64%	4.84%

FINANCIAL CONDITION AND RESULTS OF OPERATION

Total Assets
(in thousand pesos)

2024	6,039,281
2023	5,459,354
2022	3,919,971

Total Deposit
(in thousand pesos)

2024	3,045,127
2023	3,476,083
2022	2,018,612

Total Shareholder's Equity
(in thousand pesos)

2024	1,001,504
2023	823,206
2022	700,244

Total Loans and Receivable, Net
(in thousand pesos)

2024	4,064,134
2023	2,988,435
2022	2,173,375

Total Net Income
(in thousand pesos)

2024	178,298
2023	122,962
2022	70,949

Review of Operations and Results of Operation

In 2024, the Rural Bank of Angeles (RBA) continued to build on its growth momentum, as evidenced by robust financial performance and enhanced operational outcomes compared to the previous year, 2023. The bank's total assets grew significantly by ₱580 million, or 10.62%,2 rising from ₱5.459 billion in 2023 to ₱6.039 billion in 2024. This increases secured RBA the 11th spot among rural banks in terms of asset size[1].

This continued expansion reflects the strengthened governance provided by the Board of Directors and the unwavering dedication of the Management Team in pursuing the bank's strategic vision. These achievements are firmly rooted in RBA's institutional mission, vision, and core values, and are realized through dynamic strategies aligned with its long-term development plans. The upward trajectory was evident across key performance indicators, including Shareholders' Equity, Net Income, Deposit Base, and Lending Activities—the latter remaining the bank's primary source of income, as shown by the significant growth in Total Loans and Receivables.

The primary driver of asset growth was the expansion of RBA's lending portfolio. Notable gains were achieved in agricultural machinery financing and in personal consumption loans granted to public school teachers through the Department of Education's Automatic Payroll Deduction System (APDS). The bank's loan portfolio increased from ₱2.988 billion in 2023 to ₱4.064 billion in 2024, reflecting a substantial growth of ₱1.075 billion or 36.00%. Importantly, this expansion was achieved without compromising asset quality. RBA reduced its Non-Performing Loans (NPLs) by ₱39.05 million, marking a 22% decrease from ₱179.45 million in 2023 to ₱140.40 million in 2024. Through disciplined lending practices focused on borrower creditworthiness and supported by comprehensive risk mitigation frameworks, RBA achieved an NPL ratio of just 2.64%,[2] well below the industry average of 6.35% as of December 31, 2024.

In terms of deposit mobilization, RBA maintained its competitive edge and managed its deposit portfolio prudently, leveraging rediscounting facilities from partner financial institutions. While total deposits experienced a slight year-on-year decline from ₱3.476 billion in 2023 to ₱3.045 billion in 2024-a 12% decrease-client confidence in the bank's efficient, accessible, and customer-centric services remained strong.

On the profitability front, RBA posted a remarkable 45% increase in net income, rising from ₱122 million in 2023 to ₱178 million in 2024. This impressive earnings growth was primarily driven by optimized interest margin management, which maximized revenue from lending operations while effectively containing deposit costs. Operational efficiency measures, including management-by-exception strategies and performance-based evaluation metrics grounded in key result indicators, further supported profitability.

Despite external challenges in 2024-such as elevated interest rates and the rising cost of agricultural inputs like fertilizers and fuel RBA remained aligned with its capital planning framework. The bank's capital base expanded by 22%, increasing from ₱823 million in 2023 to ₱1.001 billion in 2024, without requiring shareholder withdrawals. This capital level significantly exceeds the regulatory minimum of ₱200 million[3] and surpasses benchmarks set by BSP Circular 1151, underscoring the bank's financial resilience and long-term viability.

[1] https://www.bsp.gov.ph/SitePages/Statistics/BSSelectedPerformanceIndicators.aspx
[2] https://www.bsp.gov.ph/Statistics/Financial%20Statements/Rural/assets.aspx
[3] https://www.bsp.gov.ph/Regulations/Issuances/2022/1151.pdf

Capital Structure and Capital Adequacy

1.	**Tier 1 Capital and Breakdown of its Components:**	
	Common Stocks	457,775,100
	Preferred Shares	531,100
	Additional Paid-In Capital	400,050,000
	Retained Earnings	(55,652,770)
	Goodwill	66,144,389
	Unsecured Dosri	246,216
	Tier 1 Capital	916,143,436
2.	**Tier 2 Capital and Breakdown of its Components:**	
	General Loan Loss Provision Permitted	44,213,000
3.	**Total Qualifying Capital**	960,356,436
4.	**Capital Requirement for Credit Risk**	
	Risk weighted On-balance sheet assets	4,421,302,007
	General Loan Loss Provision (in excess of Tier 2)	36,513,000
	Total Credit Risk-Weighted Assets	4,457,815,007

CAPITAL ADEQUACY RATIO **PART III.1 RISK-WEIGHTED ON-BALANCE SHEET ASSETS (In Php Thousands)**

December 30,2024

Item 1/ | Nature of item	Exposures, Net of Specific Provisions	Exposures Covered by CRM	Exposures not Covered by CRM	Risk Weights						
				0%	20%	50%	75%	100%	150%	TOTAL
	1	2	3=1-2	4	5	6	7	8	9	[Sum of 4 to 9]
Cash on Hand	32,088	-	32,088	32,088						32,088
Due from Bangko Sentral ng Pilipinas	411,133	-	411,133	411,133		-		-		411,133
Due from Other Central Banks	642,448	-	642,448	-	91,545	529,542		21,361	-	642,448
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	49,859	-	49,859	-	49,859	-		-	-	49,859
Debt Securities at Amortized Cost	600,000	-	600,000	600,000	-	-		-	-	600,000
Loans and Receivables -Others	4,010,731	191,429	3,819,302	-	-	-	174,834	3,544,430	100,039	3,819,302
Non-defaulted exposures:	3,987,993	191,429	3,796,564	-	-	-	174,834	3,544,430	77,301	3,796,564
Agrarian Reform / Other Agricultural Loans	2,403,806	191,429	2,212,377		-	-		2,155,141	57,235	2,212,377
Microfinance/Small and Medium Enterprises	194,899	-	194,899		-	-	174,834	-	20,065	194,899
Loans to Individuals	1,389,288	-	1,389,288					1,389,288		1,389,288
Other than Housing Loans	22,738	-	22,738						22,738	22,738
Sales Contract Receivable	8,464	-	8,464		-	-		8,265	199	8,464
Real and Other Properties Acquired	32,873	-	32,873						32,873	32,873
Total Exposures Excluding Other Assets	5,787,597	191,429	5,596,167	1,043,221	141,404	529,542	174,834	3,574,055	133,111	5,596,167
Other Assets	207,773		207,773	-				223,403		223,403
Total Assets	6,069,442									
General Provisions Booked as ECL	7,700									
Total Exposures Excluding Other Assets	5,787,597									
Total outstanding unsecured credit accomodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	246									
Deferred tax assets	15,382									
Goodwill	66,144									
Total Deductions	5,869,369									
Total Exposures, Including Other Assets	5,995,370	191,429	5,803,940	1,043,221	141,404	529,542	174,834	3,797,459	133,111	5,819,571
TOTAL RISK-WEIGHTED ON-BALANCE SHEET				-	28,281	264,771	131,125	3,797,459	199,666	4,421,302

5. Capital Requirement for Operational Risk

	YEAR 1	YEAR 2	YEAR 3	AVERAGE
Interest Income	309,525,854.60	429,382,711.63	460,851,341.84	
Interest Expense	36,593,925.15	66,674,400.05	126,979,031.34	
Fees and Commissions Income	38,451,926.85	2,951,118.45	40,980,280.22	
Other Income	22,219,045.13	60,389,503.58	33,777,800.52	
GROSS INCOME	333,602,901.43	426,048,933.61	408,630,391.24	
Total Operational Risk weighted exposures (capital charges factor of 15%)	**50,040,435.21**	**63,907,340.04**	**61,294,558.69**	**730,176,391.43**

a) **Risk Based Capital Components, including deductions for 2024 and 2023 as shown below:**

	2024	**2023**
Common Equity Tier (CET)1 Capital:		
Paid up Common Stock	458,306,200	458,306,200
Additional Paid in Capital	400,050,000	400,050,000
Retained Earnings	(55,652,771)	(160,017,257)
Undivided Profits	193,268,828	116,581,514
Other Comprehensive Income	1,943,957	(1,451,133)
Unsecured Dosri	(246,216)	(318,637)
Goodwill	(66,144,389)	(66,144,389)
Deferred Tax Assets	(15,382,172)	-
Total CET 1 Capital	**916,143,436**	**747,006,297**
Additional Tier 1 Capital		
Total Tier 1 Capital	**916,143,436**	**747,006,297**
Tier 2 Capital		
General Loan Loss Provision	44,213,000	38,222,053
Total Tier 2 Capital	**44,213,000**	**38,222,053**
Total Qualifying Capital	**960,356,436**	**785,228,351**

b.) **Risk Based Capital Ratios:**

	2024	**2023**
CET 1 Capital	916,143,436	813,469,324
Less: Regulatory Adjustments		(66,463,027)
Total CET 1 Capital	916,143,436	747,006,297
Additional Tier 1 Capital		-
Total Tier 1 Capital	916,143,436	747,006,297
Tier 2 Capital	44,213,000	38,222,053
Total Qualifying Capital	**960,356,436**	**785,228,351**
Risk Weighted Assets	**5,187,991,399**	**4,553,695,797**
CET1 Capital Ratio	**17.65%**	**16.39%**

Capital Conversion Buffer	**11.65%**	**10.39%**
Tier 1 Capital Ratio	**17.66%**	**16.40%**
Total Capital Adequacy Ratio	**18.51%**	**17.24%**

c.) **Capital Requirements for Credit, Market, Operational Risk are listed below:**

	2024	**2023**
Credit Risk	4,457,815,007	3,852,727,389
Market Risk		-
Operational Risk	730,176,391	700,968,407
Total Capital Requirements	**5,187,991,399**	**4,553,695,797**

6. Capital Ratio

Common Equity Tier 1 Ratio	**17.65%**
Total Tier 1 Capital Expressed as a Percentage of Total Risk Weighted Asset	**17.66%**
Total Regulatory Capital Expressed as a Percentage of Total Risk Weighted Asset	**18.51%**

Capital Management

Regulatory Qualifying Capital

The Bank's capital-to- asset ratio (CAR) as of December 31, 2024 and 2023 based on the Basel III risk-based capital adequacy are shown in the table below (amount in millions):

	2024	**2023**
Common Equity Tier 1 Capital	P 915.61	P 746.48
Tier 1 Capital	916.14	747.01
Tier 2 Capital	44.21	38.22
Gross Qualifying Capital	960.35	785.23
Total Risk-Weighted Assets	**P 4,457.81**	**P3,852.73**
Capital Ratios:		
Common Equity Tier 1 Ratio	**17.65%**	**16.39%**
Total Tier 1 Capital expressed as a percentage of total risk weighted assets	**17.66%**	**16.40%**
Total regulatory capital expressed as a percentage of total risk weighted assets	**18.51%**	**17.24%**

Leverage Ratio and Total Exposure Measure

The Bank's BLR and Total Exposure Measure as of December 31, 2024 and 2023, as reported to BSP.

	2024	2023
Capital Measure	P 916,143,436	P 747,006,297
Divide: Exposure Measure	6,069,442,356	5,502,778,762
Leverage Ratio	**15.09%**	**13.58%**

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The Bank's LCR as of December 31, 2024 and 2023, as reported to BSP

	2024	2023
Total High Quality Liquid Assets	P 1,085,601,655	P 701,916,392
Total Net Cash Flows	791,397,858	414,484,194
LCR	**137.18%**	**169.35%**

Available Stable Funding Ratio	P 3,400,999,824	P 3,342,095,094
Divide: Required Stable Funding	3,288,549,590	2,843,182,022
Net Stable Funding Ratio	**103.42%**	**117.55%**

SUSTAINABILITY FRAMEWORK

General Policy

Pursuant to Bangko Sentral ng Pilipinas (BSP) Circular Nos. 1085 and 1128, which outline the Sustainable Finance Framework and the Environmental and Social Risk Management Framework, respectively, the Rural Bank of Angeles (RBA) adopts and promotes sustainable principles focused on environmental stewardship, social responsibility, and sound risk management.

The Bank is committed to integrating Environmental, Social, and Governance (ESG) criteria into its products and services, supporting inclusive economic growth while generating long-term benefits for both its clients and the broader society. These principles contribute to the achievement of national sustainable development goals and facilitate the transition to a resilient and inclusive financial system.

Integration

The bank will integrate Sustainable Financing considerations into its decision-making processes. The bank will evaluate the environmental and social risks and opportunities associated with lending or investment activities and consider how these factors impact the long-term financial performance of the projects or companies.

As of 31 December 2024, RBA has 36 Branch Units mostly located in rural or agricultural areas. It has banking operations throughout Central, Northern and Southern Luzon providing various banking and financial services.

The policies and guidelines to be adopted are those that are attuned and appropriate to the business and operations of the bank, core lending products, nature of its clientele and areas of operations of RBA Branches.

As the rural banking arm of Asia United Bank, RBA primarily offers and seeks to further grow its Agricultural, Microfinance and Small Business Loans while serving farmers, agricultural traders, rural entrepreneurs and other small and medium enterprises. RBA plans to expand operations in more rural areas or move into regions with potential for agricultural growth.

Adoption of Principles

In order to adopt in its operations sustainable principles on environment, social responsibility and managing the objectives and risks associated thereon, the bank will implement the following practices:

1. Needs Assessment - Conduct a comprehensive needs assessment of the rural communities the bank serves to understand their specific sustainability challenges and requirements. This assessment can help identify the most pressing environmental, social, and economic needs that need to be addressed through financing.

2. Tailored Financial Products - Develop financial products and services that are specifically designed to meet the needs of rural communities and support sustainable initiatives. This may include expanding or enhancing loans or microfinance products for sustainable agriculture, renewable energy projects, eco-tourism, or small-scale enterprises promoting local crafts or sustainable practices.

3. Technical Assistance - Provide technical assistance and capacity building programs to rural clients to enhance their understanding of sustainable practices and improve their business models. This shall include training programs on sustainable agriculture techniques, energy-efficient practices, waste management, or environmental conservation.

4. Partnerships - Foster partnerships with local stakeholders, such as community-based organizations, non-governmental organizations, government agencies, and other financial institutions, to leverage their expertise and resources. Collaborative efforts can lead to more impactful and holistic sustainable financing initiatives in rural areas.

5. Risk Mitigation - Develop risk assessment and management frameworks that address the specific risks associated with rural lending, such as agricultural risks, weather-related risks, or market volatility. Consider implementing risk-sharing mechanisms, insurance products, or flexible repayment options to reduce the vulnerability of rural borrowers and ensure the sustainability of their projects.

6. Knowledge Dissemination - Promote knowledge sharing and awareness campaigns about sustainable practices and their benefits among rural communities. This can be achieved through workshops, seminars, or digital platforms, enabling rural clients to make informed decisions and adopt sustainable approaches.

Current Initiatives /Concrete Actions

In 2024, RBA started the following as its initiative to sustainable strategic objectives:

1. Financing of installation of solar water pumps – Considering the El Nino phenomenon, most farmers are looking for alternative source of water for the farm, the bank started granting loans for this purpose.

2. Financing Hog Industry Farmers through the Kaantabay Program – This financing facility is in partnership with Agricultural Credit Policy Council (ACPC) to finance those farmers engaged in hog industry that were affected with African Swine Flu (ASF). Financing these farmers will enable them to recover from the effect of ASF and which will drive the price of meat to a reasonable level.

3. Financing of Vegetable Farmers through the Kaantabay Program – This financing facility is also in partnership with the ACPC to provide production loans to farmers producing vegetables with lower interest rates that will lower repayment burdens and cushion the impact of fluctuating prices.

4. Financing of Small Rice Farmers under the Agri-Sigla Program – This is an extension of the partnership with ACPC to finance small rice farmers in certain areas who otherwise are qualified or unable to obtain affordable credit for rice production.

5. Adopting a Geo Hazard Mapping – The bank identified has high risk areas which will severely affected by El Nino or Floods so that the repayment capacity of farmers will not be affected.

Consistent with the foregoing, the bank is currently implementing the following initiatives to effectively promote sustainable financing consistent with the government's road map:

1. Environmentally Relevant Plans
- Study to lower RBA's carbon footprint in all aspects of banking operation including the use of renewable energy in key banking offices and the deployment of vehicles that are more fuel efficient and/or with lower emissions. footprint maybe reduced.
- Transforming or improving internal processes by adopting or integrating financial technologies in all aspects of bank operations thus reducing processing time and lowering need for resources.
- Implementing financing programs to support the use of renewable energy with loans for acquisition of electric or hybrid vehicles, solar powered farming or manufacturing machineries, and other equipment for other economic activities and insofar as these are relevant with the bank's core lending products.
- Establishing loan programs for use or benefit of small and medium enterprises engaged in material recovery and recycling as a means of helping promote waste reduction and conservation of resources.
- Endeavoring to conclude partnerships with enterprises supplying suitable equipment or promoting the use of renewable energy under viable arrangements covering sales, marketing and financing in order to make renewable energy powered equipment, vehicles and technologies more affordable and accessible.
- Establishing policies with approval of Board of Director's to govern and control the investment in Green Bonds or other similar investments in support sustainable financing.

2. Mitigation of Risks Associated with Climate Change
- Aid in the promotion or use of drought, flood and other climate change resistant crops as well as modern practices and techniques with education of loan borrower and lending officers and at the same time.
- Institutionalizing the identification and information sharing of high-risk areas for agriculture ventures taking into patterns or variations to weather, water resources and supply and critical environmental conditions to minimize losses to loan borrowers, the community served by RBA and the bank itself.
3. Socially Significant Financial Programs
- Continuing to promote financial inclusion by establishing banking presence in rural areas where the concentration of unbanked and underbanked Filipinos is at the highest and in the process to provide attainable financing and credit and grant access to the banking system.
- Reducing economic inequalities by in the countryside with loans to small and medium scale enterprises in order to create economic opportunities and generate employment.
- Maintaining support for agriculture's bid for mechanization and modernization of with timely and affordable loans to deserving and qualified farmers and rural entrepreneurs.

Implementation & Reporting

The following with periodic reports to the President shall be charged with the duty of establishing and/or implementing policies relating to a sustainable financing framework insofar as it relates to their primary functions based on the timelines provided above:

1. All Product Loans Heads – Loan product manuals and guidelines
2. Accounting Head – Investment policies
3. Operations Head – Branch network
4. HR Head – Education and training
5. IT Head – Digitization and financial technologies

Management shall report to the Board of Director's all initiatives, progress and predicaments relating to the bank's approaches on the implementation of the sustainable financing framework on a quarterly basis to provide the Board of Directors opportunities to exercise oversight and provide policy guidance and direction.

RISK MANAGEMENT

Risk is inherent in our business and demands us to identify, asses and manage our risks by allotting our capital and resources in an economical and appropriate manner with necessary safeguards and controls. The Bank faces both financial and non-financial risks which must be identified to all extent possible and with contingencies in place. Financial risks arise from the use of financial instruments and include credit risk, market risk and liquidity risk.

Framework, Organization and Processes

The Bank faces both financial and non-financial risks. Financial risks arise from the use of financial instruments and include credit risk, market risk and liquidity risk.

The succeeding sections will discuss the Bank's risk management structure, the definition and sources of key financial risks, and the processes and methodologies applied in identifying, monitoring, and managing these key financial risks.

Risk Management Structure

The Bank has its own Board of Directors (BOD) which is ultimately responsible for oversight of the Bank's risk management process which involves identifying, measuring, analyzing, monitoring and controlling risks.

The BOD has the overall responsibility for the oversight of the Bank's risk management process. Supporting the BOD in this function is the Senior Management Committee (SMC). The SMC is responsible for ensuring that there are adequate policies and procedures for conducting risk taking activities on both long-range and day-to-day basis. This responsibility includes:

- Ensuring that there is clear delineation of lines of responsibility for managing risk, appropriately structured limits on risk taking, effective internal controls and a comprehensive risk reporting process; and

- Ensuring that all appropriate approvals were obtained and that adequate operational procedures and risk control systems are in place.

The SMC is assisted in these functions by the Internal Audit Group of the Parent Bank. The Internal Audit Group undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the SM.

Credit Risk

Credit risk is the risk of financial loss to the Bank if a counter party to a financial instrument fails to meet its contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

Management of credit risk is the principal responsibility of the Credit Committee and other individual credit approvers delegated with authorities by the BOD. The role of the Credit Committee and other credit approvers is to ensure that the credit risk policies are strictly complied with when approving loan proposals.

Management of credit risk

The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties or invests funds to issuers (e.g., investments securities issued by government entities).

The Bank manages credit risk by setting limits for individual and group of borrowers. The Bank also monitors credit exposures and continually assesses the credit worthiness of counterparties. In addition, the Bank obtains security by entering into agreements (e.g., collateral agreements) which include, among others, real estate, chattel and guarantees with counterparties to limit the exposure

The carrying value of the Bank's loans and receivables reflects its maximum exposure to credit risk.

Credit quality per class of financial assets
The credit quality of financial assets is assessed based on days past due.

The description of each groupings according to stage is explained further as follows:

- Stage 1 – those that are considered current and up to a certain number of days past due, and based on delinquencies and payment history, do not demonstrate significant increase in credit risk;
- Stage 2 – those that are considered more than a certain number of days past due and based on delinquencies and payment history, demonstrate significant increase in credit risk; and
- Stage 3 – those that are considered more than 90 days past due or in default, or demonstrate objective evidence of impairment as of reporting date.

To estimate PD, the Bank developed a transition matrix based on the monthly migration of accounts to each age bucket. This matrix is scaled to the observed point-in-time PDs as of the reporting dates which are then adjusted to incorporate both current and forward looking information for ECL calculation.

Further, in analyzing credit risk specifically the effect of climate change such as El Nino Phenomenon, the bank came up with the study of the Geo Hazard Mapping wherein it will not lend loans farmers under the red zone.

ZONING OF AREAS AFFECTED BY EL NIÑO PHENOMENON

	Red Zone	Orange Zone	Yellow Zone	Green Zone
Condition of Area	Highly affected by El Niño	Affected by El Nino	Slightly affected by El Niño	Not affected by El Niño
General Situation	1. Severe drought with water scarcity 2. No adequate irrigation/rain fed only 3. Low water table / wells dried up 4. Visible signs of drought such as extreme heat, scorched earth, wilting crops and foliage	1. With adequate irrigation 2. Water source sufficient to sustain farm requirements	1. Good irrigation 2. With multiple water sources both from surface and under ground	1. With very good irrigation system 3. With abundant water sources both from surface and under ground
Lending Status	Suspend lending operations in the area	Loans maybe granted loans provided: 1. Client has other sources of income or other farms not located in El Nino areas 2. Client has working wells and pumps 3. With collateral / AGFP Guaranty 4. Second cycle and up 5. No CI exemptions 6. No Loan increase for crop loans	Loans maybe granted loans with regular lending requirements except there will be no CI exemptions	Regular lending operations subject to standard requirements

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

Interest Rate Risk

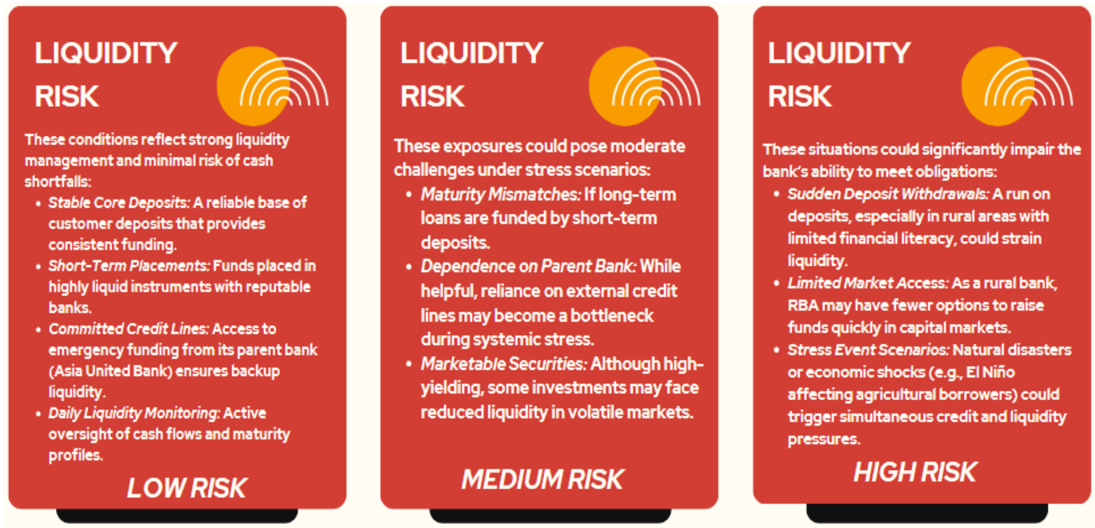
Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Parent Bank, through its Treasury Group, assists the Bank to monitor interest rate risk by providing the Bank the quotes and other relevant information on a weekly basis.

As of December 31, 2022 and 2022, the Bank has no exposure to interest rate risk since its financial instruments are not subject to floating interest rate.

Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged funding sources with its Parent Bank in addition to its core deposit base, manages with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.



The Bank maintains short-term deposits with a stable bank that can be easily liquidated in the event of unforeseen interruption of cash flow. The Bank considers its investment positions in managing its liquidity risk. The high-yielding securities, which are relatively easy to liquidate in the event a fund need arises, are used to match the duration profile of the deposits.

The Bank has a committed line of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the BSP which is above the required 5.00% for demand and 3 % for savings, and time deposits statutory reserve.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, employees, operating systems, and external events. The Bank's operational risk management involves monthly submission of operational risk report to its parent bank. In these report, each examines its essential processes, identifies inherent operational risks, and determines the necessary controls to mitigate these risks. Risks are categorized as "high," "medium," or "low" based on established criteria by parent bank, evaluating both the potential impact and the likelihood of the risks occurring.

Strategic Risk

Strategic risk is the risk involves managing the possibility of negative impacts resulting from the bank’s business model or marketing strategy which could potentially hinder the bank's ability to achieve its strategic plan or maintain competitiveness.

Compliance Risk

Compliance Risk is the risk of being subject to legal or regulatory sanctions, material financial loss, or loss to reputation as a result of non-compliance with the required laws, rules and regulations, prescribed practices, or internal policies and procedures.

Money Laundering and Terrorism Financing

In the present time, **Money Laundering and Terrorism Financing (ML/TF)** establishes intolerable disturbance to every Banking and Financial Institutions worldwide. In the global market place, Money Laundering is a significant problem that caused great alarm both in local and international banking community due to the attempted use of financial institution to launder money that resulted in much stricter laws and increased in penalties. In contemplation of possible occurrence thereof, Rural Bank of Angeles (RBA) established controls and organizational behaviour whereby threats of ML/TF can be easily detected and prevented. In line with this, the bank established a committee charter, headed by the Compliance Office. The said committee monitors and oversight all the respective branches as to compliance to the regulation and programs of the company. Also, it implements ML/TF Prevention Program to the Head Office Units including all the branches and evaluates the compliance of respective units thereof.

Anti-Money Laundering Committee

• The AML Committee shall have the following duties and responsibilities: (i) Provides oversight over the institution's implementation of the MLPP; (ii) Evaluate and deliberate customer suspicious transactions elevated by the Compliance Office;

(iii) Review and approve updating of AML/CFT policies and procedures; and (iv) Issue directives/memos to business unit or individual to at least mitigate if not totally eliminate AML Risk Exposure.

•. The AML Committee was revised in March 2023 composed of members including the Compliance Officer as chairperson, Branch Operations Officer, Accounting Supervisor, I.T Head, and Loans Operations Head, holds the responsibility of overseeing and governing Anti-Money Laundering (AML) control environment within the Bank and makes decisions to implement appropriate solutions where required.

DATA PRIVACY

RBA upholds the importance of protecting personal data and is fully committed to ensuring that the collection, processing, and management of such data are conducted in accordance with the Data Privacy Act of 2012 and relevant issuances of the National Privacy Commission (NPC). The Bank adheres to the core principles of transparency, legitimate purpose, and proportionality in all its data-related activities.

The Bank's designated Data Protection Officer (DPO) is Atty. Fina Ong, who ensures ongoing compliance with data privacy regulations and promotes a culture of data protection across the organization

To strengthen its data protection framework, RBA has established a Data Breach Management Response Team (DBMRT) tasked with proactively monitoring potential data breaches, responding to incidents promptly and effectively, and formulating strategies to safeguard Personal, Sensitive, and Privileged (PSP) information of data subjects.
The following members will be part of this team:

Name	Position	Email Address
Atty. Fina Ong	Data Protection Officer	fnong@rba.com.ph
Adora V. Santos	Head of Operations and Treasury	avsantos@rba.com.ph
Catherine Hazel C. Manganti	Loans Operations Head	chmanganti@rba.com.ph
Joanna Marie G. Carlos	Compliance Officer	jgcarlos@rba.com.ph
Leonard C. David	IT Head	lcdavid@rba.com.ph
Clarlita Agustin	Human Resources Head	ceagustin@rba.com.ph
Maristelle G. Babadilla	Branch Operations Officer	mgbabadilla@rba.com.ph

In line with its commitment to uphold the rights of data subjects and ensure full compliance with Republic Act No. 10173 or the Data Privacy Act of 2012, the Rural Bank of Angeles, Inc. (RBA) has formally designated Atty. Fina Ong as its Data Protection Officer (DPO). Under her guidance, the Bank has institutionalized key data privacy policies and compliance procedures aligned with the standards of the National Privacy Commission (NPC).
As a proactive milestone, RBA successfully secured its official Seal of Registration with the NPC within the prescribed compliance period—as early as December 13, 2023. This registration affirms RBA's foundational compliance and commitment to data stewardship. Furthermore, an initial Privacy Impact Assessment (PIA) has been conducted to identify and manage potential privacy risks in operations such as account opening, loan processing, and HR management. Corresponding consent mechanisms have been integrated into customer-facing documents and internal workflows.

To foster a culture of privacy awareness, 278 employees or at least 71% of RBA employees from various departments have already undergone data privacy orientation and training. Additionally, RBA constituted a dedicated Data Breach Management Response Team (DBMRT) tasked with responding to security incidents and ensuring timely reporting to the NPC. These initiatives collectively demonstrate RBA's proactive and sustained efforts toward full data privacy compliance

CORPORATE GOVERNANCE

RBA recognizes that effective corporate governance serves the best interests of the bank, its shareowners, depositors and other interests. Effective corporate governance enhances the bank's capacity to achieve strategic goals and manage risks by ensuring that all stakeholders can hold directors to account as their representatives. In turn, directors will be obligated to hold management responsible for the sound operation of business and achievement of goals.

The bank aims to create a corporate governance structure with collective values, behaviors, and attitudes that shape how the institution operates and makes decisions. It will include ethical standards, risk management practices, transparency, and accountability upheld by the bank at all levels. A strong governance culture serves the best interests of stakeholders. Cultivating such a culture is also essential for maintaining trust of clients and stability of the bank itself

This structure is composed of stakeholders, directors and management contribute to promote the balancing o interests and protection of various interests – public and private. Towards this end, effective disclosure is required with reports that are accurate, prompt and useful on information on company policies, practices and results. This will provide greater investor, depositor and creditor protection and preservation and even enhancement of the bank's license, capital, assets and overall business

- Development and Maintenance of a Competent and Diverse Board
- Alignment of Strategies and Goals
- Defined Roles and Responsibilities
- Commitment to Integrous and Ethical Behavior
- Accountability

To illustrate, the bank has a standing Audit Committee composed of 3 Directors, among others, wherein all significant risk related, issues, major violations of policies and procedures, as well as incidents of fraud are reported for proper guidance, advise and other disposition of the board. Moreover, as a subsidiary of AUB, its Risk Management committee – also a board level committee – performs oversight function on the credit and operations risks exposure of the bank.

Key to enhancement of the governance structure is the adoption of best practices reflective of times and demands of business. With this perspective; the bank adopts the following practices in corporate governance.

Selection process for the Board and Senior Management

Only Filipino citizens are eligible for election to the Board. The regular term of a director shall be from the date of his election to the regular annual meeting of the stockholders of the Bank or until his successor shall have been elected and qualified to take his place at said annual meeting.

Unless a director shall sooner resign, be removed from office or becomes unable to act by reason of death, disqualification, or otherwise he shall hold office during the term for which elected and until his successor is elected and qualified. No Director, officer, employee or agent of the Bank shall in any manner directly or indirectly, participate in the deliberation, or the determination of any bank matter affecting his pecuniary interest, or the pecuniary interests of any enterprise in which he is directly or indirectly interested.

A member of the Board of Directors or its deliberation or determination of any matter with respect to which he is disqualified. When a member of any committee is disqualified, the remaining members who are directors may select another director to serve in the place of the disqualified member.

To qualify as a director, an individual must meet several criteria:

a. They must be a minimum of 25 years old at the time of their election or appointment.
b. They should hold a college degree or possess at least 5 years of business experience.
c. They are required to maintain good standing in a relevant industry, business, or professional organization.
d. Attendance at a BSP-accredited special seminar on corporate governance for board directors is mandatory.
e. They must be deemed suitable and qualified for the director position, with their fitness and propriety assessed based on factors such as integrity, physical and mental fitness, competence, education, financial literacy, diligence, knowledge, experience, independence, time availability for responsibilities, and any concurrent roles within the bank or interlocking positions in other entities that may present conflicts of interest.

The board of directors is responsible for upholding fit and proper standards for key personnel, emphasizing qualities like integrity and expertise. They must also oversee senior management actions in alignment with approved policies, set formal performance standards, engage in regular discussions, and assess policies, internal controls, and relevant expertise. Additionally, the board must ensure effective governance in the selection of directors and officers with interlocking positions in other entities, continuously evaluating potential conflicts of interest

To hold a senior management position, an individual must demonstrate that they are fit and proper for the specific role they are appointed to. In assessing an individual's fitness and propriety for a particular position, several factors are taken into consideration, including their integrity, educational background and training, possession of relevant competencies such as knowledge and experience, skills, and diligence. Additionally, any concurrent positions held within the bank and interlocking positions in other entities are scrutinized to identify potential conflicts of interest.

Board's Responsibility

The Bank's Board of Directors exercises an overall oversight in ensuring effective corporate governance to serve the beneficial interests of its stockholders and stakeholders.

Exercising effective corporate governance practices are the best tool to promote good governance, thus, safeguarding the beneficial interests of the Bank and its stockholders and stakeholders.

Description of the Role and Contribution of Executive and Non-Executive

Executive Officers

The executive officers of the Bank are the President, Vice President, Corporate Secretary, Cashier or Treasurer, and Bank Managers who shall be elected by a majority vote of the entire membership of the Board of Directors at its first meeting held after the annual stockholders meeting and at such other times during the year as be required to fill vacancies or as may be otherwise be delegated to the President.

President

The President shall be the Chief Executive Officer of the Bank. He shall see to it that all orders and resolutions of the Board of Directors, all orders of the Monetary Board of the Bangko Sentral ng Pilipinas, and all rules and regulations of the Bank are carried into effect, and shall exercise such other powers and perform such other duties as are prescribed for the Office of the President in the by-laws.

Vice President

The Vice-President shall exercise the powers, authority and duties of the President during the absence or inability to act of the latter.

Secretary

The Secretary shall provide for the keeping of the records of the Bank and shall have the custody of the seal of the corporation, the Secretary shall, in addition, exercise such other powers and perform such other duties are prescribed for the Office of the Secretary in the by-laws, and all other duties pertaining to that Office, and such other duties as may be prescribed from time to time to the Board of Directors.

Bank Managers

The Board of Directors may provide for the position of the Bank Managers who shall have, subject to the control of the Board of Directors, general management of the business affairs of the Bank.

Other Officers, Employees

The Board of Directors may elect or employ and, subject to the general supervision of the Monetary Board, fix the compensation of such other officers, employees, and agents as the Board of Directors may deem necessary, to perform such duties as may be prescribed from time to time by the Board of Directors.

Chairman of the Board

The Chairman of the Board provides leadership to the Board and its committees. He presides at and conducts the meetings of the stockholders and the board of directors with the right to vote. He calls meetings of stockholders and convenes the board of directors whenever he deems it necessary either on his own initiative or upon request of the president. The Chairman likewise exercises such powers and performs all duties customarily incidental to said office and as maybe prescribed by the board of directors from time to time.

Independent Directors

RBA promotes the strong independence of the Board and has appointed two Independent Directors, defined as those holding no interests or relationships with the Bank, the controlling shareholders, or the Management that would influence their decisions or interfere with their exercise of independent judgement.

Based on the definition of an Independent Director in Section 38 of the Securities Regulation Code of the Securities and Exchange Commission (SEC), RBA's present Board consists of two highly respected Independent Directors in the persons of Mr. Acmad Rizaldy P. Moti, who formerly headed the Pag-Ibig Fund as President, and Atty. Federico S. Quimbo who formerly represented Marikina's 2nd Legislative District in the House of Representatives of the Philippines.

Members of the Board

TITLE OF CLASS	NAME	CITIZENSHIP	POSITION	YEARS OF SERVICE	PERCENT AGE OF SHARES
Common	Abraham T. Co	Filipino	Chairman	15	.000013333%
Common	Jacob C. Ng	Filipino	Director/Treasurer	15	.000013333%
Common	Justice Adolfo S. Azcuna	Filipino	Director	13	.000013333%
Common	Manuel A. Gomez	Filipino	Director	6	.000013333%
Common	Atty. Rainer T. Defante	Filipino	Director/President	9	.000013333%
Common	George T. Chua	Filipino	Director	15	.000013333%
Common	Atty. Romero Federico S. Quimbo	Filipino	Independent Director	4	.000013333%
Common	Soledad O. Reyes	Filipino	Director	2	.000013333%
Common	Acmad Rizaldy P. Moti	Filipino	Independent Director	3	.000013333%

Board Qualification

The business affairs of the bank shall be conducted under the supervision and control of Board of Nine (9) directors. The holders of common stock entitled to vote shall elect such directors in the manner provided in Section 31 of Republic Act -1459, whose qualifications shall be subject to the approval of the Monetary Board of Bangko Sentral ng Pilipinas. Only Filipino citizens are eligible for election to the Board.

The regular term of a director shall be from the date of his election to the regular annual meeting of the stockholders of the Bank or until his successor shall have been elected and qualified to take his place at said annual meeting. Unless a director shall sooner resign, be removed from office, or becomes unable to act by reason of death, disqualification, or otherwise, he shall hold office during the term for which elected and until his successor is elected and qualified.

The President and the Vice-President of the bank must be must be directors, the secretary or the cashier need not be a director or stockholder of the bank, but he must be a citizen and resident of the Philippines. The offices of the president and vice-president may not be combined with each other or with any other office or offices. No individual shall be eligible to become or be a salaried officer or employee if he is also or becomes a candidate for, or holder of, any public office which is remunerative.

Board and Key Committees

As of December 31, 2024, RBA has formally constituted only one board-level committee – the Audit Committee – composed of three directors (including Independent Directors).

The Board of Directors currently performs oversight over Risk Management, and Corporate Governance, with support from the AUB Risk Management Unit, Compliance and Audit Group. The Bank does not perform trust functions, hence, it has no Trust Committee.

1. Internal Audit & Audit Committee, as a subsidiary of Asia United Bank (AUB), the Bank avails itself of several shared services from its parent institution, including Internal Audit functions. While the Internal Auditor functionally reports to the Audit Committee of AUB, the Bank has also established its own Audit Committee at the board level on June 27, 2024. The Internal Auditors are granted full, free, and unrestricted access to all bank activities, records, properties, and personnel. They report administratively to the Board of Directors of RBAI and functionally to both the RBAI Audit Committee and the AUB Audit Committee, ensuring proper oversight and alignment with regulatory expectations.

The RBAI Audit Committee is composed of the following members:

- Acmad Rizaldy P. Moti, Independent Director – Chairman
- Romero Federico S. Quimbo, Independent Director – Member
- Adolfo S. Azcuna, Director – Member

As previously stated, for the year ended 2024 only one board-level committee—the Audit Committee—was formally constituted. Other governance and operational functions are performed by management-level committees. The Audit Committee held a total of six (6) meetings during the year, with 100% attendance by all its members.

	DIRECTORS	Total Number of Meeting	Total Number of Attendance	Percentage
1	Mr. Acmad Rizaldy Moti	6	6	100%
2	Mr. Romero Quimbo	6	6	100%
3	Justice Adolfo Azcuna	6	6	100%

2. Management Com(Mancom) comprising members including the President, VP-Head of Operations and Treasury, Agri loans Head, Teacher's Salary Loans Head, Business Loans Head, HR Head, Sales & Marketing Head. The ManCom are the decision-making body responsible in overseeing the operations of the organization. Ensures the bank is well-managed, financially sound and positioned for long-term success.

3. Adhoc Committee, comprises members including the HR Head, VP- Agri Loans, VP- Teacher's Salary loans, Loans Ops Head, VP-Accounting and Operations Head. This committee's primary role is to ensures all employees adhere to the established code of conduct and ethical standards of the bank. They are responsible for conducting investigations into any reported misconduct or violations of policies and procedures.

4. Credit Committee- consists of nine members, including eight Branch Managers, one Collections Head. The primary responsibility of this committee is to review, analyze, evaluate, and approve loan applications within the specified credit limit. Their role involves assessing the creditworthiness of

applicants, ensuring that loans meet the bank's lending criteria, and making informed decisions regarding loan approvals.

Board Composition

As of December 31, 2024, the Board of Directors of the Bank is composed of nine members, two of whom are Independent Directors. The Directors bring with them diverse professional backgrounds and expertise, enabling them to act in the best interest of the Bank in shaping its strategic direction and overseeing its operations. The Board structure promotes a balance of power, ensuring that no single Director has unfettered authority in decision-making.

The table presents the list of Directors as of December 31, 2024, including their age, citizenship, position, and length of service:

No.	Name	Age	Nationality	Position and Period Covered
1	Abraham T. Co	76	Filipino	Chairman since 2009; former President of AUB (1997–2017); currently Chairman of CURB, AULFC, Asia United Insurance, Inc., and PPMI
2	Jacob C. Ng	48	Filipino	Director and Treasurer since 2009; EVP and Chief Transformation Officer of AUB; former Citibank Program Manager
3	Justice Adolfo S. Azcuna	85	Filipino	Independent Director since 2010; former Supreme Court Justice; Chancellor of PHILJA; former Director of DBP and Chair of PNB
4	Atty. Rainer T. Defante	52	Filipino	President and Director since 2015; EVP of AUB; over 28 years of banking and legal experience; oversees overall banking operations and strategic implementation
5	Manuel A. Gomez	70	Filipino	Director since 2018; President of AUB since 2018; former EVP and Head of Branch Banking; held senior positions at Citytrust and Citibank
6	George T. Chua	70	Filipino	Director since 1998; President/Director of Quantuvis Resources, Manila Bay Development Corp, and other private companies
7	Romero F. Quimbo	55	Filipino	Independent Director since 2020; former Congressman (Marikina); CEO of Pag-IBIG Fund (2001–2009); former lawyer at Poblador Bautista & Reyes
8	Acmad Rizaldy P. Moti	50	Filipino	Independent Director since 2022; former CEO and Deputy CEO of Pag-IBIG Fund; prior SVP for IT Services Sector
9	Soledad O. Reyes	52	Filipino	Director since 2023; former CFO and Treasurer of CURB; held finance roles in AUB and AsianBank Corporation

Changes in the Board of Directors

The composition of the Board of Directors remained unchanged in 2024. During the year, the Board convened a total of 13 meetings.

Board Meeting Attendance

	DIRECTORS	Total Number of Meeting	Total Number of Attendance	Percentage
1	Mr. Abraham Co	13	13	100%
2	Mr. Jacob Ng	13	10	75%
3	Mr. Romero Quimbo	13	11	83%
4	Justice Adolfo Azcuna	13	9	67%
5	Atty. Rainer T. Defante	13	13	100%
6	Mr. George T. Chua	13	11	83%
7	Mr. Manuelito Gomez	13	13	100%
8	Mr. Acmad Rizaldy Moti	13	13	100%
9	Ms. Soledad Reyes	13	12	92%

Board meetings are to be held in compliance with Article III of the Bank's Bylaws and may utilize modern technologies such as teleconferencing and video conferencing, provided that participating directors can effectively engage in the discussions on the agenda items during these meetings.

Performance Assessment Program

An annual self-rating is being conducted to measure the performance of each Member of the Board and its Management by accomplishing a Self-Assessment Questionnaire. The parameters for the assessment of the President and CEO will be provided by the Chairman of the Board, respectively.

Self-assessment Questionnaire includes questions on the following:

- Performance of Individual Board Members
- Fulfilment of the Board's Key Responsibilities
- Quality of Board – Management Relationship
- Effectiveness of Board Processes and Meetings
- Board Structure

2024 accomplished scorecard and the result of Self-Assessment.

1. Assessment for the Board of Directors (0 as lowest to 5 as the highest)

	Number of Questions	Average Rating
Question on the Board	17	4.48
The Chairman	5	4.69
Members of the Board	15	4.60
Board Meetings	12	4.47
Board Committees and Board Issues	15	4.19
	64	**4.49**

2. Assessment for Individual Directors (1 as lowest to 10 as the highest)

	Number of Questions	Average Rating
Individual Directors	16	**9.32**

3. Assessment for Audit Committee (1 as lowest to 10 as the highest)

	Number of Questions	Average Rating
Audit Committee	**24**	**9.03**
A. Charter	2	**9.17**
B. Membership	4	**9.08**
C. Functions	18	**9.00**

Senior management personnel will undergo evaluations based on the outcomes of the Annual Performance Evaluation, which will be presented and endorsed to the Board.

The above-mentioned evaluation gives us notion on the performance of the Director and the senior management. This Assessment and the evaluation give us the glimpse of responsibilities of the Director and identify the strength and areas of improvement and it help us also to set goals for more effective performance.

ORIENTATION AND EDUCATION PROGRAM

RBA gives importance to its employee's continuous growth and development, from its Top Management down to the Rank and File employees. The Bank believes that it is essential to its employees to provide trainings, seminars, and other developmental exercises to improve the knowledge, skills, and abilities of its people. Therefore, the company invested and carefully evaluated the continuous Learning Programs to support their employee's developmental needs.

Date Conducted	Program / Training	Participants
March 14, 2024	Advancing Your Digital Ark on Controllership with BSP XML and BIR EIS Compliance through NOAH Business Application	Accounting Supervisor
May 27, 2024	Service Officer Training	Service Officers
June 20, 2024	Training on Business Loans	Business Loans Associate
June 27, 2024	Expected Credit Loss	Accounting Supervisor
July 18–19, 2024	Safety Officer 1	Service Officers
July 21, 2024	Lead with Impact	Branch Managers / Department Heads / Officers
September 18–19, 2024	Safety Officer 1	Service Officers
September 20, 2024	Employment, Compensation and Employee Benefits Forum	HR Officer
October 01, 2024	Deferred Income Tax Concepts and Practical Tips (Webinar)	Head of Operations and Treasury / Accounting Supervisor
October 08, 2024	Data Protection and Cybersecurity Training	IT Head
October 11–12, 2024	Joint ACPAPP–PICPA 2nd Luzon GAOP Conference (Face-to-Face)	Head of Operations and Treasury / Accounting Head
October 12, 2024	Supervisory Issues and Concerns	Compliance Officer
October 23–24, 2024	BSP Cybersecurity and IT Risk Fundamentals Roadshow 2024	Head of Operations and Treasury
October 24–25, 2024	HR Compliance Conference	HR Head
December 6–7, 2024	Data Privacy Act 2012: Developing the Counselor in You	Branch Managers / Department Heads

As early as June 2019, the Bank formulated and implemented its **Educational Assistance Program** to provide learning opportunities for its employees to improve their personal and career development**.** In line with this, the bank provides reimbursement for tuition/registration fees for the approved educational activities based on scholastic ratings obtained. This is to encourage professionalism and assist the RBA employees to be more effective and efficient in their current position, and preparing for their possible career advancement, and to increasing adaptability to new ideas and innovation. This will also help the employees to reach their educational goals especially those who are undergraduates.

All directors and senior management officers must be continuously informed about the developments of the business and regulatory environments, including emerging risks relevant to the company by attending an annual continuing training program lasting a minimum of four (4) hours. The training program encompasses courses on corporate governance that are relevant to the company's operations or as specifically identified by the Corporate Governance Committee.

All first-time directors shall attend an orientation program of at least eight (8) hours and which sufficiently covers the corporate governance topics enumerated by the SEC under Part IV of Memorandum Circular No. 2, series of 2015. Newly-elected directors who have already attended such orientation program shall not be considered as first-time directors and shall not be required to attend such orientation program provided he/she is able to provide/present proof of attendance in said orientation program to the Corporate Governance Committee.

Further, to keep abreast with the industry the bank is an active member to Rural Bankers Association of the Philippines (RBAP), be it national, regional and local federation of rural banks and the Human Resources Department made sure that specially for the updates on industry rules and regulations there will be a representatives based on the training needs analysis for directors, officers and staffs.

RETIREMENT AND SUCCESSION POLICY

RBA recognizes the frameworks should be in place for an effective and orderly succession of Directors with collective knowledge, skills and experience necessary for the Board to effectively govern. Towards this end the following objectives are identified:

1. Identify the required knowledge, skills and experience at a full Board level to effectively fulfill the Board's legal role and responsibilities.
2. Ensure an appropriate balance across the Board.
3. To achieve continuity through a smooth succession of Directors that balances perspective and independence.
4. To satisfy best practice within the legal and regulatory framework.

The Bank ensures the core competencies, as established and revised by the board from time to time will remain the primary criteria for assessing individual Director candidates for replacement of retiring members. To eligible for consideration for recommendation to the Board, all potential Director Candidates shall be required to satisfy a minimum threshold of competencies to be established on an annual basis by the board.

In addition to identifying the best qualified candidates, the Board shall also seek to achieve an appropriate balance of skills, expertise, attributes, and backgrounds at a full

Board composite level specifically considering banking experience, labor and management expertise, financial and accounting background, risk management know how, information technology capabilities, law and regulatory exposure as well as integrity, probity, and independence.

The Bank observes a compulsory retirement age of 60 for Senior Management ensuring a consistent pipeline of leadership renewal. For the Board of Directors, while no fixed retirement age is imposed, the Bank adheres to the BSP's recommended nine-year cumulative term limit for independent directors. Extensions beyond this period require justifiable cause and approval by both the Board and shareholders. The Bank ensures that succession planning and board refreshment are integrated into director selection and reappointment processes. Annual board evaluations are conducted to assess performance and independence, fostering a culture of accountability and proactive leadership development.

RBA is committed to supporting the long term financial security of its employees. In 2024, the Bank has approved a formal Retirement Program that offers a wide range and comprehensive benefits package that supports the well-being of our employees upon retirement. This initiative also aims to reward employee loyalty and commitment, as well as promote talent retention.

REMUNERATION POLICY

No compensation shall be paid any executive director as such, but the director of the bank may be allowed reasonable honoraria for attendance all meetings and also reasonable expenses incurred in connection thereto. Salaries of the executive officers of the Bank shall be fixed by the Board of Directors. Additionally, non-executive directors do not also receive compensation for their participation in Board and committee meetings. This arrangement reflects the bank's governance structure and compensation policies.

Senior management personnel receive compensation packages that is aligned with the responsibilities associated with their roles. These compensation packages typically consist of salaries, bonuses, and benefits. The determination of these remuneration packages is contingent upon an annual performance evaluation that assesses their performance against both financial and qualitative targets and standards. These performance indicators encompass their achievements in meeting the bank's financial budget on a broader scale, as well as their capacity to provide effective leadership and foster a cohesive organizational environment under their guidance and direction. These evaluation outcomes are presented to and endorsed by the Board, ensuring a structured and transparent approach to remunerating senior management based on their contributions and results.

Policies and Procedures on Related Party

The Bank acknowledges that transactions between and among related parties are essential for the financial, commercial and economic welfare of the Bank and to the related group where the Bank belongs with. The Bank is allowing related party transactions (RPTs) provided that these should be exercised on an arm's length basis. This is to ensure that related party transactions (RPTs) are utilized to ensure both parties in the deal are acting in their own interest and are not subject to any pressure from the other party. Furthermore, the Bank implements appropriate oversight and exercises effective control mechanisms for managing said exposures of non-bank financial subsidiaries and affiliates. These appropriate oversight and effective control mechanisms are utilized to prevent abuses that can cause unfavorable impact to the Bank and its depositors, creditors, suppliers, and other vital stakeholders.
In ensuring that the related party transactions are carried out in a sound and prudent manner, attesting integrity and compliant with the necessary laws and regulations to protect the benefits of depositors, creditors and other essential stakeholders, the Bank's Board of Directors have the overall responsibility and oversight. Thus, the Bank's Board of Directors observes and implements corporate good governance in dealing with RPTs to ensure that these are handled on an arm's length basis and that no stakeholder is unjustly treated.

Related-Party Transactions
Any transaction between and among the Bank and its related companies including its stockholders, directors, officers and employees and their related interests. Related party transactions are not limited to lending and may include, its trust department, regardless of whether or not a price is charged. These shall include, but not limited to the following:

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

RPTs shall 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. These also cover the credit exposures of the financial institution with its DOSRI (directors, officers, shareholders and related interest).

For the reporting year, the Bank confirms that its only material related party transactions were in the form of deposit liabilities from related parties. These deposits were accepted under normal terms and conditions, without preferential rates or treatment, and were fully compliant with the Bank’s RPT policy and applicable regulatory requirements

Related party transactions, similar to DOSRI transactions, are not prohibited provided that these are approved by the appropriate authority and conducted at arm’s length basis.

SELF-ASSESSMENT FUNCTION

Rural Bank of Angeles Inc. has established internal controls and systems in various areas of its operations to protect it from risks innate in its business. The Internal Audit Group (IAG) of the parent, Asia United Bank, evaluates the effectiveness of these control systems and compliance programs, and recommends measures to improve governance, risk management, and internal control processes.

The IAG conducts regular reviews of Rural Bank of Angeles Inc. (RBA) branches and other operating units. Independent Compliance Testing is conducted to ensure compliance with anti- money laundering and terrorism financing rules and other regulatory requirements.

The Bank’s compliance function is monitored by the parent’s Compliance Group (CG). The Unit Compliance Officer of RBA conducts random compliance testing to develop a compliance culture across the ranks. A reporting process helps the Chief Compliance Officer (CCO) detect any regulatory infractions.

The CCO of the parent conducts review of progress of compliance testing performed by the Unit Compliance Officer of the Rural Bank of Angeles, Inc. The CCO also continues to regularly update all Unit Compliance Officers and Internal Audit Officers on recently issued regulatory requirements.

The Board’s responsibility is to ensure that a compliance testing is defined for the bank and that compliance issues are resolved expeditiously. Ensuring that bank personnel and affiliated parties adhere to the predefined compliance standards of the banks rests collectively with Senior Management, of which the CCO is the lead operating officer on compliance. Senior Management, through the CCO, periodically reports to the Board of Directors through the Audit Committee matters that affect the design and implementation of the compliance testing.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

PROJECTS & PROGRAMS

Farmers' Orientation

RBA continues to organize farmers' orientations in various barangays to support the needs of the agricultural sector. These events are spearheaded by our branch managers and account officers, in collaboration with our partner dealers, to raise awareness on the benefits of modern farming practices.

As part of the orientation, dealers conduct live demonstrations of farm equipment, allowing farmers to see firsthand the advantages of mechanization in improving productivity, efficiency, and profitability in their farming operation

Cassava Advance Planting

In December 2024, RBA organized a learning session featuring Mr. Torno, focused on introducing new ideas in advanced cassava farming. The session aimed to educate and inspire farmers by presenting innovative planting techniques that can enhance crop yield and sustainability.

This initiative not only provided valuable insights into cassava cultivation but also offered farmers a viable alternative crop option, supporting diversification and resilience in their farming practices.

AUB x RBA Cares

In December 2024, RBA organized a gift-giving program aimed at supporting our less fortunate kababayan across various communities. The initiative was held in:

- Porac, Pampanga – for the Aeta community
- Capas, Tarlac – also for the Aeta community
- Nueva Ecija – for persons with disabilities in need of assistance
- Pangasinan – for the most impoverished barangays in the province

With the generous support of our mother company, Rebisco Corporation, RBA was able to extend help to over 1,000 families by providing them with basic necessities.
This initiative reflects RBA's ongoing commitment to community outreach and social responsibility, especially in reaching the underserved and marginalized sectors of society.

Teachers' Day

RBA supported Teachers' Day events as a way to recognize and honor the dedication of educators in shaping the future of their students. The bank participated in celebrations held in Pampanga, Bulacan, Pangasinan, and Nueva Ecija, joining in the tribute to the invaluable role teachers play in the community.

As part of its advocacy, RBA also conducted financial literacy sessions for teachers, equipping them with essential knowledge on money management, saving, and responsible borrowing to help them make informed financial decisions for their future.

Brigada Eskwela 2024

RBA actively supports the annual Brigada Eskwela program as part of its commitment to community involvement and education. Our branches and branch managers personally participate and engage in cleaning and preparing classrooms ahead of the start of the school year.

This initiative reflects RBA's dedication to helping create a safe and clean learning environment for students and supporting the communities we serve.

FINANCIAL CONSUMER PROTECTION

To be responsive to the needs of the customers, and to conform to the regulatory requirements, Rural Bank of Angeles (RBA) is compliant with the BSP's framework on Financial Consumer Protection (BSP Circular 857 as amended by Circular 1048).

When engaging with consumers, RBA strictly observes and abides the following consumer protection standards:

1. Providing easy and convenient access within premises to persons with disability, pregnant women and senior citizens.

   Each branch has this "Priority Lane" designated for persons with disability (PWDs), pregnant women and senior citizens which is located in front of the teller's booth. This is in compliance with providing easy and convenient access to bank services for them.

2. The Bank ensures that all bank documents such as Customer Information Forms (CIF), loan application forms and other related updating forms are clearly understood and reasonable consistent with the consent and notification requirements of the Data Privacy Act.

3. The Bank has consumer protection policy guidelines. In line with this, the Bank established a Consumer Assistance Management System to properly handle consumer complaints/concerns in accordance to the directive of the Financial Consumer Protection.

Board of Directors (BOD) and Senior Management (SM)

The BOD and Senior Management are responsible for developing the Bank's Consumer Protection Strategy and establishing an effective oversight over the Bank's Consumer Protection Program.

The BOD is ultimately responsible in ensuring that consumer practices are embedded in Bank's operations.

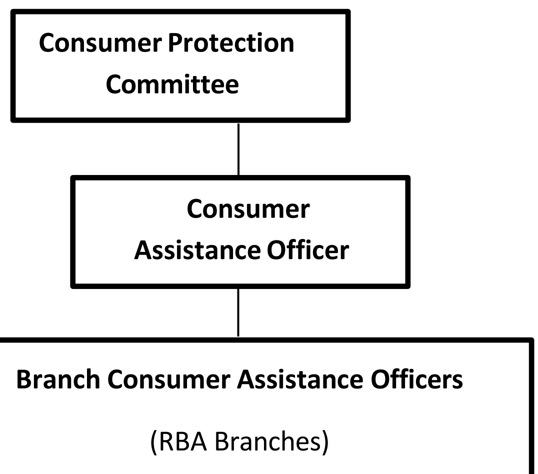
1. The BOD is primarily responsible for approving and overseeing the implementation of the Bank's Consumer Protection policies as well as mechanism to ensure compliance;
2. The BOD is responsible in approving the Risk Management Strategies relating to effective Recourse by the Consumer;

3. The BOD may delegate other duties and responsibilities to Consumer Protection Committee (CPC) but not the function of overseeing compliance with the BSP prescribed and Bank's own Consumer Protection Framework;
4. Responsible for monitoring and overseeing the performance of Senior Management in managing the day-to-day CP activities of the Bank.
5. Provide adequate resources devoted to Consumer Assistance

CONSUMER PROTECTION COMMITTEE (CPC)

The CPC should periodically provide adequate information to the Board regarding the consumer complaints, status of complaints, and any recommendation or updates on systems improvements.
The composition of the CPC is as follows:

- Chairman – Head of the Human Resources Department
- Regular Members – Head of Operations and Head of Collections
- Advisory Member – Compliance Officer
- Secretariat – Consumer Assistance Officer (CAO) / Branch Operations Officer (BOO) and Productivity and Process Officer (PPO)



CPC is accountable for designing and implementing the Consumer Assistance Management Systems (CAMS).

DUTIES AND FUNCTIONS OF THE COMMITTEE (CPC)

The CPC shall have the following duties and functions:

a. Ensures the alignment of the Customer Assistance Management Systems (CAMS) to the bank's operational and strategic plans.
b. Enhances the organization of Customer Assistance Officers that will effectively address the client's complaints.
c. Deliberate the resolutions provided by the concerned Department/units to address the complex complaints.

d. Monitoring of the status of the imposed disciplinary actions or sanctions instituted to employees by HR Department.
e. Provide summary report and information to the Board

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM (CPRMS)

To further strengthen the Bank's Risk Management System, the following principles of consumer protection are in place**:**

1. Confidentiality and Security of Client Information
2. Effective Recourse
3. Disclosure and Transparency
4. Fair Treatment
5. Financial Education and Awareness

CONSUMER ASSISTANCE PROCESS AND TIMELINES

Rural Bank of Angeles, Inc. (RBA) processes the received complaints as fast as it could. However, the Bank will adopt the turn-around time set by the Circular to ensure the consistency of response to be provided. See the following timeline:

ACTIVITY	SIMPLE	COMPLEX
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate and resolve)	Within 7 days	Within 45 days
Communication of Resolution	Within 9 days	Within 47 days

- *This is also applicable to Telephone/SMS and E-mail acceptance of complaint*
- *All periods are reckoned from the date of receipt of complaint*

COMPLAINT RECORDING AND DATA MANAGEMENT

RBA use different channels to received consumer complaints as shown in the procedure in handling complaints.

PROCEDURE IN HANDLING CUSTOMER COMPLAINTS/CONCERNS

Rural Bank of Angeles customers may lodge their complaints/concerns/grievances through the following means:

1. **For Walk-in / Personal visit to Head Office and/or Branches**
   The customer should:

   i. Fill-out the Customer Complaint Form
   ii. Specify and detail completely the complaints/concerns

2. **Postal**
   The complaining client may send their complaints thru Postal/express delivery addressed to:

3. **Electronic Capturing of Complaints / Data Management System**
   A. Via Phone Call or SMS

HOTLINE	0998 430 0777

   B. Via E-mail
   customercare@rba.com.ph

REPORTORIAL REQUIREMENT

Internal Reporting

a. Complaints Report shall have the following minimum data:
   - General category of complaints received
   - Statistics and frequency of said complaints
   - Aging of complaints or requests
   - Explanation on deviation, if any, from required resolution period
   - General description of resolutions or actions taken to resolve the complaints or requests.

b. The report shall include recommendation on how to avoid recurring complaints and suggestions for process/ personnel competency improvement, if any.

BSP Reporting

The Bank through its Compliance Officer shall submit consolidated Complaints Report to the Supervisory Data Center (SDC) of the Supervision and Examination Sector on a quarterly basis. Submission of the report to the SDC shall not be later than one (1) month after the end of every quarter. A Complaints Report is a Category B Report for purposes of applying the appropriate monetary penalty.

Annexes

1. Summary of Report
2. Complaint Report Form

ANNEX 1

RURAL BANK OF ANGELES, INC.

SUMMARY OF COMPLAINTS REPORT
Covered Report: *<monthly for Branch Consumer Assistance Officer>*

<monthly for Consumer Assistance Officer

Name of the Complainant	Subject/Nature of Complaint	Name of Personnel Directly handling the Complaint	Date of Receipt of Complaint by the Bank	Action Taken by the Bank to address the Complaint	Resolution Provided	Date of Resolution	Other Information

ANNEX 2

C O N F I D E N T I A L CUSTOMER COMPLAINT FORM[1]

1. **NAME OF COMPLAINANT/ PANGALAN NG NAG REREKLAMO**

   ____

2. **COMPLETE ADDRESS / KUMPLETONG ADDRESS**

   ____

   ____

3. **TELEPHONE, CELPHONE NO. / NUMERO NG TELEPONO**

   ____

4. **WHAT IS THE BEST TIME TO CALL YOU/ ANONG ORAS KA MAARING TAWAGAN**

   ______________________________: **am/pm**

5. **REASON FOR COMPLAINT / DAHILAN NG REKLAMO**
   (*Use additional Paper if needed / Gumamit ng karagdagang papel kung kinakailangan)*

   ____

   ____

   ____

   ____

   ____

   ____

   ____

   ____

   ____

   ____

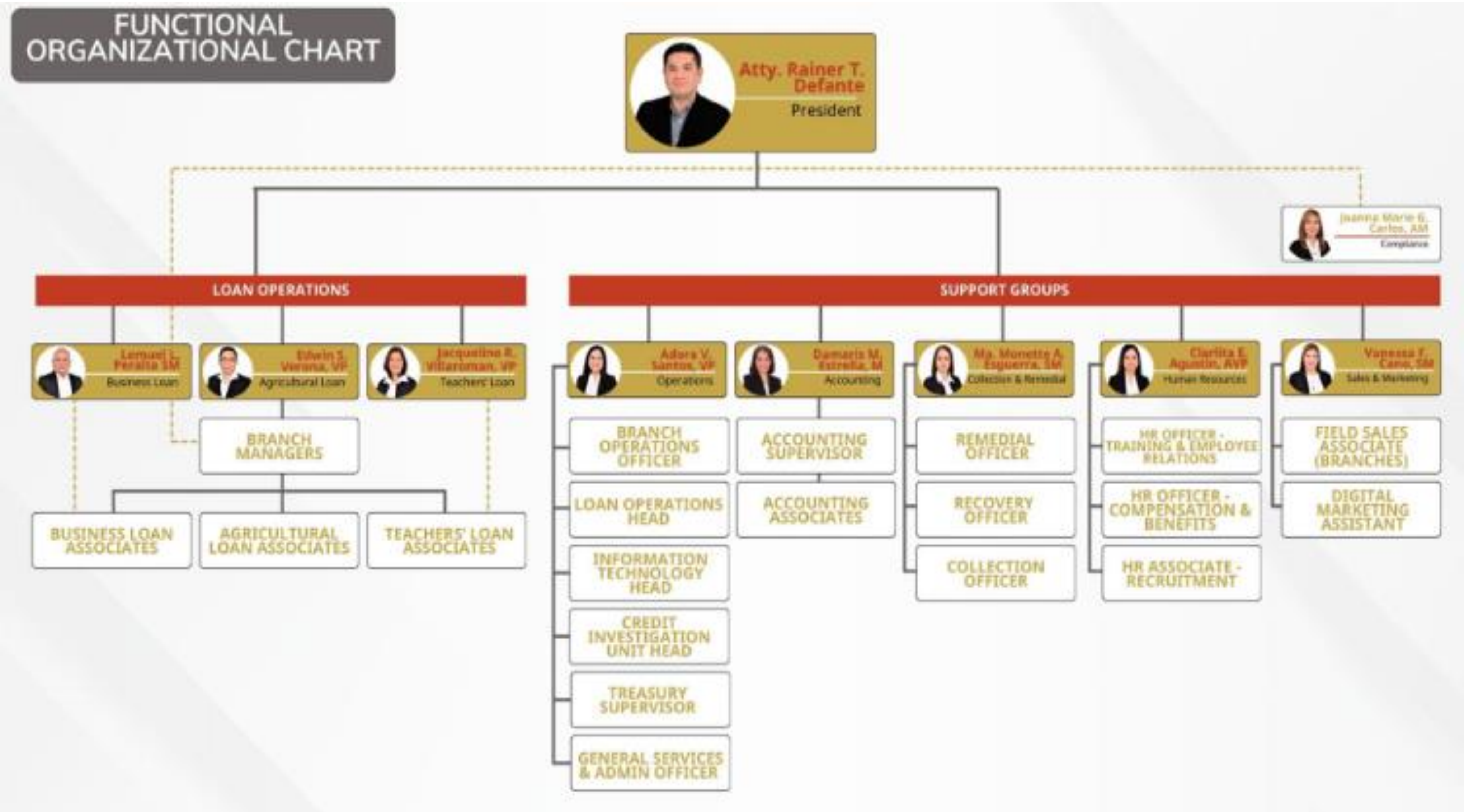
______________________________ ______________________________

Date/Petsa

Signature of Complainant/
Lagda ng Nagrereklamo

[1] Make sure that all fields are completely filled up
Siguruhin na lahat ng hinihinging impormasyon ay mailahad ng kumpleto

Corporate Information



BRANCH DIRECTORY

	BRANCH	PROVINCE	ADDRESS	BRANCH E-MAIL ADDRESS	MOB
1	MAIN	PAMPANGA	Miranda St., Corner Sto. Entierro St., Angeles City, Pampanga	main@rba.com.ph	0919
2	SAN FERNANDO	PAMPANGA	LNG Bldg., Mc Arthur Highway, Dolores, San Fernando City, Pampanga	sanfernando@rba.com.ph	0919
3	MAGALANG	PAMPANGA	San Nicolas Uno, Magalang, Pampanga	magalang@rba.com.ph	0919
4	CAPAS	TARLAC	Poblacion, Sto. Rosario, Capas, Tarlac	capas@rba.com.ph	0919
5	GERONA	TARLAC	Poblacion 3, Gerona, Tarlac	gerona@rba.com.ph	0919
6	MANGALDAN	PANGASINAN	Banaong West, Mangaldan, Pangasinan	mangaldan@rba.com.ph	0919
7	MANGATAREM	PANGASINAN	Along National Road, Brgy. Umangan, Mangatarem, Pangasinan	mangatarem@rba.com.ph	0919
8	ASINGAN	PANGASINAN	L. Soloria St., cor T. Victorio St., Poblacion East, Asingan, Pangasinan	asingan@rba.com.ph	0919
9	ALAMINOS	PANGASINAN	Sabaro, Poblacion, Alaminos City, Pangasinan	alaminos@rba.com.ph	0919
10	SAN FERNANDO	LA UNION	Carlo Bldg., Brgy. Parian, San Fernando City, La Union	launion@rba.com.ph	0919
11	BANTAY	ILOCOS SUR	Kingjet Bldg., Brgy. Bulag East, Bantay, Ilocos Sur	bantay@rba.com.ph	0919
12	DINGRAS	ILOCOS NORTE	First Unit, Exponent Commercial Space, Brgy. Guerrero, Dingras, Ilocos Norte	dingras@rba.com.ph	0919
13	LUNA	APAYAO	Purok 4, Quirino, Luna, Apayao	luna@rba.com.ph	0919
14	TABUK	KALINGA	Brgy. Bulanao Norte, Tabuk City, Kalinga	tabuk@rba.com.ph	0919
15	TUGUEGARAO	CAGAYAN	Luna Ext., Ugac Highway, Ugac Sur, Tuguegarao City, Cagayan	tuguegarao@rba.com.ph	0919
16	ALCALA	CAGAYAN	Centro Norte, Alcala, Cagayan	alcala@rba.com.ph	0919
17	CAMALANIUGAN	CAGAYAN	Aglipay St. Bulala, Camalaniugan, Cagayan	camalaniugan@rba.com.ph	0919
18	ILAGAN	ISABELA	National Highway, Baligatan, Ilagan City, Isabela	ilagan@rba.com.ph	0919
19	ROXAS	ISABELA	Taganas St. Brgy. Vira, Roxas, Isabela	roxas@rba.com.ph	0919
20	SAN MATEO	ISABELA	National Highway. Brgy. 1 Poblacion, San Mateo, Isabela	sanmateo@rba.com.ph	0919
21	ECHAGUE	ISABELA	1st Floor Lagrio Legacy Bldg., National Highway, Brgy. Maligaya, Echague, Isabela	echague@rba.com.ph	0919
22	CABARROGUIS	QUIRINO	Purok 4, Mangandingay, Cabarroguis, Quirino	cabarroguis@rba.com.ph	0919
23	SOLANO	NUEVA VIZCAYA	#3 Agbayani Bldg., Gaddang St., Poblacion North, Solano, Nueva Vizcaya	solano@rba.com.ph	0919
24	BALER	AURORA	Bonifacio St., Brgy. Suklayin, Baler, Aurora	baler@rba.com.ph	0919
25	BALIUAG	BULACAN	Unit 7, JRV Centre Bldg., DRT Highway, Pagala, Baliuag, Bulacan	baliuag@rba.com.ph	0919
26	GUIMBA	NUEVA ECIJA	Powerplus Bldg. Cawayan Bugtong, Provincial Road, Guimba, Nueva Ecija	guimba@rba.com.ph	0919
27	MUNOZ	NUEVA ECIJA	345 T. Delos Santos St., Brgy. Poblacion West, Science City of Munoz, Nueva Ecija	munoz@rba.com.ph	0919
28	CABANATUAN	NUEVA ECIJA	Maharlika Highway, Brgy. Quezon District, Cabanatuan City, Nueva Ecija	cabanatuan@rba.com.ph	0919
29	IBAAN	BATANGAS	Metro Rei, Brgy. Palindan, IbaaN, Batangas	ibaan@rba.com.ph	0919
30	VICTORIA	ORIENTAL MINDORO	MMT Bldg., Nautical Highway, Poblacion 1, Victoria, Oriental Mindoro	victoria@rba.com.ph	0919
31	SAN JOSE	OCCIDENTAL MINDORO	JWL Building, Rizal Street, Poblacion 1, San Jose, Occidental Mindoro	sanjose@rba.com.ph	0915
32	LIBMANAN	CAMARINES SUR	Purok 6, Puro Batia, Libmanan, Camarines Sur	libmanan@rba.com.ph	0919
33	POTOTAN	ILOILO	Rumbang, Pototan, Iloilo	pototan@rba.com.ph	0919
34	BAGO	NEGROS OCCIDENTAL	Araneta St., Bago City, Negros Occidental	bago@rba.com.ph	0919
35	ORMOC	LEYTE	Lilia Avenue Brgy., Cogon, Ormoc City, Leyte	ormoc@rba.com.ph	0954
36	VALENCIA	BUKIDNON	Purok 13, Sayre Highway Poblacion, Valencia City, Bukidnon	valencia@rba.com.ph	0919
37	KORONADAL	SOUTH COTABATO	General Santos Drive, Korondal City, South Cotabato	koronadal@rba.com.ph	0919

Key Officers' Profile

Name	Position	Age	Nationality
ATTY. RAINER T. DEFANTE	President	52	Filipino

- Graduated with Bachelor of Laws degree at the San Beda University, and was admitted to the Philippine Bar in 1998. Earned a Post Graduate Certificate in Business Management and Consulting form the Asian Institute of Management in 2024
- Holds the rank of Executive Vice President in Asia United Bank and has been seconded to RBA as President since August 2015
- With over 28 years of combined experience in banking, both local and foreign financial institutions; with legal advisory and litigation experience being an in-house counsel as part of his law practice
- Oversees the overall banking operations and implementation of policies and strategic objectives set forth by the Board of Directors of the Bank.

Name	Position	Age	Nationality
ADORA V. SANTOS	Operations Head	47	Filipino

- Graduate of BS Accountancy at the College of the Immaculate Concepcion in 1999 and Masters in Business Administration major in Management at Araullo University in 2003; obtained her license as Certified Public Accountant in 2000
- Graduated with a Bachelor of Laws degree from John Wesley School of Law, Wesleyan University Philippines, in 2024.
- Has joined RBA on February 2022 with the rank of Vice-President
- Over 26 years of combined experience in accounting, audit, compliance and operations; with previous regular and consultancy engagements; 20 years of which was with Thrift Banks, Rural Banks and Cooperative Banks
- Responsible for all finance and treasury aspects, overseeing comprehensive back-office functions, including credit processing, branch operations, information technology and budget analysis for the entire Bank.

Name	Position	Age	Nationality
EDWIN S. VERONA	Agricultural Loans Head	51	Filipino

- Completed Bachelor of Science in Nursing degree at the Nueva Ecija Colleges in 1994
- Joined RBA on February 2016 with the rank of Vice-President
- Over 21 years of experience in banking, specifically in loans and marketing, and account management
- Responsible for the overall management and supervision of loan solicitation, bookings, and documentation of the extensive Agricultural loan products of the Bank.

Name	Position	Age	Nationality
JACQUELINE R. VILLAROMAN	Teachers Salary Loans Head	48	Filipino

- Graduated with a Bachelor's degree in Accountancy at the Araullo University in 1997
- Joined RBA on March 2019 with the rank of Assistant Vice-President; promoted to Vice President in 2022
- Over 26 years of combined experience in branch operations, sales and marketing, and loans; 18 years of which from a Savings Bank
- Responsible for managing the business activities of the Bank on Teachers salary loans, and developing its large-scale portfolio.

	Name	Position	Age	Nationality
	CLARLITA E. AGUSTIN	Human Resources Head	46	Filipino

- Graduate of Saint Louis University in 2000 with a Bachelor of Science degree in Psychology
- Joined RBA on April 2024 with the rank of Assistant Vice President
- Over 25 years stint in human resources management, organization development, administrative services, and consulting, 14 years of which in a Savings Bank
- Primarily responsible for the proper implementation of all human resource functions and programs, as well as development of people management strategies and initiatives.

MA. MONETTE A. ESGUERRA	Collections & Remedial Head	51	Filipino

- Holds a Bachelor's degree in Accountancy from the University of the Assumption in 1994
- Has been with RBA since September 2010, and currently with the rank of Senior Manager
- Over 28 years of combined experience in accounting, branch operations, loan processing, documentation, policies and procedures
- Responsible for the overall supervision and administration of collections and remedial operations.

LEMUEL L. PERALTA	Business Loans Head	45	Filipino

- Graduate of BS Agricultural Extension Education from Central Luzon State University in 2001
- Has been with RBA since June 2012, and presently holds the rank of Senior Manager
- Over 23 years of collective experience in microfinance lending operations, account management, collections and branch operations, 11 years of which from a Savings Bank
- In-charge of the overall management of Business loans, including product development and growth in portfolio.

VANESSA F. CANO	Sales & Marketing Head	40	Filipino

- BSBA major in Marketing Management graduate at Holy Angel University in 2005
- Has been with RBA since November 2015, and currently with the rank of Senior Manager
- With 16 years of combined experience in branch operations, sales and marketing
- Responsible for the development, formulation and effective implementation of sales and marketing strategies for the Bank's products and services.

Name	Position	Age	Nationality
DAMARIS M. ESTRELLA	Accounting Head	49	Filipino

- Graduate of Bachelor of Science in Commerce major in Management from Guagua National Colleges in 1996
- Joined RBA on April 2024 with the rank of Manager
- Over 27 years of banking experience in accounting and branch operations
- Responsible for the overall accounting and bank-wide preparation, monitoring and checking of accounting and record keeping of the branches. Further, ensuring all internal and external regulatory reports are prepared and submitted on time.

Name	Position	Age	Nationality
LEONARD C. DAVID	IT Head	36	Filipino

- Graduated with a Bachelor's degree in Information Technology at the Don Honorio Ventura Technological State University in 2010
- Employed with RBA since February 2011, and currently with the rank of Manager
- With 14 years of experience in IT operations, data management, bank systems and procedures
- Responsible for the overall administration of the Bank's IT operations.

Name	Position	Age	Nationality
JOANNA MARIE G. CARLOS	Compliance Officer	40	Filipino

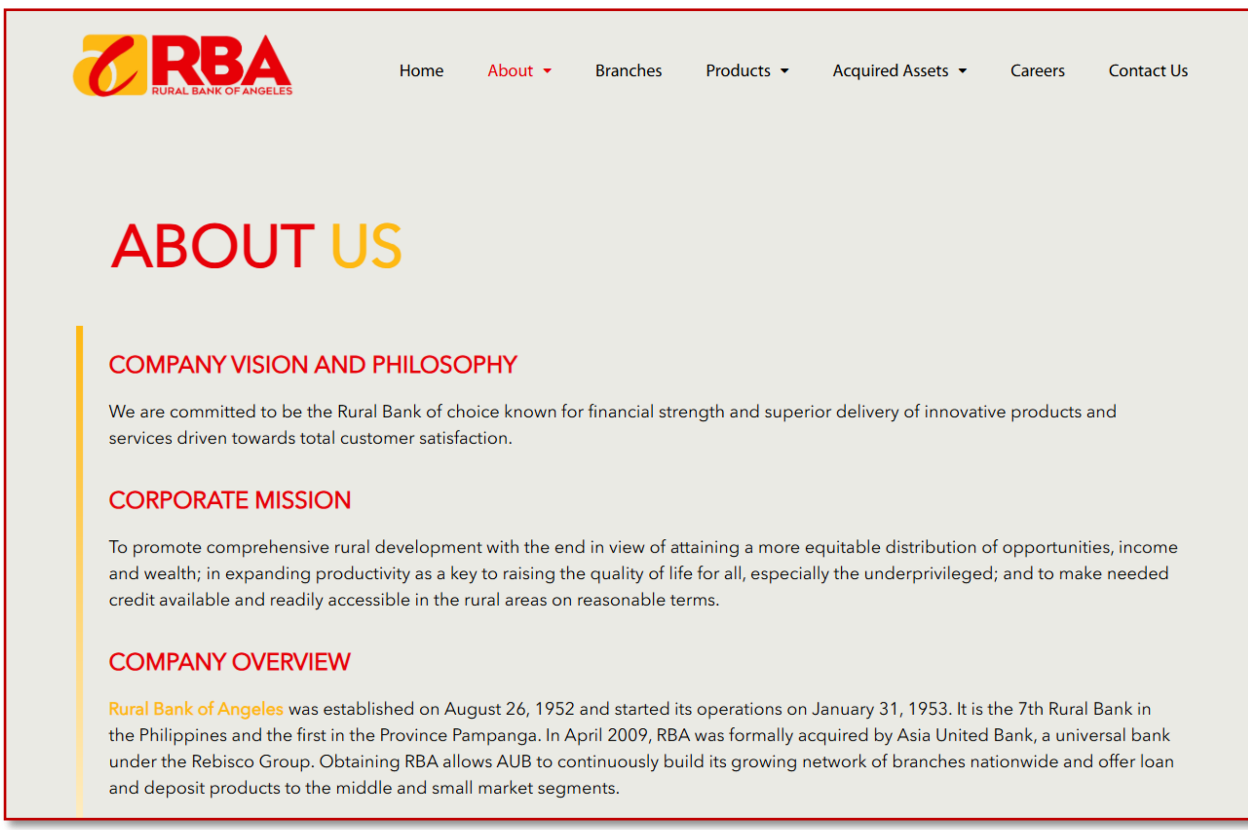
- Graduate of BSBA major Banking and Finance from Guagua National Colleges in 2005
- Has been with RBA since March 2017 and currently with the rank of Assistant Manager.
- With 13 years of combined experience in accounting, audit, branch operations, loans and credit analysis
- Conducts the compliance activities of the Bank to ensure operations are properly controlled, and in compliance with internal control standards, policies and regulatory requirements.

MAJOR STOCKHOLDERS

Class	Name	Citizenship	% of Ownership
Common	AUB ASIA UNITED BANK	Filipino	99.54%
Preferred			

RBA'S WEBSITE

www.rba.com.ph


RBA RURAL BANK OF ANGELES

Home About Branches Products Acquired Assets Careers Contact Us

ABOUT US

COMPANY VISION AND PHILOSOPHY

We are committed to be the Rural Bank of choice known for financial strength and superior delivery of innovative products and services driven towards total customer satisfaction.

CORPORATE MISSION

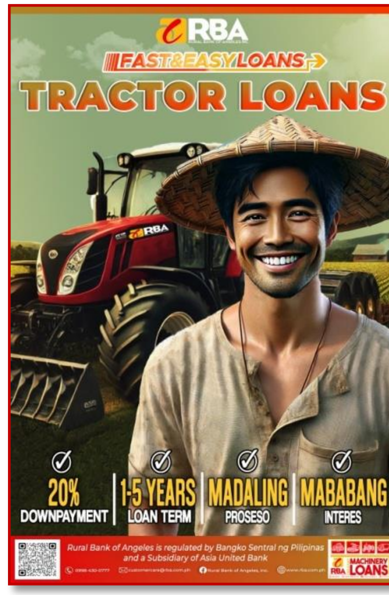
To promote comprehensive rural development with the end in view of attaining a more equitable distribution of opportunities, income and wealth; in expanding productivity as a key to raising the quality of life for all, especially the underprivileged; and to make needed credit available and readily accessible in the rural areas on reasonable terms.

COMPANY OVERVIEW

Rural Bank of Angeles was established on August 26, 1952 and started its operations on January 31, 1953. It is the 7th Rural Bank in the Philippines and the first in the Province Pampanga. In April 2009, RBA was formally acquired by Asia United Bank, a universal bank under the Rebisco Group. Obtaining RBA allows AUB to continuously build its growing network of branches nationwide and offer loan and deposit products to the middle and small market segments.

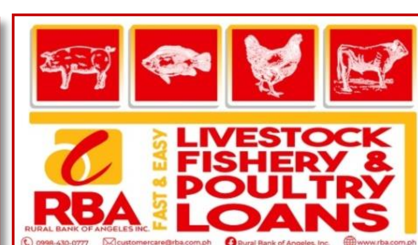
LIST OF PRODUCTS AND SERVICES

1.Agricultural Loans - (RBA) promotes agricultural loans to support farmers in crop production and enhance farm mechanization through financing of agricultural equipment such as tractors and harvesters. RBA offers various agricultural. These financial services are designed to help farmers improve productivity, develop farm infrastructure, and invest in modern machinery. RBA has continuously worked to expand its agricultural loan portfolio. As of December 2024, the outstanding balance for agricultural loans reached ₱2.608 billion (excluding legacy accounts), with nearly 15,465 clients served.. These financial services are designed to help farmers improve productivity. RBA has continuously worked to expand its agricultural loan portfolio. As of December 2024, the outstanding balance for agricultural loans reached ₱2.608 billion (excluding legacy accounts), with nearly 15,465 clients served.



RBA has designed its loan program with terms ranging from 1 to 5 years, featuring **semi-annual payment schedules**, a **minimum down payment of 20%**, and **zero percent processing fee**. The program is implemented in partnership with **accredited dealers**, providing farmers with accessible and affordable financing options that support their agricultural needs.

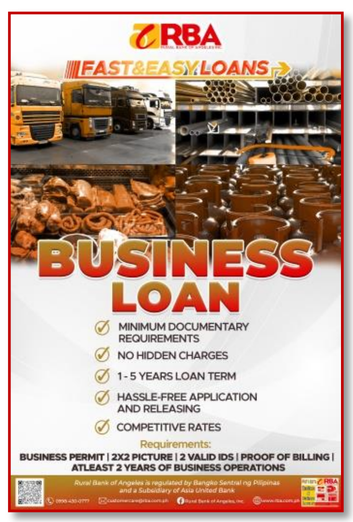
RBA has minimized its loan requirements to provide clients with fast and easy approval. To further enhance customer convenience, RBA has developed its **mobile application platform** to enable **Fast and Easy with hassle-free loan applications** anytime, anywhere.



2.Teacher' Salary Loan - exclusively for **public school teachers** under the **Department of Education (DepEd)**, covering both teaching and non-teaching personnel. The loan features **automatic amortization deductions from payroll**, ensuring convenient and timely payments. Loan terms range from **1 to 5 years** with an interest rate of **7.50% per annum**.

To enhance accessibility, the **RBA Teachers' Loan** is now available through the **RBA Mobile Application**, allowing clients to apply and track their loans easily. Eligible clients can avail of loan amounts starting from **P 30,000 to P 2M** , depending on qualification and net take-home pay. RBA's **Teachers' Salary Loan** program marked significant growth in 2024, reaching a loan portfolio of **₱1.420 billion**. This milestone positions RBA among the **Top 14 Rural Banks** under the Private Lending Institution.

3.Commercial Loan- RBA supports businesses through its **commercial loan offerings**, designed to provide funding for **additional working capital**, **business expansion**, **property acquisition**, **purchase of trucks and heavy equipment**, and **building improvement**. Loan terms range from **1 to 5 years**, with **monthly amortization** to ensure manageable repayment.



4.**Deposit Products:**

SAVINGS ACCOUNT

Basic Deposit

Interest-bearing Savings Account, which allows deposit & withdrawals over the counter with the use of passbook.

• Transactions can only be done via over the counter on its domicile branch and other RBA branches.

• Uses passbook to monitor transactions.

• PDIC insured up to P1,000,000.00

Regular Savings Account

The **Regular Savings Account** is an **interest-bearing deposit account** that allows clients to deposit and withdraw funds **over the counter** at their **domicile branch** or at any other **RBA branch**.

- Transactions are conducted **over the counter** only.
- A **passbook** is issued to monitor all account activities.
- Deposits are **insured by PDIC** (Philippine Deposit Insurance Corporation) up to **₱1,000,000 per depositor**.
- This account is also offered to **loan clients** for the **crediting of loan proceeds** and may be used to encourage regular saving.

CHECKING ACCOUNT

The **Current Account** is an **interest-bearing checking account** that allows clients to **maximize their funds** by earning interest while issuing checks for transactions.

- Deposits and encashments are done **over the counter** at the **domicile branch** or any **RBA branch**.
- A **record book** is used to monitor all account transactions.
- Deposits are **insured by PDIC** (Philippine Deposit Insurance Corporation) up to **₱1,000,000 per depositor**.
- Available in two types: **Personal** and **Corporate**.

This account is also offered to **trader clients** and **market vendors** to facilitate payments to their suppliers efficiently and securely.

TIME DEPOSIT

The **Regular Time Deposit** is a **peso-denominated certificate of deposit** maintained with the bank for a **fixed term**, offering a **guaranteed interest rate** payable at the end of the term.

- Transactions are conducted **over the counter** at the **domicile branch**.
- Deposits are **insured by PDIC** (Philippine Deposit Insurance Corporation) up to **₱1,000,000 per depositor**.
- Offered with a **competitive interest rate**, ideal for clients seeking a secure and higher-yield savings option over a defined period.

AGRI-AGRA SPECIAL SAVINGS INVESTMENT

Investment in the form of Special Deposit Accounts for accredited rural institutions as an alternative compliance to the mandatory Agri-Agra lending requirement.

RBA offers fixed term deposit accounts as provided under Section 7, item (b) of Republic Act No. 11901 as an alternative compliance to the mandatory allocation of at least twenty-five percent (25%) of total loanable funds to finance requirements of the agricultural and fisheries sector. RBA offers competitive rates for its Agri-Agra Special Deposit Accounts which can more than offset the prescribed penalties under the law for non-compliance or under compliance Investment in the form of Special Deposit Accounts for accredited rural institutions.

THE AUDITED FINANCIAL STATEMENTS, AUDITOR'S OPINION, AND BSP REQUIRED DISCLOSURE

RBA
RURAL BANK OF ANGELES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Rural Bank of Angeles Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

a). SyCip Gorres Velayo and Co., the independent auditors, appointed by the stockholders for the years December 31, 2024 and 2023, respectively, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

ABRAHAM T. CO
Chairman of the Board

Rainer T. Defante
President

Jacob C. Ng
VP & Head of Treasury Management Group

Signed this 14th day of April 2025.

Miranda Street corner Sto. Entierro Street, Angeles City, Pampanga
Tel. Nos. (045) 598-0022 / 322-2444 / 323-4196 / 322-3514

Rural Bank of Angeles, Inc.
(A Subsidiary of Asia United Bank Corporation)

Financial Statements
December 31, 2024 and 2023

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Rural Bank of Angeles, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rural Bank of Angeles, Inc. (a subsidiary of Asia United Bank Corporation) (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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

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

- 2 -

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

SGV
Building a better working world

Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of the Manual of Regulations for Banks (MORB) in Note 28 and Revenue Regulations No. 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Rural Bank of Angeles, Inc. (a subsidiary of Asia United Bank Corporation). The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño
Partner
CPA Certificate No. 114462
Tax Identification No. 225-158-629
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10465259, January 2, 2025, Makati City

April 24, 2025

RURAL BANK OF ANGELES, INC.
(A Subsidiary of Asia United Bank Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and Other Cash Items	**₱32,268,065**	₱27,073,875
Due from Bangko Sentral ng Pilipinas (Notes 6 and 13)	**411,133,089**	35,517,842
Due from Other Banks (Notes 6 and 24)	**642,448,009**	1,538,638,865
Investment Securities at Amortized Cost (Note 7)	**600,000,000**	600,000,000
Investment Securities at Fair Value Through Other Comprehensive Income (FVOCI) (Note 7)	**49,859,413**	46,464,324
Loans and Receivables (Note 8)	**4,064,134,795**	2,988,434,955
Property and Equipment (Note 9)	**43,122,779**	42,134,056
Investment Properties (Note 10)	**35,836,711**	42,130,738
Right-of-use Assets (Note 21)	**44,503,890**	36,454,897
Goodwill (Note 11)	**66,144,389**	66,144,389
Deferred Tax Assets (Note 23)	**21,654,416**	15,382,172
Other Assets (Note 12)	**28,175,737**	20,977,589
TOTAL ASSETS	**₱6,039,281,293**	₱5,459,353,702
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 13 and 24)	**₱3,045,126,699**	₱3,476,083,241
Bills Payable (Notes 14 and 24)	**1,784,304,864**	954,304,864
Accrued Taxes, Interest and Other Expenses (Note 15)	**89,461,262**	75,972,669
Lease Liabilities (Note 21)	**48,153,218**	39,562,397
Income Tax Payable	**24,424,962**	8,473,083
Other Liabilities (Notes 16)	**46,306,002**	81,751,271
TOTAL LIABILITIES	**5,037,777,007**	4,636,147,525
EQUITY		
Common Stock (Note 18)	**457,775,100**	457,775,100
Preferred Stock (Note 18)	**531,100**	531,100
Additional Paid-in Capital	**400,050,000**	400,050,000
Retained Earnings (Deficit)	**143,288,671**	(31,614,348)
Unrealized Losses on Investment Securities at FVOCI (Note 7)	**(140,585)**	(3,535,675)
TOTAL EQUITY	**1,001,504,286**	823,206,177
TOTAL LIABILITIES AND EQUITY	**₱6,039,281,293**	₱5,459,353,702

See accompanying Notes to Financial Statement

RURAL BANK OF ANGELES, INC.
(A Subsidiary of Asia United Bank Corporation)

STATEMENTS OF INCOME

	Years Ended December 31	
	2024	2023
INTEREST INCOME		
Loans and receivables (Note 8)	**₱578,552,458**	₱424,360,012
Investment securities at amortized cost (Note 7)	**29,250,000**	33,353,797
Due from other banks (Notes 6 and 24)	**23,139,611**	3,137,532
	630,942,069	460,851,341
INTEREST EXPENSE		
Deposit liabilities (Notes 13 and 24)	**117,526,618**	65,980,495
Bills payable (Note 14)	**69,260,139**	58,836,111
Lease liabilities (Note 21)	**2,462,659**	2,183,056
	189,249,416	126,999,662
NET INTEREST INCOME	**441,692,653**	333,851,679
Service charges	**65,452,978**	40,980,280
Miscellaneous (Note 19)	**68,822,599**	68,623,946
TOTAL OPERATING INCOME	**575,968,230**	443,455,905
OPERATING EXPENSES		
Compensation and fringe benefits (Notes 22)	**172,409,611**	146,646,781
Depreciation and amortization (Notes 9, 10, 12 and 21)	**36,062,602**	37,892,224
Taxes and licenses	**44,569,335**	37,053,820
Provision for (reversal of) allowance for credit and impairment losses (Notes 8, 10 and 12)	**17,540,348**	(1,819,822)
Fuel and lubricants	**15,245,736**	16,285,899
Insurance	**14,588,675**	12,079,240
Security and janitorial services	**11,349,461**	12,291,575
Postage, telephone and telegraph	**10,484,752**	9,080,328
Power, light and water	**4,247,420**	4,741,920
Repairs and maintenance	**4,361,268**	3,538,604
Stationeries and supplies	**2,880,955**	2,985,468
Rent (Note 21)	**2,319,474**	1,906,168
Professional fees	**2,109,069**	2,241,602
Entertainment, amusement and recreation	**350,465**	845,154
Miscellaneous (Note 20)	**13,968,508**	17,819,092
	352,487,679	303,588,053
INCOME BEFORE INCOME TAX	**223,480,551**	139,867,852
PROVISION FOR INCOME TAX (Note 23)	**47,846,057**	13,549,487
NET INCOME	**₱175,634,494**	₱126,318,365

See accompanying Notes to Financial Statements.

RURAL BANK OF ANGELES, INC.
(A Subsidiary of Asia United Bank Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
NET INCOME	**₱175,634,494**	₱126,318,365
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified to profit or loss in subsequent periods		
Loss on remeasurement of retirement obligation, net of tax (Note 22)	**(731,475)**	(1,661,837)
Item that will be reclassified to profit or loss in subsequent periods,		
Unrealized gain (loss) on fair value adjustment of FVOCI investments (Note 7)	**3,395,090**	(1,694,845)
	2,663,615	(3,356,682)
TOTAL COMPREHENSIVE INCOME	**₱178,298,109**	₱122,961,683

See accompanying Notes to Financial Statements.

RURAL BANK OF ANGELES, INC.
(A Subsidiary of Asia United Bank Corporation)

STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 18)	Preferred Stock (Note 18)	Additional Paid-in Capital	Retained Earnings (Deficit)	Remeasurement of Retirement Obligation (Note 22)	Unrealized loss on fair value adjustment of FVOCI (Note 7)	Total
Balance at January 1, 2024	**₱457,775,100**	**₱531,100**	**₱400,050,000**	**(₱31,614,348)**	**₱–**	**(₱3,535,675)**	**₱823,206,177**
Net income for the year	–	–	–	**175,634,494**	–	–	**175,634,494**
Other comprehensive loss for the year	–	–	–	–	**(731,475)**	**3,395,090**	**2,663,615**
Total comprehensive income for the year	–	–	–	**175,634,494**	**(731,475)**	**3,395,090**	**178,298,109**
Loss on remeasurement of retirement and FVOCI adjustment transferred to deficit	–	–	–	**(731,475)**	**(731,475)**	–	–
Balances at December 31, 2024	**₱457,775,100**	**₱531,100**	**₱400,050,000**	**₱143,288,671**	**₱–**	**(₱140,585)**	**₱1,001,504,286**
Balance at January 1, 2023	₱457,775,100	₱531,100	₱400,050,000	(₱156,270,876)	₱–	(₱1,840,830)	₱700,244,494
Net income for the year	–	–	–	126,318,365	–		126,318,365
Other comprehensive loss for the year	–	–	–	–	(1,661,837)	(1,694,845)	(3,356,682)
Total comprehensive income for the year	–	–	–	126,318,365	(1,661,837)	(1,694,845)	122,961,683
Loss on remeasurement of retirement obligation transferred to deficit	–	–	–	(1,661,837)	1,661,837	–	–
Balances at December 31, 2023	₱457,775,100	₱531,100	₱400,050,000	(₱31,614,348)	₱–	(₱3,535,675)	₱823,206,177

See accompanying Notes to Financial Statements

RURAL BANK OF ANGELES, INC.
(A Subsidiary of Asia United Bank Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**223,480,551**	₱139,867,854
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 12 and 21)	**36,062,603**	37,892,224
Provision for (reversal of) credit and impairment losses (Notes 8 and 10)	**17,540,348**	(1,819,822)
Gain on sale of investment properties and chattels (Notes 10, 12 and 19)	**(5,332,036)**	(10,872,314)
Retirement expense (Note 22)	**26,633,497**	2,776,391
Loss (Gain) on foreclosure of investment properties (Notes 10 and 19)	**278,000**	(1,699,541)
Gain on sale of property and equipment (Notes 9 and 19)	**(98,056)**	(75,940)
Gain on lease modification (Note 21)	**(185,615)**	–
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**(1,135,725,551)**	(831,040,474)
Other assets	**320,816**	(2,042,586)
Increase (decrease) in:		
Deposit liabilities	**(430,956,542)**	1,457,471,458
Accrued taxes, interest and other expenses	**13,488,593**	23,136,972
Other liabilities	**(33,054,066)**	38,535,482
Net cash generated from (used in) operations	**(1,287,547,458)**	852,129,704
Contributions made to the retirement fund	**(30,000,000)**	–
Income taxes paid	**(37,922,596)**	(12,597,135)
Net cash generated from (used in) operating activities	**(1,355,470,054)**	839,532,569
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investment properties and chattels (Notes 10 and 12)	**40,059,179**	51,975,162
Property and equipment (Note 9)	**205,000**	83,440
Acquisitions of:		
Property and equipment (Note 9)	**(18,071,136)**	(9,952,175)
Net cash provided by investing activities	**22,193,043**	42,106,427
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills payable, net of related documentary stamp tax (Notes 14 and 26)	**₱2,510,000,000**	3,660,000,000
Payments of bills payable (Notes 14 and 26)	**(1,680,000,000)**	(3,779,999,996)
Payments of lease liabilities (Notes 21 and 26)	**(12,104,408)**	(12,333,587)
Net cash provided by (used in) financing activities	**817,895,592**	(132,333,583)

(Forward)

	Years Ended December 31	
	2024	2023
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(₱515,381,419)**	₱749,305,413
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**27,073,875**	31,830,628
Due from Bangko Sentral ng Pilipinas	**35,517,842**	11,836,991
Due from other banks	**1,538,638,865**	808,257,550
	1,601,230,582	851,925,169
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**32,268,065**	27,073,875
Due from Bangko Sentral ng Pilipinas	**411,133,089**	35,517,842
Due from other banks	**642,448,009**	1,538,638,865
	₱1,085,849,163	₱1,601,230,582
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	**597,751,029**	476,074,439
Interest paid	**₱178,652,316**	₱119,978,786

See accompanying Notes to Financial Statements.

RURAL BANK OF ANGELES, INC.
(A Subsidiary of Asia United Bank Corporation)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Rural Bank of Angeles, Inc. (the Bank) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on December 3, 1952. It was granted an authority to operate as a banking institution by the Bangko Sentral ng Pilipinas (BSP) on January 31, 1953 and started banking operations on February 12, 1953. On December 29, 2005, the SEC approved the Bank's application to extend its corporate term for another 50 years.

The Bank provides deposit and lending services to retail customers, rural and urban industries, farmers and tenants and other meager income earners. Its principal place of business is located at Miranda Corner Sto. Entierro Streets, Angeles City, Pampanga. As of December 31, 2024 and 2023, the Bank has 36 and 34 branches, respectively, including its head office.

The Bank is a 99.54%-owned subsidiary of Asia United Bank Corporation (the Parent Company).

2. Summary of Material Accounting Policy Information

Basis of Preparation
The accompanying financial statements are prepared under the historical cost basis except for investment securities at fair value through other comprehensive income (FVOCI). The amounts and balances are presented in Philippine Peso (₱), the Bank's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Presentation of Financial Statements
The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 17.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new standards effective as at January 1, 2024. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Adoption of these amended standards did not have material impact to the Bank.

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Material Accounting Policies

Cash and Other Cash Items
Cash and other cash items include cash and checks on hand. For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks with maturities of three months or less from original dates of placements and that are subject to insignificant risk of changes in value.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External appraisers are involved for valuation of significant assets, such as investment properties.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Deposit liabilities, other financial liabilities and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

'Day 1' difference

When the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank immediately recognizes the difference between the transaction price and fair value (a 'Day 1' difference), if any, in the statement of income under 'Miscellaneous income' unless it qualifies for recognition as some other type of asset. In cases when the fair value is determined using data which are not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Initial Recognition and Classification of Financial Instruments

Financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVTPL), the initial measurement includes transaction cost. Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed. The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

As of December 31, 2024 and 2023, the Bank does not have financial instruments at FVTPL.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the expected interest rate (EIR) method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. The allowance for credit losses is recognized in the statement of income under 'Provision for credit losses and impairment losses.

This accounting policy mainly relates to 'Cash and other cash items', 'Due from Bangko Sentral ng Pilipinas (BSP)', 'Due from other banks', 'Investment securities at amortized cost', 'Loans and receivables', and security deposits under 'Other assets.

Financial assets at FVOCI
(a) Debt financial assets
A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Impairment losses or reversals are based on expected credit losses (ECL) and recognized in 'Provision for allowance for credit and impairment losses' in profit or loss, with corresponding credit to other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

This accounting policy mainly relates the investment of Bank to a private bond.

(b) Equity instruments
The Group may also make an irrevocable election to measure at FVOCI on initial recognition with investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 9, *Financial instruments.* Amounts recognized in OCI are not subsequently transferred to profit or loss. Dividends on such investments are recognized in profit or loss unless the dividend clearly represents recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Bank's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Bank; and
- the amount of the dividend can be measured reliably.

The Bank has no investment in equity instruments measured at FVOCI.

Financial liabilities at amortized cost
These are issued financial instruments or their components which are not designated as at FVTPL and where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy mainly relates 'Deposit liabilities', 'Bills payable', 'Accrued interest and other expenses', 'Lease Liabilities' and 'Other liabilities' are classified under this category.

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated.

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

<u>Impairment of Financial Assets</u>
PFRS 9 requires the Bank to record Expected Credit Loss (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument and are computed for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition and for those financial assets which have indications of objective evidence of impairment.

Assessment of Significant Increase in Credit Risk/Staging assessment
For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. These include those classified as non-performing loans and restructured accounts. The ECL model requires that lifetime ECL be recognized for these impaired financial assets.

Definition of "default"
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes over 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 objective evidence of impairment, which include but not limited to, financial difficulty of the borrowers and significant problems in the operations of the counterparties. 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 and has exhibited a satisfactory track record, i.e. consistent no missed payments for a consecutive period of six (6) months for non-restructured accounts and twelve (12) months for restructured accounts.

Credit risk at initial recognition
The Group uses internal borrower rating assessment and approvals at various levels to determine the credit risk of exposures at initial recognition.

Significant increase in credit risk
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probability of default (PD), and qualitative factors, including downgrade in risk ratings and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's risk rating process, the borrowers' risk rating deteriorated by certain notches or the PD increased relatively by certain percentage as of the reporting date. For exposures without internal credit risk rating, the credit risk is deemed to have increased significantly, if based on aging information, the borrower becomes past due on the contractual payments for over a certain number of days. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL.

Restructuring
In certain circumstances, the Bank modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Restructured impaired accounts are purchased or originated credit impaired accounts where lifetime ECL is provided.

ECL calculation
ECL is a function of the PD, loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will be in default either in the next 12 months for Stage 1 or during its lifetime for Stage 2. The PD for each individual financial asset is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segmented its credit exposures based on homogenous risk characteristics (i.e. loan product basis) and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

The Bank incorporates overlays in its measurement of ECL. These overlays are based on broad range of macro-economic variables, which based on management's expert credit judgment and available and supportable information, reflect the reasonable expectation of future credit losses.

Collateral valuation
To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, real estates, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of condition.

Write-offs
Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 'Provision for credit and impairment losses' in the profit or loss.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

a. the rights to receive cash flows from the asset have expired; or
b. the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
c. the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

Modification of financial assets
The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment less has not already been recorded.

The Bank also performed a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considered the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% difference from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

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

Property and Equipment
Property and equipment are carried at cost net of accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance are charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the assets as follows:

	EUL in years
Building	10 – 25
Furniture and equipment	3 – 5
Transportation equipment	3 – 5
Leasehold improvements	Term of the lease or 10 years whichever is shorter

The useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed by the Bank's management for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under 'Investment Properties' upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

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

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value. Depreciation on building is calculated on a straight-line basis over maximum useful life of ten (10) years from the time it was acquired.

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

Other Assets - Chattels

Other assets - chattels consists of repossessed chattels. They are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life from the date of acquisition, which is estimated to be no longer than three (3) years.

Goodwill

Goodwill is initially measured at cost being the excess of the acquisition cost over the net fair value of the acquired identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is, from the acquisition date, allocated to each of the cash generating unit (CGU) that are expected to benefit from the synergies of the combination, irrespective of whether the acquired other assets or liabilities are assigned to those units.

Impairment is determined for goodwill by assessing the recoverable amount of the CGUs (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the profit or loss in the statements of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Impairment of Nonfinancial Assets

At each reporting date, the Bank assesses whether there is any indication that its property and equipment, investment properties, right-of-use assets, software cost and chattel may be impaired. When an indicator of impairment exists 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 or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is charged against current operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in profit or loss. After such a reversal, the depreciation expense adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Revenue Recognition

Revenue from contracts with customers (scoped in under PFRS 15) 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 following specific recognition criteria must also be met before revenue is recognized:

Service charges and penalties

Service charges, and penalties relating to loans and receivables and deposit transactions are generally recognized when the services are rendered.

Gain on sale of investment properties
Gain on sale of investment properties is recognized when control of such properties is transferred to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those goods.

Revenues outside the scope of PFRS 15
Interest income
For all financial instruments measured at amortized cost, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation includes estimation of cash flows from financial instrument (for example, prepayment options), and any loan origination fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR, with the change in carrying amount recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired, the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Expense Recognition
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Interest expense
Interest expense on deposit liabilities and bills payable are recognized based on the accrual method of accounting.

Administrative and other operating expenses
Administrative and other operating expenses include the costs directly associated with the generation of revenue and cost of administering the business, and these are expensed as incurred.

Equity
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.

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' (APIC) account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged against APIC account.

Retained earnings represents accumulated profits of the Bank.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits arising from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity is also recognized in equity through OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

<u>Retirement Cost</u>
Defined Benefit Plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the single discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements are closed to Deficit at the end of every reporting period.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Bank applies the short-term lease recognition exemption to its short-term leases for some branches (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Determination of lease term of contracts with renewal and termination options – the Bank as a lessee

The Bank has several lease contracts that include extension and termination options. The Bank concluded that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods to renew are not enforceable, as the Bank cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Bank does not have the right to use the asset beyond the non-cancellable period. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and where, appropriate, the risk specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

Post-year-end events 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 when material to the financial statements.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2025

- Amendments to PAS 21, *Lack of exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards—Volume 11

    - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
    - Amendments to PFRS 7, *Gain or Loss on Derecognition*
    - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
    - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
    - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

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*

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with the PFRS Accounting Standards requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions 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 and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgment and estimates that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

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

(a) Evaluation of business model in managing financial instruments

The Bank manages its financial assets based on business models that maintain adequate liquidity level and preserve capital requirements, while maintaining a strategic portfolio of financial assets for accrual and trading activities consistent with its risk appetite.

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

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them. The Bank also considers the frequency, value, reasons, and timing of past sales and expectation of future sales activity in this evaluation.

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

The business model assessment is based on reasonably expected scenarios without taking worst case or stress case scenarios into account. If cash flows after initial recognition, are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets moving forward; unless a change in business model has taken place, in such case, reclassification is necessary.

The Bank assessed that these sales resulted from changes in intention for certain investment securities and do not reflect a change in the Bank's objectives for the hold to collect business model. Accordingly, the remaining securities in the affected portfolio are continued to be measured at amortized cost.

(b) *Contingencies*
The Bank is currently involved in various legal proceedings arising from the ordinary course of business. The estimate of the probable costs for the resolution of these claims and assessments has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential results. The Bank currently does not believe that liabilities which may arise from these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 25).

Estimates
(a) *Estimation of credit losses on loans and receivables*
The measurement of impairment losses for financial assets at amortized cost, particularly loans and receivables under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk;
- The Bank's definition of default, which is consistent with regulatory requirements;
- The segmentation of financial assets when the ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, and the effect on Probability of Default (PDs), Exposure at Default (EADs) and Loss Given Default (LGDs).
- Definition of forward-looking macroeconomic scenario variables.

As of December 31, 2024 and 2023, the carrying values of loans and receivables and related allowance for credit losses are disclosed in Note 8.

(b) Recognition of deferred tax assets

Deferred tax assets are recognized in respect of the temporary differences and unused tax losses to the extent that there are sufficient taxable temporary differences relating to the same taxation authority which are expected to reverse in the same period as the expected reversal of the deductible temporary differences or to the extent that it is probable that future taxable profit will be available against which that it can be utilized. Significant management judgement 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.

The Bank only recognized deferred tax assets on certain temporary differences to the extent that the timing of expected reversal will be in the same period as the expected reversal of the taxable temporary differences.

Amounts of recognized and unrecognized deferred tax assets as of December 31, 2024 and 2023 are disclosed in Note 23.

(c) Impairment of goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is written down for impairment where the recoverable amount is insufficient to support their carrying value. The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections from financial budgets and the Bank's strategic plan covering a five-year period. The assumptions used in the calculation of value-in-use are sensitive to estimates of future cash flows from business, interest margin, discount rate and long-term growth rate used to extrapolate cash flows beyond the budget period.

Future cash flows and growth rates were determined based on past experience and strategies developed using a five-year period projection by the management. A long-term growth rate of 3.38% and 2.82% for 2024 and 2023, respectively, have been determined by management based on the historical average growth rates and market outlook for the services, industry and country in which the CGUs are operating. The discount rate applied has been determined based on the average cost of capital of 9.28% and 9.73% in 2024 and 2023, respectively. The discount rate increased due to higher beta from comparable companies.

The goodwill impairment test in 2024 and 2023 did not result in an impairment loss of goodwill of the Bank's CGU as the recoverable amount for the CGU was higher than the carrying amount. As to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

The carrying amount of goodwill as of December 31, 2024 and 2023 is disclosed in Note 11.

(d) Present value of retirement obligation

The cost of defined benefit obligation and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The discount rates used were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as at statement of financial position date. Future salary increases are based on historical annual merit, market and promotional increase and expected future inflation rates.

The key assumptions in determining the present value of the defined benefit obligation of the Bank are disclosed in Note 22.

4. Fair Value Measurement

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	December 31, 2024				
		Fair Value			
	Carrying Values	Level 1	Level 2	Level 3	Total
Asset measured at fair value					
Investment securities at fair value through other comprehensive income	₱49,859,413	₱49,859,413	₱–	₱–	₱49,859,413
(Forward)					
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost	600,000,000	–	599,953,851	–	₱599,953,851
Receivables from customers					
Agricultural	2,608,305,260	–	–	3,304,563,733	3,304,563,733
Microfinance	32,950,744	–	–	26,607,160	26,607,160
Commercial	99,138,696	–	–	125,336,029	125,336,029
Salary Loan/Others	1,412,024,116	–	–	1,743,329,322	1,743,329,322
Other assets	3,721,263	–	–	3,721,263	3,721,263
	4,805,999,492	49,859,413	599,953,851	5,203,557,507	5,853,370,771
Non-Financial assets					
Investment properties					
Land	35,398,983	–	–	40,753,150	40,753,150
Building and improvements	437,728	–	–	1,937,810	1,937,810
	35,836,711	–	–	42,690,960	42,690,960
	₱4,841,836,203	₱49,859,413	₱599,953,851	₱5,246,248,467	₱5,896,061,731
Liabilities for which fair values are disclosed					
Financial Liabilities					
Time deposit liabilities	₱2,458,833,521	₱–	₱–	₱2,514,430,039	₱2,514,430,039
Bills payable	1,784,304,864	–	–	1,872,667,512	1,872,667,512
Lease liabilities	48,153,218	–	–	48,153,218	48,153,218
	₱4,291,291,603	₱–	₱–	₱4,435,250,769	₱4,435,250,769

	December 31, 2023				
		Fair Value			
	Carrying Values	Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Investment securities at fair value through other comprehensive income	₱46,464,324	₱46,464,324	₱–	₱–	₱46,464,324
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost	600,000,000	594,949,626	–	–	594,949,626
Receivables from customers					
Agricultural	2,016,639,967	–	–	2,363,205,007	2,363,205,007
Microfinance	39,884,293	–	–	33,266,544	33,266,544
Commercial	55,076,726	–	–	68,949,057	68,949,057
Salary Loan/Others	1,047,120,450	–	–	1,287,727,904	1,287,727,904
Other assets	3,274,031	–	–	3,274,031	3,274,031
	3,808,459,791	641,413,950	–	3,756,422,543	4,397,836,493
Non-Financial assets					
Investment properties					
Land	41,349,273	–	–	46,962,848	46,962,848
Building and improvements	781,465	–	–	2,924,478	2,924,478
	42,130,738	–	–	49,887,326	49,887,326
	₱3,850,590,529	₱641,413,950	₱–	₱3,806,309,869	₱4,447,723,819
Liabilities for which fair values are disclosed					
Financial Liabilities					
Time deposit liabilities	₱2,915,841,337	₱–	₱–	₱3,028,854,483	₱3,028,854,483
Bills payable	954,304,864	–	–	1,004,547,049	1,004,547,049
Lease liabilities	39,562,397	–	–	39,562,397	39,562,397
	₱3,909,708,598	₱–	₱–	₱4,072,963,929	₱4,072,963,929

As of December 31, 2024 and 2023, no transfers were made among the three levels in the fair value hierarchy.

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

Cash and other cash items, due from BSP, due from other banks, accounts receivable, accrued interest receivable, demand deposit liabilities, savings deposit liabilities, accrued expenses payable and other liabilities - The carrying amounts approximate fair values considering that these accounts are short term in nature.

Loans and receivables and time deposits - Fair values are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans or incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the loans or time deposits being valued. For loans and receivables where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

Investment securities at amortized cost -Fair values are generally based on quoted market prices.

Investment properties - Description of the valuation techniques and significant unobservable inputs used in the valuation of the Bank's investment properties are as follows:

Valuation Techniques	
Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

Significant Unobservable Inputs

Price per square meter	Ranges from ₱40.00 to ₱11,000.00
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms to the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Liabilities

The fair values of liabilities approximate their carrying amounts due to either the demand nature or the relatively short-term maturities of these liabilities except for: (a) time deposit liabilities; (b) bills payable and (c) lease liabilities whose Level 3 fair values are estimated using the discounted cash flow methodology using the Bank's incremental borrowing rates of 4.3% to 7.1% and for similar borrowings with maturities consistent with those remaining for the liability being valued.

There are no financial assets and financial liabilities measured at fair value as at December 31, 2024 and 2023.

5. Financial Risk Management Objectives and Policies

Framework, Organization and Processes

The Bank faces both financial and non-financial risks. Financial risks arise from the use of financial instruments and include credit risk, market risk and liquidity risk.

The succeeding sections will discuss the Bank's risk management structure, the definition and sources of key financial risks, and the processes and methodologies applied in identifying, monitoring, and managing these key financial risks.

Risk Management Structure

The Bank has its own Board of Directors (BOD) which is ultimately responsible for oversight of the Bank's risk management process which involves identifying, measuring, analyzing, monitoring and controlling risks.

The BOD has the overall responsibility for the oversight of the Bank's risk management process. Supporting the BOD in this function is the Senior Management Committee (SMC).

The SMC is responsible for ensuring that there are adequate policies and procedures for conducting risk taking activities on both long-range and day-to-day basis. This responsibility includes:

- Ensuring that there is clear delineation of lines of responsibility for managing risk, appropriately structured limits on risk taking, effective internal controls and a comprehensive risk reporting process; and
- Ensuring that all appropriate approvals were obtained and that adequate operational procedures and risk control systems are in place.

The SMC is assisted in these functions by the Internal Audit Group of the Parent Bank. The Internal Audit Group undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the SMC.

Credit Risk
Credit risk is the risk of financial loss to the Bank if a counter party to a financial instrument fails to meet its contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

Management of credit risk is the principal responsibility of the Credit Committee. The role of the Credit Committee is to ensure that the credit risk policies are strictly complied with when approving loan proposals.

Management of credit risk
The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties or invests funds to issuers (e.g., investments securities issued by government entities).

The Bank manages credit risk by setting limits for individual and group of borrowers. The Bank also monitors credit exposures and continually assesses the credit worthiness of counterparties. In addition, the Bank obtains security by entering into agreements (e.g., collateral agreements) which include, among others, real estate, chattel and guarantees with counterparties to limit the exposure.

The carrying value of the Bank's loans and receivables reflects its maximum exposure to credit risk.

Maximum exposure to credit risk after considering collateral held or other credit enhancements
The maximum exposure of the Bank's financial instruments is equivalent to the carrying values as reflected in the statement of financial position and related notes. The credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals. The Bank also applied some loans to Agricultural Guarantee Fund Pool (AGFP) which guarantees 85% of the outstanding principal loan balance upon maturity.

An analysis of the maximum exposure to credit risk for receivables from customers, after taking into account any collateral held of other credit enhancements is shown below as at December 31, 2024 and 2023:

	2024			
	Maximum Credit Exposure	**Fair Value of Collateral and Credit Enhancements**	**Net Exposure to Credit Risk**	**Financial Effect of Collateral and Credit Enhancement**
Receivables from customers				
Agriculture	**₱2,608,305,260**	**₱2,869,135,786**	**₱260,830,526**	**₱2,347,474,734**
Microfinance	**32,950,744**	–	**32,950,744**	–
Commercial	**99,138,696**	–	**99,138,696**	–
Salary Loan/Others	**1,420,487,871**	–	**1,420,487,871**	–
	₱4,160,882,571	**₱2,869,135,786**	**₱1,813,407,837**	**₱2,347,474,734**

	2023			
	Maximum Credit Exposure	Fair Value of Collateral and Credit Enhancements	Net Exposure to Credit Risk	Financial Effect of Collateral and Credit Enhancement
Receivables from customers				
Agriculture	₱2,016,639,967	₱1,613,311,974	₱403,327,993	₱1,613,311,974
Microfinance	39,884,293	–	39,884,293	–
Commercial	55,076,726	–	55,076,726	–
Salary Loan/Others	1,047,120,450	–	1,047,120,450	–
	₱3,158,721,436	₱1,613,311,974	₱1,545,409,462	₱1,613,311,974

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry.

An analysis of concentration of credit risk by industry sector as of December 31, 2024 and 2023 is shown below:

	2024		
	Loans and Receivables	**Other Financial Assets***	**Total**
Agriculture, forestry and fishing	**₱2,608,305,260**	**₱–**	**₱2,608,305,260**
Financial intermediaries	–	**1,053,581,098**	**1,053,581,098**
Government institution	–	**649,859,413**	**649,859,413**
Wholesale and retail, repair of motor vehicles, motorcycles	**132,089,440**	–	**132,089,440**
Other service activities*	**1,536,060,900**	–	**1,536,060,900**
Other assets	–	**3,721,263**	**3,721,263**
	4,276,455,600	**1,707,161,774**	**5,983,617,374**
Less: unearned interest and discounts	**78,651,572**	–	**78,651,572**
	4,197,804,028	**1,707,161,774**	**5,904,965,802**
Less: allowance for credit losses	**133,669,233**	–	**133,669,233**
	₱4,064,134,795	**₱1,707,161,774**	**₱5,771,296,569**

**Includes employee loans, accounts receivable and accrued interest receivable*

	2023		
	Loans and Receivables	Other Financial Assets*	Total
Agriculture, forestry and fishing	₱2,016,639,967	₱–	₱2,016,639,967
Financial intermediaries	–	1,574,156,707	1,574,156,707
Government institution	–	646,464,324	646,464,324
Other service activities*	1,122,366,114	–	1,122,366,114
Wholesale and retail, repair of motor vehicles, motorcycles	94,961,019	–	94,961,019
Other assets	–	3,274,031	3,274,031
	3,233,967,100	2,223,895,062	5,457,862,162
Less: unearned interest and Discounts	73,611,927	–	73,611,927
	3,160,355,173	2,223,895,062	5,384,250,235
Less: allowance for credit losses	171,920,218	–	171,920,218
	₱2,988,434,955	₱2,223,895,062	₱5,212,330,017

**Includes employee loans, accounts receivable and accrued interest receivable*

Collateral and other credit enhancements
The Bank holds collateral against loans and receivables mostly in the form of real estate and chattel mortgage. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated every two years. The Bank also obtains financial guarantee from a government agency which serves as credit risk mitigant in the event the loan defaults.

As of December 31, 2024 and 2023, past due loans and receivables amounting to ₱18.34 million and ₱12.27 million are secured by real estate and chattel mortgage.

Credit quality per class of financial assets
The credit quality of financial assets is assessed based on days past due.

The description of each grouping according to stage is explained further as follows:

- Stage 1 - those that are considered current and up to a certain number of days past due, and based on delinquencies and payment history, do not demonstrate significant increase in credit risk;
- Stage 2 - those that are considered more than a certain number of days past due but does not demonstrate objective evidence of impairment as of reporting date and based on delinquencies and payment history, demonstrate significant increase in credit risk; and
- Stage 3 - those that are considered more than 90 days past due or in default, or demonstrate objective evidence of impairment as of reporting date.

To estimate PD, the Bank developed a transition matrix based on the monthly migration of accounts to each age bucket. This matrix is scaled to the observed point-in-time PDs as of the reporting dates which are then adjusted to incorporate both current and forward-looking information for ECL calculation.

The Bank assessed that due from BSP, due from other banks and investments securities at amortized cost are low-credit risk investment since these are placed and recoverable either from banks or government with high external credit ratings. As of December 31, 2024 and 2023, the Bank determined that the impact of 12-month ECL ("Stage 1") is not material.

The following table shows the classification of loans and receivable according to stages as of December 31, 2024 and 2023 (gross of unearned fee income):

	2024				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans receivable from customers					
Agriculture	**2,503,048,705**	**25,500,262**	**79,137,850**	**618,443**	**2,608,305,260**
Microfinance	**22,334,938**	**806,935**	**9,808,871**	–	**32,950,744**
Commercial	**92,979,049**	**1,786,673**	**4,372,974**	–	**99,138,696**
Salary Loan/Others	**1,398,200,902**	**1,079,451**	**21,157,310**	**50,208**	**1,420,487,871**
Other Receivables	**115,071,142**	**446,086**	**55,275**	**526**	**115,573,029**
	₱4,131,634,736	**₱29,619,407**	**₱114,532,280**	**₱669,177**	**₱4,276,455,600**

	2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans receivable from customers					
Agriculture	1,868,589,965	16,640,609	103,852,477	27,556,916	2,016,639,967
Microfinance	34,002,828	231,913	5,649,552	–	39,884,293
Commercial	52,098,757	552,775	2,425,194	–	55,076,726
Salary Loan/Others	1,019,557,127	6,454,057	20,638,042	471,224	1,047,120,450
Other Receivables	74,163,780	334,065	746,237	1,582	75,245,664
	₱3,048,412,457	₱24,213,419	₱133,311,502	₱28,029,722	₱3,233,967,100

Movements in the allowance for credit losses follow:

	Agriculture	**Commercial**	**Microfinance**	**Others***	**Total**
Balance at beginning of the year	**₱120,210,756**	**₱2,240,533**	**₱4,852,769**	**₱44,616,160**	**₱171,920,218**
Provision for (reversal of) expected credit losses	**12,741,892**	**2,665,887**	**2,132,569**	–	**17,540,348**
Write-off	**(54,003,705)**	-	**(1,787,628)**	–	**(55,791,333)**
Balances at end of year	**₱78,948,943**	**₱4,906,420**	**₱5,197,710**	**₱44,616,160**	**₱133,669,233**

**Consists of teacher's salary loan or other loans, sales contract receivable, accounts receivable and accrued interest receivable*

	Agriculture	Commercial	Microfinance	Others*	Total
Balance at beginning of the year	₱230,320,469	₱2,606,801	2,520,631	₱8,095,041	243,542,942
Provision for (reversal of) expected credit losses	(42,486,946)	1,014,980	3,325,004	36,521,119	(1,634,843)
Write-off	(67,622,767)	(1,381,248)	(992,866)	–	(69,996,881)
Balances at end of year	₱120,210,756	₱2,240,533	₱4,852,769	₱44,616,160	₱171,920,218

**Consists of teacher's salary loan or other loans, sales contract receivable, accounts receivable and accrued interest receivable*

The table below illustrates the movements of the allowance for credit losses during the year with the effect of movements in ECL due to transfers between stages:

	2024									
	Outstanding Balance					ECL				
Agricultural loans (gross of unearned fee income)	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
January 1, 2024	₱1,868,589,965	₱16,640,609	₱103,852,477	₱27,556,916	₱2,016,639,967	₱40,233,802	₱3,571,293	₱49,146,954	₱27,258,707	₱120,210,756
New loans	2,374,077,945	–	–	–	2,374,077,945	51,148,257	–	–	–	51,148,257
Assets derecognized or repaid	(1,667,372,525)	(24,334,234)	(35,928,368)	(773,820)	(1,728,408,947)	(61,435,646)	(6,289,194)	(13,771,197)	(766,304)	(82,262,341)
Transfer to Stage 1	26,475,779	(25,547,317)	(928,462)		-	1,640,388	(1,265,882)	(374,506)	–	–
Transfer to Stage 2	(93,899,293)	94,390,667	(491,374)		–	(14,432,771)	14,624,855	(192,084)	–	–
Transfer to Stage 3	(4,823,166)	(35,649,463)	40,472,629		–	(586,207)	(12,465,132)	13,051,339	–	–
Write-off	–	–	(27,839,052)	(26,164,653)	(54,003,705)	–	–	(27,839,052)	(26,164,653)	(54,003,705)
Increase (or Reduction) of ECL on Stage 1 Assets	–	–	–	–	–	20,617,784	–	–	–	20,617,784
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	(1,331,404)	7,725,142	1,626,923	–	8,020,661
Changes to inputs used for ECL calculations	–	–	–	–	–	(1,249,770)	920,143	15,530,465	16,693	15,217,531
December 31, 2024	₱2,503,048,705	₱ 25,500,262	₱79,137,850	₱618,443	₱2,608,305,260	₱ 34,604,433	₱6,821,225	₱37,178,842	344,443	₱78,948,943

	2023									
	Outstanding Balance					ECL				
Agricultural loans (gross of unearned fee income)	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
January 1, 2024	₱1,538,063,444	₱10,683,284	₱151,526,882	₱62,703,117	₱1,762,976,727	₱47,106,430	₱3,334,869	₱98,888,375	₱61,720,801	₱211,050,475
New loans	1,751,291,500	–	–	–	1,751,291,500	57,936,040	–	–	–	57,936,040
Assets derecognized or repaid	(1,388,499,101)	(8,251,297)	(31,052,382)	(2,202,713)	(1,430,005,493)	(73,097,138)	(2,708,164)	(30,207,205)	(2,057,914)	(108,070,421)
Transfer to Stage 1	4,500	(500)	(4,000)	–	–	3,117	(220)	(2,897)	–	–
Transfer to Stage 2	(16,430,036)	16,430,036	–	–	–	(677,895)	677,895	–	–	–
Transfer to Stage 3	(15,840,342)	(2,220,914)	18,061,256	–	–	(1,427,141)	(609,142)	2,036,283	–	–
Write-off	–	–	(34,679,279)	(32,943,488)	(67,622,767)	–	–	(34,679,279)	(32,943,488)	(67,622,767)
Increase (or Reduction) of ECL on Stage 1 Assets	–	–	–	–	–	298,789	–	–	–	298,789
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	(846)	2,696,972	5,055,564	551,262	8,302,952
Changes to inputs used for ECL calculations	–	–	–	–	–	10,092,446	179,083	8,056,113	(11,954)	18,315,688
December 31, 2023	₱1,868,589,965	₱ 16,640,609	₱103,852,477	₱27,556,916	₱2,016,639,967	₱ 40,233,802	₱3,571,293	₱49,146,954	₱27,258,707	₱120,210,756

	2024									
	Outstanding Balance					ECL				
Microfinance loans (gross of unearned fee income)	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
January 1, 2024	**₱34,002,828**	**₱231,913**	**₱5,649,552**	**–**	**₱39,884,293**	**₱2,712,787**	**₱64,179**	**₱2,075,803**	**₱–**	**₱4,852,769**
New loans	**62,488,602**	**–**	**–**	**–**	**62,488,602**	**3,724,762**	**–**	**–**	**–**	**3,724,762**
Assets derecognized or repaid	**(64,823,507)**	**(964,467)**	**(1,846,549)**	**–**	**(67,634,523)**	**(4,678,958)**	**(291,721)**	**(2,561,397)**	**–**	**(7,532,076)**
Transfer to Stage 1	**1,863,682**	**(1,575,646)**	**(288,036)**	**–**	**–**	**544,532**	**(436,445)**	**(108,087)**	**–**	**–**
Transfer to Stage 2	**(9,101,651)**	**9,239,051**	**(137,400)**	**–**	**–**	**(588,993)**	**640,535**	**(51,542)**	**–**	**–**
Transfer to Stage 3	**(2,095,016)**	**(6,123,916)**	**8,218,932**	**–**	**–**	**(225,106)**	**(1,963,899)**	**2,189,005**	**–**	**–**
Write-off	**–**	**–**	**(1,787,628)**	**–**	**(1,787,628)**	**–**	**–**	**–**	**–**	**–**
Increase (or Reduction) of ECL on Stage 1 Assets	**–**	**–**	**–**	**–**	**–**	**169,204**	**–**	**–**	**–**	**169,204**
Impact on yearend ECL of exposures transferred between stages during the year	**–**	**–**	**–**	**–**	**–**	**(404,278)**	**2,303,505**	**1,005,073**	**–**	**2,904,300**
Changes to inputs used for ECL calculations	**–**	**–**	**–**	**–**	**–**	**(406,468)**	**(129,695)**	**1,614,914**	**–**	**1,078,751**
December 31, 2024	**₱22,334,938**	**₱806,935**	**₱9,808,871**	**₱–**	**₱32,950,744**	**₱847,482**	**₱186,459**	**₱4,163,769**	**₱–**	**₱5,197,710**

	2023									
	Outstanding Balance					ECL				
Microfinance loans (gross of unearned fee income)	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
January 1, 2023	₱37,175,471	₱507,062	₱2,699,383	₱78,816	₱40,460,732	₱1,080,531	₱126,577	₱1,234,707	₱78,816	₱2,520,631
New loans	89,236,946	–	–	–	89,236,946	3,476,381	–	–	–	3,476,381
Assets derecognized or repaid	(87,799,770)	(239,050)	(774,276)	(7,423)	(88,820,519)	(2,766,446)	(61,527)	(351,941)	(7,423)	(3,187,337)
Transfer to Stage 1	–	–	–	–	–	–	–	–	–	–
Transfer to Stage 2	(231,913)	231,913	–	–	–	(10,735)	10,735	–	–	–
Transfer to Stage 3	(4,377,906)	(268,012)	4,645,918	–	–	(134,500)	(65,050)	199,550	–	–
Write-off	–	–	(921,473)	(71,393)	(992,866)	–	–	(921,473)	(71,393)	(992,866)
Increase (or Reduction) of ECL on Stage 1 Assets	–	–	–	–	–	127,568	–	–	–	127,568
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	–	49,287	1,849,703	–	1,898,990
Changes to inputs used for ECL calculations	–	–	–	–	–	939,988	4,157	65,257	–	1,009,402
December 31, 2023	₱34,002,828	₱231,913	₱5,649,552	₱–	₱39,884,293	₱2,712,787	₱64,179	₱2,075,803	₱–	₱4,852,769

	2024									
	Outstanding Balance					**ECL**				
Commercial loans (gross of unearned fee income)	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
January 1, 2024	**₱52,098,757**	**₱552,775**	**₱2,425,194**	**₱–**	**₱55,076,726**	**₱775,946**	**₱119,922**	**₱1,344,665**	**₱–**	**₱2,240,533**
New loans	**83,731,323**	–	–	–	**83,731,323**	**2,705,478**	–	–	–	**2,705,478**
Assets derecognized or repaid	**(37,523,042)**	**(864,408)**	**(1,281,903)**	–	**(39,669,353)**	**(1,114,125)**	**(152,517)**	**(306,196)**	–	**(1,572,838)**
Transfer to Stage 1	**3,066,752**	**(2,646,214)**	**(420,538)**	–	–	**550,930**	**(430,578)**	**(120,352)**	–	–
Transfer to Stage 2	**(8,272,092)**	**8,272,092**	–	–	–	**(876,280)**	**876,280**	–	–	–
Transfer to Stage 3	**(122,649)**	**(3,527,572)**	**3,650,221**	–	–	**(25,464)**	**(766,721)**	**792,185**	–	–
Write-off	–	–	-	–	-	–	–	-	–	-
Increase (or Reduction) of ECL on Stage 1 Assets	–	–	–	–	–	**644,827**	–	-	–	**644,827**
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	**(445,213)**	**558,164**	**37,739**	–	**150,690**
Changes to inputs used for ECL calculations	–	–	–	–	–	**515,396**	**53,854**	**168,480**	–	**737,730**
December 31, 2024	**₱92,979,049**	**₱1,786,673**	**₱4,372,974**	**₱–**	**₱99,138,696**	**₱2,731,495**	**₱258,404**	**₱1,916,521**	**₱–**	**₱4,906,420**

	2023									
	Outstanding Balance					ECL				
Commercial loans (gross of unearned fee income)	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
January 1, 2023	₱31,288,639	–	₱2,129,013	₱–	₱33,417,652	₱653,973	₱–	₱1,952,828	₱–	₱2,606,801
New loans	57,901,480	–	–	–	57,901,480	946,189	–	–	–	946,189
Assets derecognized or repaid	(35,220,360)	–	359,202	–	(34,861,158)	(715,800)	–	468,738	–	(247,062)
Transfer to Stage 1	–	–	–	–	–	–	–	–	–	–
Transfer to Stage 2	(552,775)	552,775	–	–	–	(11,554)	11,554	–	–	–
Transfer to Stage 3	(1,318,227)	–	1,318,227	–	–	(27,553)	–	27,553	–	–
Write-off	–	–	(1,381,248)	–	(1,381,248)	–	–	(1,381,248)	–	(1,381,248)
Increase (or Reduction) of ECL on Stage 1 Assets	–	–	–	–	–	124,325	–	–	–	124,325
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	–	146,029	₱396,108	–	542,137
Changes to inputs used for ECL calculations	–	–	–	–	–	(193,634)	(37,661)	(119,314)	–	(350,609)
December 31, 2023	₱52,098,757	₱552,775	₱2,425,194	₱–	₱55,076,726	₱775,946	₱119,922	₱1,344,665	₱–	₱2,240,533

	2024									
	Outstanding Balance					ECL				
Other loans* (gross of unearned fee income)	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
January 1, 2024	₱1,093,720,907	₱6,788,122	₱21,384,279	₱472,806	₱1,122,366,114	₱27,353,863	₱3,266,719	₱13,934,759	₱60,819	₱44,616,160
New loans	1,068,307,384	–	–	–	1,068,307,384	21,024,949	–	–	–	21,024,949
Assets derecognized or repaid	(645,839,171)	(3,675,932)	(4,675,423)	(422,072)	(654,612,598)	(10,046,679)	(630,062)	(3,039,123)	(21,583)	(13,737,447)
Transfer to Stage 1	18,337,791	(5,725,623)	(12,612,168)	–	–	11,413,312	(3,157,070)	(8,256,242)	–	–
Transfer to Stage 2	(20,999,107)	21,010,815	(11,708)	–	–	(6,529,733)	6,535,957	(6,224)	–	–
Transfer to Stage 3	(255,760)	(16,871,845)	17,127,605	–	–	(5,793)	(11,166,408)	11,172,201	–	–
Write-off	–	–	–	–	–	–	–	–	–	–
Increase (or Reduction) of ECL on Stage 1 Assets	–	–	–	–	–	5,521,906	–	–	–	5,521,906
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	(9,887,986)	5,920,266	154,324	5,812	(3,807,584)
Changes to inputs used for ECL calculations	–	–	–	–	–	(6,643,095)	(173,959)	(2,184,770)	–	(9,001,824)
December 31, 2024	₱1,513,272,044	₱1,525,537	₱21,212,585	₱50,734	₱1,536,060,900	₱32,200,744	₱595,443	₱11,774,925	₱45,048	₱44,616,160

**Consists of teacher's salary loan or other loans, sales contract receivable, accounts receivable and accrued interest receivable*

	2023									
	Outstanding Balance					ECL				
Other loans* (gross of unearned fee income)	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
January 1, 2023	₱584,824,154	₱6,211,920	₱34,419,282	₱2,615,640	₱628,070,996	₱19,371,771	₱3,332,321	₱4,527, 474	₱133,468	₱27,365,034
New loans	917,816,848	–	–	–	917,816,848	25,620,113	–	573,205	–	26,193,318
Assets derecognized or repaid	(392,973,955)	(1,073,358)	(27,331,583)	(2,142,834)	(423,521,730)	(14,617,151)	(356,002)	(578,908)	(68,755)	(15,620,816)
Transfer to Stage 1	2,348,338	(1,274,869)	(1,073,469)	–	–	1,388,800	(747,514)	(641,286)	–	–
Transfer to Stage 2	(6,783,230)	6,783,230	–	–	–	(168,422)	168,422	–	–	–
Transfer to Stage 3	(11,511,248)	(3,858,801)	15,370,049	–	–	(396,117)	(2,249,209)	2,645,326	–	–
Write-off	–	–	–	–	–	–	–	–	–	–
Increase (or Reduction) of ECL on Stage 1 Assets	–	–	–	–	–	876,952	–	–	–	876,952
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	(955,291)	3,081,132	6,593,105	(621)	8,718,325
Changes to inputs used for ECL calculations	–	–	–	–	–	(3,766,792)	37,569	815,843	(3,273)	(2,916,653)
December 31, 2023	₱1,093,720,907	₱6,788,122	₱21,384,279	₱472,806	₱1,122,366,114	₱27,353,863	₱3,266,719	₱13,934,759	(₱60,819)	₱44,616,160

**Consists of teacher's salary loan or other loans, sales contract receivable, accounts receivable and accrued interest receivable*

Market Risk
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

Interest rate risk
Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Parent Bank, through its Treasury Group, assists the Bank to monitor interest rate risk by providing the Bank the quotes and other relevant information on a weekly basis. As of December 31, 2024 and 2023 the Bank has no exposure to interest rate risk since its financial instruments are not subject to floating interest rate.

Liquidity Risk
Liquidity risk is the risk that the Bank will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged funding sources with its Parent Bank in addition to its core deposit base, manages with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The table below shows the maturity profile of the Bank's financial assets and liabilities based on the contractual undiscounted cash flows as of December 31, 2024 and 2023:

	2024						
	On Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and other cash items	₱32,268,065	₱–	₱–	₱–	₱–	₱–	₱32,268,065
Due from BSP	411,133,089	–	–	–	–	–	411,133,089
Due from other banks*	642,448,009	–	–	–	–		642,448,009
Investment securities at amortized cost	–	–	–	–	–	600,000,000	600,000,000
Investment Securities at FVOCI	–	–	–	–	–	49,859,413	49,859,413
Loans and receivables[							
Agriculture*	76,534,646	39,061,221	113,330,893	241,445,228	126,674,406	2,707,517,338	3,304,563,732
Microfinance*	4,922,273	515,977	2,475,422	7,579,961	10,948,998	164,529	26,607,160
Commercial*	1,892,026	856,873	1,320,943	2,526,821	6,149,838	112,589,528	125,336,029
Salary Loan/Others*	1,352,300	128,418	519,932	1,793,001	7,657,628	1,731,878,043	1,743,329,322
Accounts receivable	2,156,739	–	–	–	–	–	2,156,739
Accrued interest receivable	113,416,290	–	–	–	–	–	113,416,290
Other Assets	–	–	–	–	–	3,721,263	3,721,263
	₱1,286,123,437	₱40,562,489	₱117,647,190	₱253,345,011	₱151,430,870	₱5,205,730,114	₱7,054,839,111
Financial Liabilities							
Deposit liabilities							
Demand	₱9,307,635	₱20,975,896	₱32,644,156	₱20,975,896	₱9,307,635	₱23,471,384	₱116,682,602
Savings	37,460,289	84,421,347	131,382,405	84,421,347	37,460,289	94,464,899	469,610,576
Time Deposit/ Special Savings Account	–	388,197,127	1,866,494,654	63,225,362	53,063,293	143,449,603	2,514,430,039
Bills payable*	–	738,454,867	–	–	1,134,212,645	–	1,872,667,512
Accrued taxes, interest and other expenses**	79,431,200	–	–	–	–	–	79,431,200
Lease liabilities	48,153,218	–	–	–	–		48,153,218
Other liabilities**	24,125,086	–	–	–	–	–	24,125,086
	₱198,477,428	₱1,232,049,237	₱2,030,521,215	₱168,622,605	₱1,234,043,862	₱261,385,886	₱5,125,100,233
	₱1,087,646,009	(₱1,191,486,748)	(₱1,912,874,025)	₱84,722,406	(₱1,082,612,992)	₱4,944,344,228	₱1,929,738,878

**Includes future interest*
***Excludes statutory liability*

	2023						
	On Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and other cash items	₱27,073,875	₱–	₱–	₱–	₱–	₱–	27,073,875
Due from BSP	35,517,842	–	–	–	–	–	35,517,842
Due from other banks*	1,538,638,865	–	–	–	–	–	1,538,638,865
Investment securities at amortized cost	–	–	–	–	–	600,000,000	600,000,000
Investment Securities at FVOCI	–	–	–	–	–	46,464,324	46,464,324
Loans and receivables							
Agriculture*	107,876,120	35,845,111	109,411,356	262,691,565	111,536,214	1,735,844,640	2,363,205,006
Microfinance*	2,650,897	376,920	3,175,804	12,852,437	12,636,387	1,574,099	33,266,544
Commercial*	799,154	230,600	2,172,492	2,230,158	5,452,006	58,064,647	68,949,057
Salary Loan/Others*	883,615	98,809	438,130	1,780,760	5,653,272	1,278,873,317	1,287,727,903
Accounts receivable	573,025	–	–	–	–	–	573,025
Accrued interest receivable	32,826	4,474,074	1,531,575	1,373,765	4,790,749	62,469,469	74,672,458
Other Assets	553,206	66,200	75,132	374,942	7,816,126	37,531,252	46,416,858
	₱1,714,599,425	₱41,091,714	₱116,804,489	₱281,303,627	₱147,884,754	₱3,820,821,748	₱6,122,505,757
Financial Liabilities							
Deposit liabilities							
Demand	₱6,622,600	₱15,239,005	₱23,855,410	₱15,239,005	6,622,600	₱18,585,427	₱86,164,047
Savings	36,437,798	83,845,583	131,253,369	83,845,583	36,437,798	102,257,725	474,077,856
Time Deposit/Special Savings Account*	–	145,043,377	2,397,943,210	140,868,477	60,021,472	284,977,946	3,028,854,482
Bills payable*	–	30,162,533	–	–	950,079,651	24,304,864	1,004,547,048
Accrued taxes, interest and other expenses**	65,381,310	–	–	–	–	–	65,381,310
Lease liabilities	–	–	–	336,835	1,764,388	37,461,174	39,562,397
Other liabilities**	57,603,428	–	–	–	–	–	57,603,428
	₱166,045,136	₱274,290,498	₱2,553,051,989	₱240,289,900	₱1,054,925,909	₱467,587,136	₱4,756,190,568
	₱1,548,554,289	(₱233,198,784)	(₱2,436,247,500)	₱41,013,727	(₱907,041,155)	₱3,353,234,612	₱1,366,315,189

**Includes future interest*
***Excludes statutory liability*

6. Due from BSP and Due from Other Banks

The 'Due from BSP' account represents the outstanding balance of peso non-interest-bearing deposit accounts with BSP. In 2024, as amended by the BSP Circular, Section 251 of the Manual of Regulations allows for the reduction of required reserve ratios to zero.

Due from other banks earned interest at annual rates ranging from 0.01% to 2.13% and from 0.01% to 1.90% in 2024 and 2023, respectively.

Interest income on due from other banks amounted to ₱23.14 million and ₱3.14 million in 2024 and 2023, respectively.

7. Investment Securities

<u>Investment securities at amortized cost</u>
As of December 31, 2024 and 2023, this account includes non-interest-bearing treasury bills with maturities ranging from 1826 to 2192 days.

The Bank recognized interest income for these securities using the effective interest rate method amounting to ₱29.25 million and ₱33.35 million in 2024 and 2023, respectively.

<u>Investment securities at FVOCI</u>
As of December 31, 2024 and 2023, this account includes a private bond with annual interest rate of 7.11% and maturing in 2028.

The Bank recognized unrealized loss for these securities amounting to ₱3.39 million and ₱1.69 million, respectively.

8. Loans and Receivables

This account consists of:

	2024	2023
Receivables from customers:		
Agriculture	**₱2,608,305,260**	₱2,016,639,967
Microfinance	**32,950,744**	39,884,293
Commercial	**99,138,696**	55,076,726
Salary Loan/Others	**1,420,487,871**	1,047,120,450
	4,160,882,571	3,158,721,436
Less: unearned interest and discounts	**78,651,572**	73,611,927
	4,082,230,999	3,085,109,509
Other receivables:		
Accounts receivable	**2,156,739**	573,205
Accrued interest receivable	**113,416,290**	74,672,459
	115,573,029	75,245,664
	4,197,804,028	3,160,355,173
Less: allowance for credit losses	**133,669,233**	171,920,218
	₱4,064,134,795	₱2,988,434,955

Loans and receivables earned interest at annual rates ranging from 1.00% to 56.00% and from 7.50% to 54.00% in 2024 and 2023, respectively. Other loans consist of salary loans and sales contract receivables.

In 2024 and 2023, the Bank recognized interest income on loans and receivables amounting to ₱578.55 million and ₱424.36 million, respectively. The unearned interest and discounts pertain mainly to agricultural loan products.

9. Property and Equipment

The composition of and movements in this account follow:

	December 31, 2024					
	Land	**Building**	**Furniture and Equipment**	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost						
Balances at beginning of year	**₱1,793,309**	**₱34,655,321**	**₱58,322,108**	**₱52,229,222**	**₱40,322,159**	**₱187,322,119**
Additions	–	–	**3,274,387**	**7,117,188**	**7,679,561**	**18,071,136**
Disposals	–	–	–	–	**(343,202)**	**(343,202)**
Balances at end of year	**1,793,309**	**34,655,321**	**61,596,495**	**59,346,410**	**47,658,518**	**205,050,053**
Accumulated Depreciation						
Balances at beginning of year	**₱–**	**₱20,486,097**	**₱44,980,431**	**₱42,528,131**	**₱33,904,017**	**₱141,898,676**
Depreciation and amortization	–	**2,358,524**	**5,687,450**	**3,499,718**	**5,429,777**	**16,975,469**
Disposals	–	–	–	–	**(236,258)**	**(236,258)**
Balances at end of year	–	**22,844,621**	**50,667,881**	**46,027,849**	**39,097,536**	**158,637,887**
Allowance for Impairment Losses	–	**3,289,387**	–	–	–	**3,289,387**
Net Book Values	**₱1,793,309**	**₱8,521,313**	**₱10,928,614**	**₱13,318,561**	**₱8,560,982**	**₱43,122,779**

	December 31, 2023					
	Land	Building	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balances at beginning of year	₱1,793,309	₱34,655,321	₱55,445,241	₱48,906,813	₱36,687,509	₱177,488,193
Additions	–	–	2,876,867	3,322,409	3,752,900	9,952,176
Disposals	–	–	–	–	(118,250)	(118,250)
Balances at end of year	1,793,309	34,655,321	58,322,108	52,229,222	40,322,159	187,322,119
Accumulated Depreciation						
Balances at beginning of year	₱–	₱18,006,393	₱39,008,467	₱37,828,323	₱30,038,005	₱124,881,188
Depreciation and amortization	–	2,479,704	5,971,964	4,699,808	3,976,761	17,128,237
Disposals	–	–	–	–	(110,749)	(110,749)
Balances at end of year	–	20,486,097	44,980,431	42,528,131	33,904,017	141,898,676
Allowance for Impairment Losses	–	3,289,387	–	–	–	3,289,387
Net Book Values	₱1,793,309	₱10,879,837	₱13,341,677	₱9,701,091	₱6,418,142	₱42,134,056

The Bank recognized gain on sale of property and equipment amounting to ₱0.10 million and ₱0.08 million in 2024 and 2023, respectively (see Note 19).

As at December 31, 2024 and 2023, the cost of fully depreciated assets that are still being used by the Bank amounted to ₱23.51 million and ₱98.78 million, respectively.

10. Investment Properties

The composition of and the movements in this account follow:

	December 31, 2024		
	Land	**Building**	**Total**
Cost			
Balances at beginning of year	**₱46,962,848**	**₱2,924,478**	**₱49,887,326**
Additions	**2,312,926**	–	**2,312,926**
Disposals	**(8,522,624)**	**(986,668)**	**(9,509,292)**
Balances at end of year	**40,753,150**	**1,937,810**	**42,690,960**
Accumulated Depreciation			
Balances at beginning of year	–	**1,980,032**	**1,980,032**
Depreciation	–	**343,737**	**343,737**
Disposals	–	**(986,668)**	**(986,668)**
Balances at end of year	–	**1,337,101**	**1,337,101**
Allowance for Impairment Losses			
Balances at beginning of year	**5,613,575**	**162,981**	**5,776,556**
Provisions	**(259,408)**	–	**(259,408)**
Balances at end of year	**5,354,167**	**162,981**	**5,517,148**
Net Book Values	**₱35,398,983**	**₱437,728**	**₱35,836,711**

	December 31, 2023		
	Land	Building	Total
Cost			
Balances at beginning of year	₱64,435,354	₱5,950,719	₱70,386,073
Additions	3,465,213	–	3,465,213
Disposals	(20,937,719)	(3,026,241)	(23,963,960)
Balances at end of year	46,962,848	2,924,478	49,887,326
Accumulated Depreciation			
Balances at beginning of year	–	3,738,415	3,738,415
Depreciation	–	503,655	503,655
Disposals	–	(2,262,038)	(2,262,038)
Balances at end of year	–	1,980,032	1,980,032

(Forward)

	December 31, 2023		
	Land	Building	Total
Allowance for Impairment Losses			
Balances at beginning of year	₱6,576,395	₱162,981	₱6,739,376
Disposals	(962,820)	–	(962,820)
Balances at end of year	5,613,575	162,981	5,776,556
Net Book Values	₱41,349,273	₱781,465	₱42,130,738

In 2024 and 2023, the Bank recognized gain (loss) on sale of investment properties amounting to ₱3.20 million and ₱1.89 million, respectively. Gain on foreclosure of investment properties amounted to ₱0.28 million and ₱1.70 million in 2024 and 2023, respectively, and recognized under 'Miscellaneous income' in profit or loss (see Note 19).

Direct operating expense on the investment properties not generating rental income in 2024 and 2023, amounted to ₱2.13 million and ₱2.08 million, respectively.

As of December 31, 2024 and 2023, the Bank does not have investment properties that are being leased out.

11. Goodwill

This account represents the goodwill amounting to ₱66.14 million from the acquisition of the assets and assumption of liabilities of CBP in 2014.

The goodwill arising from the acquisition is attributed to the increase in geographical presence and customer base as a result of the additional branches acquired from CBP. These branches and customer base are combined with the Bank, which is considered as the CGU for purposes of the goodwill impairment assessment.

Key assumptions used in value-in-use calculation
The recoverable amount of the CGUs has been determined based on a value-in-use calculation using cash flow projections from the financial budgets and the Bank's strategic plan covering three to five-year periods, which are approved by senior management. Future cash flows and growth rates were determined based on past experience and strategies developed.

The calculation of value-in use of the CGU is most sensitive to revenue/volume growth rate, discount rate, and steady growth rate used to extrapolate the cash flow projections beyond the budget period.

Revenue growth, discount and long-term growth rates
Revenue growth rate is based on the volume of loans and other transactions, interest rates and service fees granted to the markets or customers serviced by the Bank. In addition, the Bank also considers the current perspective and the short-term and medium-term outlook for the industry to which the CGUs are operating e.g. technological advancements, new products and services and competitions. Furthermore, the revenue growth rate reflects the Bank's forecast of its strategic plans after considering the impact of the pandemic.

The discount rates used for the computation of the net present value is the cost of equity for the Bank. The pre-tax discount rates applied to the cash flow projections are 9.28% and 9.73% in 2024 and 2023, respectively.

Long-term growth rates ranging of 3.38% and 2.82% in 2024 and 2023, respectively, have been determined by management based on the historical average growth rates and market outlook for the services, industry and country in which the CGUs are operating.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

12. Other Assets

This account consists of:

	2024	2023
Financial assets		
Security deposits	**₱3,671,263**	₱3,224,031
Miscellaneous assets	**50,000**	50,000
	3,721,263	3,274,031
Non-financial assets		
Chattels, net	**18,697,384**	11,178,423
Prepaid expenses	**5,757,090**	6,525,135
	24,454,474	17,703,558
	₱28,175,737	₱20,977,589

The movements in 'Chattels' account follow:

	2024	2023
Cost		
Balance at beginning of year	**₱26,719,532**	₱35,703,824
Additions	**39,687,894**	16,034,606
Disposals	**(36,240,047)**	(25,018,898)
Balance at end of year	**30,167,379**	26,719,532
Accumulated Depreciation		
Balance at beginning of year	**15,541,109**	12,673,159
Depreciation	**5,911,547**	7,523,102
Disposals	**(9,982,661)**	(4,655,152)
Balance at end of year	**11,469,995**	15,541,109
Net Book Value	**₱18,697,384**	₱11,178,423

The Bank also recognized gain on sale of chattels amounting to ₱2.13 million and ₱1.90 million in 2024 and 2023, respectively (see Note 19).

Prepaid expenses include prepaid rent, health insurance of employees, vault insurance, vehicle insurance and other insurance paid by the Bank.

Miscellaneous assets pertain to refundable rental deposits and utility deposits.

13. Deposit Liabilities

The components of deposit liabilities follow:

	2024	2023
Demand	**₱116,682,602**	₱86,164,048
Savings	**469,610,576**	474,077,856
Time Deposit / Special Savings Account	**2,458,833,521**	2,915,841,337
	₱3,045,126,699	₱3,476,083,241

Deposit liabilities bear annual interest rate of 0.25% for demand and savings deposits. Time deposits bear annual interest rates ranging from 2.00% to 4.50% and from 2.04% to 5.00% in 2024 and 2023, respectively.

BSP Circular No. 1201 requires reserves against deposit liabilities. As of December 31, 2024 and 2023, the statutory and liquidity reserves as reported to the BSP amounted to ₱411.13 million and ₱35.52 million, respectively, which are equivalent to the balance of 'Due from BSP'. As of December 31, 2024, and 2023, the Bank was in compliance with the above requirements.

The interest expense on deposit liabilities is composed of the following:

	2024	2023
Time Deposit / Special Savings Account	**₱116,115,163**	₱64,663,692
Savings	**1,116,634**	1,143,778
Demand	**294,821**	173,025
	₱117,526,618	₱65,980,495

14. Bills Payable

As of December 31, 2024, and 2023, the outstanding balance of bills payable amounted to ₱1.78 billion and ₱954.30 million, respectively.

This account consists of unsecured borrowings from the National Livelihood Development Corporation which were assumed from CBP and the borrowings availed from Land Bank of the Philippines, Metropolitan Bank & Trust Company, including the Parent Bank, Asia United Bank Corporation (AUB).

Bills payable bear annual interest rates ranging from 5.26% to 6.06% and from 3.50% to 9.00% in 2024 and 2023, respectively.

Interest expense recognized in 2024 and 2023 amounted to ₱69.26 million and ₱58.84 million, respectively.

15. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2024	2023
Financial liabilities		
Accrued interest payable	**₱46,834,360**	₱36,237,261
Accrued other expenses payable	**32,596,840**	29,144,049
	79,431,200	65,381,310
Non-financial liabilities		
Accrued taxes and licenses	**10,030,062**	10,591,359
	₱89,461,262	₱75,972,669

16. Other Liabilities

This account consists of:

	2024	2023
Financial liabilities		
Accounts payable	**₱13,887,127**	₱47,365,469
Payable to shareholders	**10,237,959**	10,237,959
	24,125,086	57,603,428
Non-financial liabilities		
Retirement liability (Note 22)	**12,102,465**	14,493,668
Miscellaneous	**10,078,451**	9,654,175
	22,180,916	24,147,843
	₱46,306,002	₱81,751,271

Accounts payable includes insurance payments and annotations fees deducted in advance upon release of the proceeds of loans to the borrowers which are subsequently remitted to the appropriate payees.

Payable to shareholders refers to the consideration payable to the preferred shareholders of CBP.

Miscellaneous include teller overages, SSS, Philhealth and Pag-ibig payables.

17. **Maturity Analysis of Assets and Liabilities**

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within 12 months and beyond 12 months from reporting date:

	2024		
	Less than 12 Months	Over 12 Months	Total
Financial Assets			
Cash and other cash items	₱32,268,065	₱–	₱32,268,065
Due from BSP	411,133,089	–	411,133,089
Due from other banks	642,448,009	–	642,448,009
Investment securities at amortized cost	–	600,000,000	600,000,000
Investment securities at FVOCI	49,859,413	–	49,859,413
Loans and receivables - at gross	608,807,211	3,667,135,243	4,275,942,454
Other assets	1,239,360	2,481,904	3,721,264
	1,745,755,147	4,269,617,147	6,015,372,294
Nonfinancial Assets - at gross			
Property and equipment	–	205,050,054	205,050,054
Investment properties	–	42,690,960	42,690,960
Right-of-use asset	–	44,503,891	44,503,891
Deferred tax assets	–	21,654,416	21,654,416
Goodwill	–	66,144,389	66,144,389
Other assets	5,757,087	31,177,888	36,934,975
	₱5,757,087	₱411,221,598	416,978,685
Less: Unearned interest, premiums and discounts			(78,651,572)
Allowance for credit and impairment losses			(141,962,622)
Accumulated depreciation and amortization			(172,455,492)
			6,039,281,293
Financial Liabilities			
Deposit liabilities	2,825,305,769	219,820,930	3,045,126,699
Bills payable	1,784,304,864	–	1,784,304,864
Accrued interest and other expenses	32,596,840	46,834,360	79,431,200
Lease liabilities	2,332,270	45,820,948	48,153,218
Other liabilities	24,125,086	–	24,125,086
	4,668,664,829	312,476,238	4,981,141,067
Nonfinancial Liabilities			
Income tax payable	24,424,962	–	24,424,962
Accrued taxes and licenses	10,030,062		10,030,062
Other liabilities	22,180,916	–	22,180,916
	56,635,940	–	56,635,940
	₱4,725,300,769	₱312,476,238	₱5,037,777,007

	2023		
	Less than 12 Months	Over 12 Months	Total
Financial Assets			
Cash and other cash items	₱27,073,875	₱–	₱27,073,875
Due from BSP	35,517,842	–	35,517,842
Due from other banks	1,538,638,865	–	1,538,638,865
Investment securities at amortized cost	–	600,000,000	600,000,000
Investment securities at FVOCI	–	46,464,324	46,464,324
Loans and receivables - at gross	849,411,493	2,384,555,607	3,233,967,100
Other assets	889,268	2,384,763	3,274,031
	2,451,531,343	3,033,404,694	5,484,936,037
Nonfinancial Assets - at gross			
Property and equipment	–	187,322,119	187,322,119
Investment properties	–	49,887,326	49,887,326
Right-of-use asset	–	36,454,897	36,454,897
Deferred tax assets	–	15,382,172	15,382,172
Goodwill	–	66,144,389	66,144,389
Other assets	6,525,135	26,719,533	33,244,668
	6,525,135	381,910,436	388,435,571
	2,458,056,478	₱3,415,315,130	5,873,371,608
Less: Unearned interest, premiums and discounts			(73,611,927)
Allowance for credit and impairment losses			(180,986,161)
Accumulated depreciation and amortization			(159,419,818)
			5,459,353,702
Financial Liabilities			
Deposit liabilities	3,307,788,416	168,294,825	3,476,083,241
Bills payable	954,304,864	–	954,304,864
Accrued interest and other expenses	29,144,049	36,237,261	65,381,310
Lease liabilities	2,280,798	37,281,599	39,562,397
Other liabilities	57,603,428	–	57,603,428
	4,351,121,555	241,813,685	4,592,935,240
Nonfinancial Liabilities			
Income tax payable	8,473,083	–	8,473,083
Accrued taxes and licenses	10,591,359	–	10,591,359
Other liabilities	24,147,843	–	24,147,843
	43,212,285	–	43,212,285
	₱4,394,333,840	₱241,813,685	₱4,636,147,525

18. **Equity**

The Bank's authorized capital stock amounted to ₱500.00 million divided into 4,934,860 shares of common stock and 65,140 shares of preferred stocks, both with par value of ₱100.00 as of December 31, 2024 and 2023

Details of the number of subscribed and paid-up common and preferred shares as of December 31, 2024 and 2023 are as follows:

	Shares	Amount
Common stock	4,577,751	₱457,775,100
Preferred stock	5,311	531,100
	4,583,062	₱458,306,200

Capital Management

The primary objective of the Bank's capital management is to ensure that it complies with externally imposed capital requirements given its risk exposure and planned business expansion.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities and assessments of prospective business requirements or directions. 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. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital

The Bank's capital-to-risk assets ratio (CAR) as at December 31, 2024 and 2023 based on the Basel III risk-based capital adequacy, are shown in the table below (amounts in millions, except percentage):

	2024	2023
Common Equity Tier 1 Capital	**₱915.61**	₱746.48
Tier 1 capital	**916.14**	747.01
Tier 2 capital	**44.21**	38.22
Gross qualifying capital	**960.35**	785.23
Total risk-weighted assets	**₱4,457.81**	₱3,852.73
Capital ratios		
Common Equity Tier 1 ratio	**17.65%**	16.39%
Total tier 1 capital expressed as a percentage of total risk weighted assets	**17.66%**	16.40%
Total regulatory capital expressed as a percentage of total risk-weighted assets	**18.51%**	17.24%

as reported to BSP

The determination of the Bank's compliance with the 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 respects.

Qualifying capital and risk-weighted assets are computed based on BSP regulations. Under the current banking regulations, the capital accounts of the Bank should not be less than an amount equal to ten percent (10.00%) of its risk-weighted assets. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items as determined by the Monetary Board of the BSP.

The regulatory qualifying capital of the Bank consists of Tier 1 capital, which comprises paid-up common stock, additional paid-in and deficit less required deductions such as unsecured credit accommodations to director, officers, supervisors and related interest (DOSRI).

Risk-weighted assets are determined by assigning defined risk weights to the balance sheet exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Leverage Ratio and Total Exposure Measure
The Basel III Leverage Ratio (BLR) is designed to act as a supplementary measure to the risk-based capital requirement. The leverage ratio intends to restrict the buildup of leverage in the Bank and reinforce the risk-based requirements with a simple, non-risk based "backstop" measure. It is defined as a capital measure over its total exposure measure with a minimum requirement of 5.00%.

The Bank's BLR and Total Exposure Measure as of December 31, 2023 and 2022, as reported to the BSP, follows:

	2024	2023
Capital Measure	**₱916,143,436**	₱747,006,297
Divide: Exposure measure	**6,069,442,356**	5,502,778,762
Leverage ratio	**15.09%**	13.58%

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)
The NSFR seeks to limit the overreliance and short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts. It complements the LCR, which promotes short term resilience of a Bank's liquidity profile. The minimum LCR and NSFR requirement should be no lower than 100% at all times.

The Bank's LCR as of December 31, 2024 and 2023, as reported to the BSP, follows:

	2024	2023
Total High Quality Liquid Assets	**₱1,085,601,655**	₱701,916,392
Total net cash flows	**791,397,858**	414,484,194
LCR	**137.18%**	169.35%
Available Stable Funding Ratio	**₱3,400,999,824**	₱3,342,095,094
Divide: Required Stable Funding	**3,288,549,590**	2,843,182,022
Net Stable Funding ratio	**103.42%**	117.55%

<u>Minimum Capital Requirement</u>
Under an existing BSP Circular, rural banks based outside Metro Manila are required to comply with the minimum capital requirement of ₱40.00 million. As at December 31, 2024 and 2023, the Bank has complied with the minimum capital requirement.

19. Miscellaneous Income

The details of this account follow:

	2024	2023
Appraisal fee	**₱15,792,098**	₱3,988,729
Recoveries of loans previously written-off	**12,307,223**	21,881,946
Penalties on past due loans	**8,606,428**	9,396,085
Gain on sale of investment properties and chattels (Notes 10)	**5,233,981**	10,872,314
Rental Income	**185,613**	452,095
Gain on sale of sale of property and equipment (Note 9)	**98,056**	75,940
Excess annotation fees	–	4,201,481
Gain (Loss) on foreclosure of investment properties (Note 10)	**(278,000)**	1,699,541
Others	**26,877,200**	16,055,815
	₱68,822,599	₱68,623,946

Others pertain to miscellaneous income on closed accounts.

20. Miscellaneous Expense

This account consists:

	2024	2023
Corporate governance, programs, travel and events	**₱4,798,633**	₱3,324,648
Information technology	**2,507,602**	3,147,797
Litigation	**1,035,939**	521,244
Advertising and publicity	**1,425,695**	996,705
Supervision and examination fees	**864,112**	697,599
Membership dues	**219,169**	24,830
Fines, penalties and other charges	**5,850**	69,750
Others	**3,111,508**	9,036,519
	₱13,968,508	₱17,819,092

Fines, penalties and other charges include lease pre-termination fee, other fees and charges.

Others include donation and other charitable contributions, banking fees, and miscellaneous expense.

21. Lease Agreements

The Bank has entered into various operating leases covering premises and office space with third parties used in its operations. The lease contracts are for periods ranging from 1 to 16 years. Lease contracts include escalation clauses which bear an annual rent increase ranging from 5.00% to 10.00%.

The roll forward analysis of right-of-use assets and lease liabilities follows:

	2024	
	Right-of-use Assets	**Lease liabilities**
As at January 1, 2024	**₱36,454,897**	**₱39,562,397**
Additions	**22,038,389**	**22,038,389**
Depreciation expense	**(12,831,850)**	–
Pre-terminations	**(1,157,546)**	**(1,343,160)**
Interest expense	–	**2,462,659**
Payments	–	**(14,567,067)**
As at December 31, 2024	**₱44,503,890**	**₱48,153,218**

	2023	
	Right-of-use Assets	Lease liabilities
As at January 1, 2023	₱30,714,998	₱33,591,872
Additions	20,820,771	20,820,771
Depreciation expense	(12,737,230)	–
Pre-terminations	(2,343,642)	(333,603)
Interest expense	–	(2,183,056)
Payments	–	(12,333,587)
As at December 31, 2023	₱36,454,897	₱39,562,397

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2024 and 2023:

	2024	2023
1 year or less	**₱55,878**	₱2,316,935
more than 1 years to 2 years	**8,180**	3,330,016
more than 2 years to 3 years	**2,005,978**	2,723,607
more than 3 years to 4 years	**1,563,408**	10,019,950
more than 4 years to 5 years	**38,595,362**	17,290,452
more than 5 years	**12,404,759**	8,224,235
	₱54,633,566	₱43,905,195

The following are the amounts recognized in profit or loss related to lease arrangements:

	2024	2023
Depreciation expense of right-of-use assets	**₱12,831,850**	₱12,737,230
Interest expense on lease liabilities	**2,462,659**	2,183,056
Rent expense - short-term leases	**2,319,474**	1,906,168
	₱17,613,983	₱16,826,454

22. Retirement Liability

The Banks's liability for retirement benefits is based solely on the requirements under Republic Act 7641, *Retirement Pay Law* as the Bank does not have a formal retirement plan.

The cost of defined benefit pension plan as well as the present value of the retirement liability is determined using actuarial valuation which involves making various assumptions. The principal actuarial assumptions used are shown below:

	2024	2023
Discount rate	**6.20%**	6.40%
Future salary increase rate	**6.00%**	6.00%
Average future working life years	**10.0**	9.7

Changes in the present value of the defined benefit obligation as of December 31, 2024 and 2023 recognized in the statements of financial position follow:

	2024	2023
Balance at beginning of year	**14,493,668**	₱10,055,440
Current service cost	**2,973,555**	1,810,619
Past service cost	**22,449,098**	–
Interest cost	**1,219,261**	754,158
Actual (gain) loss on settlement	**(8,417)**	211,614
Contributions to plan assets	**(30,000,000)**	–
Benefits paid directly by the Company	–	349,500
Settlements benefits paid directly by the Company	–	(349,500)
Remeasurement (gains) losses:		
Actuarial changes arising from experience	**221,969**	(838,489)
Actuarial changes arising from changes in financial assumptions	**740,914**	2,500,326
Return on plan of assets, excluding amounts included in interest income	**12,417**	–
Balance at end of year	**₱12,102,465**	₱14,493,668

The amounts of defined benefit cost that is included under "Compensation and fringe benefits" in the statements of income are as follows:

	2024	2023
Current service cost	**₱2,973,555**	₱1,810,619
Past Service Cost	**22,449,098**	–
Interest Cost	**1,219,261**	754,158
Actual loss (gain) on settlement	**(8,417)**	211,614
	₱26,633,497	₱2,776,391

Below is the summary of actuarial remeasurement (gains) losses, net of corresponding deferred tax:

	2024	2023
Actuarial changes arising from experience	**₱221,969**	(₱838,489)
Actuarial changes arising from changes in financial assumptions	**740,914**	2,500,326
Return on plan of assets	**12,417**	–
	975,300	1,661,837
Deferred tax (Note 22)	**(243,825)**	–
	₱731,475	1,661,837

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation (PBO) as of December 31, 2024 and 2023 assuming if all other assumptions were held constant:

	2024		2023	
	Increase (decrease)	**Defined benefit obligation**	Increase (decrease)	Defined benefit obligation
Discount rates	**+ 100 bps**	**(₱36,630,678)**	+ 100 bps	(₱12,227,110)
	- 100 bps	**48,713,413**	- 100 bps	17,289,693
Future salary increases	**+ 100 bps**	**48,676,661**	+ 100 bps	17,272,288
	- 100 bps	**(36,574,131)**	- 100 bps	(12,199,930)

In 2024, the average duration of the retirement liability is 18.8 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2024	2023
Year 1 – 7	**₱19,475,562**	₱15,898,992
Year 8 – 9	**14,322,332**	7,447,822
Year 10	**3,950,310**	11,051,693
Year 11 – 15	**50,550,668**	32,819,594
Year 16 – 20	**75,742,668**	70,081,716
Year 21 – 30	**236,407,087**	249,242,600
Year 31 – 40	**62,671,291**	93,844,799

23. Income Taxes

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

Income taxes include corporate income tax, as discussed below, and 20.0% final withholding tax on gross interest income from government securities and other deposit substitutes.

Republic Act (RA) No. 9397, *An Act Amending National Internal Revenue Code*, as amended by RA 10963 otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN Law) and RA 11534 otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE

Bill), provides that the Regular Corporate Income Tax (RCIT) rate shall be 25.00% while interest expense is reduced to 20.00% of interest income subject to final tax.

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

An optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the 2024 and 2023 RCIT computation, the Bank elected to claim itemized expense deductions instead of the OSD.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.0% of the Bank's net revenue. The regulations also provide for MCIT of 1.0% on modified gross income and allow a NOLCO. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence and five years for those losses incurred for taxable years 2024 and 2023.

Provision for income tax consists of:

	2024	2023
Current tax	**₱43,396,554**	₱11,540,276
Final tax	**10,477,922**	7,752,408
Deferred tax	**(6,028,419)**	(5,743,197)
	₱47,846,057	₱13,549,487

Below are the components of the net deferred tax assets:

	2024	2023
Deferred tax assets on:		
Deferred service fees	**₱14,514,270**	₱13,800,368
Retirement	**3,025,616**	–
Allowance for credit and impairment losses	**7,480,143**	6,349,926
	25,020,029	20,150,294
Deferred tax liability on:		
Gain on foreclosure of investment properties	**(3,365,613)**	(4,768,122)
	₱21,654,416	₱15,382,172

As of December 31, 2024 and 2023, the Bank recognize deferred tax assets on the following deductible temporary differences as the Bank assessed that it is not probable that the related tax benefits will be realized in the foreseeable future:

	2024	2023
Allowance for credit and impairment losses	**₱112,555,196**	₱155,586,457
Accrued expenses	**79,431,200**	65,381,309
Retirement liability	–	14,493,668
Lease liabilities, net of ROU assets	**3,649,328**	3,107,500
	₱195,635,724	₱238,568,934

A reconciliation of income before income tax computed at the statutory tax rate to effective income tax follows:

	2024	2023
Statutory income tax	**₱55,870,138**	₱34,966,964
Adjustments for:		
Tax-paid and tax-exempt income	**(2,619,481)**	(1,824,566)
Nondeductible expenses	**10,479,385**	7,315,703
Change in unrecognized deferred tax assets	**(15,883,984)**	(26,908,614)
Provision for income tax	**₱47,846,058**	₱13,549,487

24. Related Party Transactions

In the ordinary course of business, the Bank has transactions with its related parties. Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are related if one party has the ability, directly or indirectly, to control the other parties or exercise significant influence over the other party in making the financial and operating decisions and the parties are subject to common control or common significant influence.

As of December 31, 2024 and 2023, significant related party transactions follow:

	31-Dec-24		31-Dec-23		
Category	**Amount/ Volume**	**Outstanding Balance**	Amount/ Volume	Outstanding Balance	Terms, Conditions and Nature
Parent Company					
Due from other banks	₱–	₱–	₱–	₱31,757,112	Peso demand deposits
Deposit liabilities		–		–	Time deposits
Deposits	–		–		
Withdrawals	–		–		
Interest income on due from other banks		**185,240**		82,558	Interest earned from peso demand deposits
Interest expense on deposits	–	**1,326,667**	–	11,440,139	Interest rate ranging from 0.90% to 6.50%, payable monthly
Bills payable	**680,000,000**	**30,000,000**	2,010,000,000	30,000,000	
Accrued interest on intercompany bills payable	–	**28,750**	–	20,000	The loan has 5.75% interest per annum with a term of 15 days.
Other Related Parties					
Deposit liabilities		**1,913,018,311**		2,256,432,482	With annual interest rates from 2.00% to 4.50%
Deposits	**15,290,175,557**		6,375,000,000		
Withdrawals	**13,449,656,856**		4,981,762,248		

Other related parties include significant investor of the Parent Company and its related affiliates.

Transactions with related parties are settled in cash.

Remunerations of Directors and other 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 board of directors and senior management to constitute key management personnel.

Since the Bank's BOD and senior management are interlocking directors and officers of the Parent Company, the compensation of key management of the Bank was part of the compensation of key management of the Parent Company in 2024 and 2023.

25. Contingencies

In the ordinary course of the Bank's business, there are outstanding contingent liabilities such as pending litigations which are not shown in the accompanying financial statements. These cases are in the nature of annulment of foreclosed properties, annulment of mortgages, writs of possession, among others. Management does not anticipate losses from these contingencies that would adversely affect the Bank's operations.

26. Notes to Statements of Cash Flows

The following is the summary of noncash activities:

	2024	2023
Non-cash investing activities:		
Additions to investment properties and chattels from settlement of loans	**₱43,174,711**	₱19,056,606
Recognition of new right-of-use assets (Note 21)	**22,038,389**	20,820,771

Changes in the liabilities arising from financing liabilities
The following are the cash flow movements of the Bank's financing liabilities in 2024 and 2023:

	2024				
			Non-cash changes		
	January 1, 2024	**Payments**	**Interest Accretion**	**Net Additions**	**December 31, 2024**
Bills Payable*	**₱954,304,864**	**(₱1,749,260,138)**	**₱69,260,138**	**₱2,510,000,000**	**₱1,784,304,864**
Lease liabilities**	**39,562,397**	**(14,567,067)**	**2,462,659**	**20,695,229**	**48,153,218**
	₱993,867,261	**(₱1,763,827,205)**	**₱71,722,797**	**₱2,530,695,229**	**₱1,832,458,082**

**Ending balance includes unamortized debt issue costs.*
***Ending balance includes both accrual of interest expense.*

	2023				
			Non-cash changes		
	January 1, 2023	Payments	Interest Accretion	Net Additions	December 31, 2023
Bills Payable*	₱1,074,304,864	(₱3,838,836,111)	₱58,836,111	₱3,660,000,000	₱954,304,864
Lease liabilities**	33,591,872	(12,333,587)	2,183,056	18,304,112	39,562,397
	₱1,107,896,736	(₱3,853,352,754)	₱61,019,167	₱3,678,304,112	₱993,867,261

**Ending balance includes unamortized debt issue costs.*
***Ending balance includes both accrual of interest expense.*

27. **Approval for the Release of Financial Statements**

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 24, 2025

28. **Supplementary Information Required under Section 174 of the Manual of Regulations for Banks (MORB)**

Financial Performance Indicator
The following basic ratios measure the financial performance of the Bank:

	2024	2023
Return on average equity	**19.03%**	16.58%
Return on average assets	**3.02%**	2.69%
Net interest margin on average earning assets**	**7.53%**	6.67%

***Interest-earning assets comprise of due from other banks, loans and receivable and investment securities at amortized cost.*

The following formulas were used to compute the indicators:

Performance Indicator	BSP Prescribed Formula (in percentage)
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Tax}}{\text{Average Total Capital Accounts*}}$
Return on Average Assets	$\frac{\text{Net Income (or Loss) after Tax}}{\text{Average Total Assets*}}$
Net Interest Margin	$\frac{\text{Net Interest Income (or Loss) after Tax}}{\text{Average Interest Earning Assets*}}$

**Average amount is calculated based on current year-end and previous year-end balances*

Capital Instruments
The Bank's capital instruments consist of the following:

Capital Stock
As of December 31, 2024 and 2023, the Bank has outstanding capital stock as shown below:

	Shares	Amount
Common Stock	4,577,751	₱457,775,100
Preferred stock	5,311	531,100
	4,583,062	₱458,306,200

Concentration of Credit Exposures
As at December 31, 2024 and 2023, information on the concentration of credit as to industry of loans and receivables (gross of unearned discount and unearned lease/finance income and before allowance for credit losses) follows:

	2024		2023	
	Amount	**Percentage**	Amount	Percentage
Agriculture, forestry and fishing	**₱2,608,305,260**	**62.82%**	₱2,016,639,967	64.03%
Wholesale and retail, repair of motor vehicles, motorcycles	**132,089,440**	**3.18%**	94,961,018	3.02%
Other service	**1,412,024,116**	**34.00%**	1,037,924,410	32.95%
	₱4,152,418,816	**100.00%**	₱3,149,525,395	100.00%

Breakdown of Total Loans as to Security and Status
The following are details of the loans and receivables for BSP reporting.

The details of the secured and unsecured loans and receivables as of December 31, 2024 and 2023 are as follows:

	2024		2023	
	Amount	**Percentage**	Amount	Percentage
Secured:				
Real estate	**₱69,410,115**	**1.67%**	₱42,435,691	1.35%
Chattel	**2,093,398,104**	**50.42%**	1,418,999,530	45.05%
	2,162,808,219	**52.09%**	1,461,435,221	46.40%
Unsecured	**1,989,610,597**	**47.91%**	1,688,090,174	53.60%
	₱4,152,418,816	**100.00%**	₱3,149,525,395	100.00%

Of the unsecured loans, ₱253.28 million and ₱239.03 million as of December 31, 2024 and 2023, respectively, represent agricultural loans which are covered by the AGFP program of the Department of Agriculture. Under the terms of this agreement, AGFP provides 85% guarantee cover on the principal balance of the eligible loans at the time of claim but not to exceed the amount of credit ceiling per commodity as set by the AGFP Governing Board.

In 2024 and 2023, the Bank paid guarantee fee to AGFP (presented under 'Insurance expense' in profit or loss) amounting to ₱4.706 million and ₱3.89 million, respectively.

Generally, nonperforming loans (NPLs) refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total receivable balance.

Microfinance loans are tagged as NPLs when the borrower missed an installment payment.

Receivables are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Receivables are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As of December 31, 2024 and 2023, restructured receivables amounted ₱ 20.94 million and ₱ 32.15 million, respectively. Interest income earned from restructured loans amounted to ₱5,241 and ₱51,404 in 2024 and 2023

Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs.

With the issuance of BSP Circular 941 Amendments to the Regulations on Past Due and NPLs effective January 1, 2018, loans 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 ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Breakdown of total loans as to status

Information on the amounts of performing and non-performing loans and receivables (gross of unearned interest and discounts and allowance for impairment and credit losses) of the Bank are as follows:

	2024			2023		
	Performing	**Non-performing**	**Total**	Performing	Non-performing	Total
Gross Loans*						
Other Agricultural Credit Loans	**₱2,109,822,203**	**₱38,582,385**	**₱2,148,404,588**	₱1,266,255,519	₱89,118,959	₱1,355,374,478
Medium Scale Enterprise	**47,526,849**	**-**	**47,526,849**	78,758,877	4,762,380	83,521,257
Small Scale Enterprise	**144,810,768**	**9,206,698**	**154,017,466**	129,411,570	2,892,784	132,304,354
Agrarian Reform Loans	**298,478,830**	**59,016,223**	**357,495,053**	449,776,322	50,740,281	500,516,603
Loans to Individuals	**1,389,286,056**	**22,738,060**	**1,412,024,116**	1,012,084,418	25,839,992	1,037,924,410
Microfinance Loans	**22,092,246**	**10,858,498**	**32,950,744**	33,786,486	6,097,806	39,884,292
	₱4,012,016,952	**₱140,401,864**	**₱4,152,418,816**	₱2,970,073,192	₱179,452,202	₱3,149,525,394

***Excludes sales contract receivables and accrued interest receivable**

The NPLs in 2024 and 2023, as presented above, are gross of specific allowance amounting to ₱162.35 million and ₱223.15 million. Out of these loans, ₱19.20 million and ₱13.12 million are secured as of December 31, 2024 and 2023, respectively.

In computing for NPLs, loans and receivables acquired from CBP were adjusted to their fair values at the date of acquisition.

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 of December 31, 2024 and 2023, the Bank has one DOSRI loan.

Contingencies and commitments
As of December 31, 2024 and 2023, the Bank has no amounts of contingencies and commitments arising from off-balance sheet items, transaction-related contingencies, sale and repurchase agreements not recognized in the statement of financial position, interest and foreign exchange related items and other commitments.

29. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010 the notes to financial statements shall include information on taxes and licenses paid or accrued during the taxable year.

The Bank reported and/or paid the following types of taxes for the year:

Taxes and Licenses
In 2024, taxes and licenses of the Bank, which include all other taxes, local and national, consist of:

Gross receipt tax	₱30,816,881
Documentary stamp tax	11,204,797
License and permit fees	2,547,657
	₱44,569,335

Gross receipt tax
The Bank is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, fees and commissions from lending activities at 5.00% or 1.00%, depending on the loan term, and at 7.00% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

Withholding Taxes
Details of total withholding tax remittances in 2024 and outstanding liability balance as of December 31, 2024 are as follows:

	Total Remittance	Outstanding Balance
Final withholding taxes	₱4,680,640	₱642,384
Expanded withholding taxes	2,711,821	176,640
Tax on compensation and benefits	2,490,722	286,438
	₱9,883,183	₱1,105,462

Tax Assessment
As of December 31, 2024, the Bank has not received any final assessment notices from the BIR and it has no tax cases, litigation and/or prosecution in court or bodies outside BIR.