

Rural Bank of Sasmuan (Pampanga), Inc.
(Doing business under the name and style of SasBank, A Rural
Bank, duly approved by the SEC on August 15, 2013)

2024 ANNUAL REPORT

PART I

CORPORATE POLICY

VISION

To be the premier rural bank and a leading pillar in countryside development by promoting inclusive growth through financial inclusion and timely delivery of socially relevant and responsive banking products and services to all our stakeholders and the community we serve.

MISSION

To promote countryside development through financial inclusion by offering timely, socially relevant and responsive banking products and services which address the needs of small farmers and fisher folks, micro, small and medium enterprises (MSMEs), the agri-business sector and all our stakeholders; performed by officers and employees exercising the highest degree of professionalism.

CORE VALUES

Trust and Integrity
Commitment
Sense of Urgency
Service Quality
Excellence

INTRODUCTION OF THE BANK'S BRAND

When Sasbank was established in 1968 or 56 years ago in the remote municipality of Sasmuan, Pampanga, rural banking was just in its inception stage. It was conceptualized primarily to provide banking services to the unbanked and unserved community in that countryside.

Over the years, the financial landscape has tremendously changed; banking has become very competitive with the entry of commercial banks in the countryside; and even foreign banks entered the local financial market.

But SasBank was unfazed by these developments, and remained steadfast in its mission to serve the countryside. For these reasons, Sasbank has adopted and revised its mission –vision statements. If it has to survive and remain competitive, it must protect and preserve its niche thru personalized service and by promoting countryside development through financial inclusion by offering timely and socially relevant banking products and services which address the needs of its stakeholders in the countryside. Similarly, SasBank recognizes the reality that it must strive to establish branches or even branch lite units only in localities where there are still no formal banking institutions operating and continue its financial literacy program in the countryside-- teaching small farmers and fisher folks and micro, small and medium entrepreneurs (MSMEs) the importance of savings.

To stay competitive, SasBank must continue to discover new banking products and services which are relevant and responsive to the needs of its stakeholders. Above all, in the pursuit of this mandate, its board of directors, all officers and staff must continue to steadfastly adhere to and exercise the highest degree of excellence and professionalism and always **“RENDER THE BEST SERVICE”** to all its stakeholders in the countryside.

BUSINESS MODEL OF THE BANK

SasBank will adopt the following strategies aiming for the complete reversal of the financial status of the bank and calculated to result in a more sustainable growth and profitable operations:

1. Engage aggressively in deposits generation thru barangay visitation and business mapping;
2. Continue its deposit generation campaign for Basic Deposit Accounts thru visitation of various school campuses in the localities where the Bank has branches;
3. Use signages/tarpaulins and put up a booth per barangay whenever possible as part of its loan and deposit marketing strategy;
4. Build up deposits from major stockholders, directors and officers;
5. Pursue the digitalization program of the Bank in its deposit and loan operations, including the existing POS;
6. Continue to review its deposit rates for time deposits to attract more depositors;
7. Open Branch Lite Units (suspended in the meantime);
8. Engage aggressively in lending operations, and revive the Bank's micro lending program to MSMEs to accelerate economic recovery in the countryside;
9. Continue to increase its new loan products and services (such as duck raising, balut making, parol makers, and farmers of high value crops like garlic and onion, etc.)
10. Pursue the application with the ACPC of the Department of Agriculture (DA) to act as loan conduit, subject to compliance of its requirements;
11. Continue to review its lending rates to make it more competitive and attract more borrowers/clients;
12. Strengthen its Credit Risk Management System (CRMS) thru regular attendance of our Loan Operations Group (LOG) and Credit Investigation, Appraisal and Administrative Department (CIAAD) staff in the relevant training programs offered by BSP, RBAP, RBRDFI, CCLRB and other training service providers;
13. Strengthen the RARCOM thru trainings and seminars for a more effective qualitative review of the Loan Portfolio and management of risk assets, particularly in the following areas: Past Due loans, loan collection, loan-loss provisioning; disposal of ROPAs and close coordination with collection lawyer;
14. An independent Professional Appraisal company's services shall be procured on a per need basis;
15. Aggressive disposal of ROPAs;
16. Continue the training and education of our directors, officers and staff thru attendance in various webinars/trainings offered by RBRDFI and Confederation of Central Luzon Rural Banks (CCLRB) and PFRB, and other service providers. A continuing competency and annual skills training program was adopted by the Bank;
17. Hire additional employees, as may be necessary, to augment our succession plan, particularly in the LOG, CIAAD, and branch banking operations;

18. Continuously review the compensation and fringe benefit package for all officers and employees to be competitive and as a strategy for the retention of employees and to attract quality applicants;
19. The Management Committee shall continue to regularly meet in 2025 and henceforth and enhance the minutes of its meetings;
20. Improve the frequency and quality of internal reports of various committees as a tool for the BOD's and Senior Management's decision making process;
21. Strictly enforce the conduct of the personnel appraisal and performance rating system to further improve the quality of service;
22. Adoption of a multi-tasking policy to address short term vacancies; and
23. Implement a continuing bank wide reorganization by assigning officers and staff to the positions where they are more effective and efficient based on their skills, competency, trainings and performance.

2. Proposed Target Market

The foregoing strategies are aligned with the Bank's objectives to maximize its financial resources in order to significantly increase its loan portfolio and deposit client base and continuously reduce its past due loans, in order to sustain its profitable operations. The bank has identified Key Market Segments to focus on.

- POS Clients
- Agri and Poultry products suppliers
- Farmers (Palay and Corn; high value crops)
- Lessors of farm equipment (tractors, harvesters, etc.)
- Existing Depositors without Loans and "Old" but valued Borrowers
- Aquaculture/fishpond operators
- Market Vendors (Daily Collection)
- Reactivation of Dormant Accounts
- Relatives and friends of shareholders, directors and staff
- Commercial establishments in Guagua Pampanga, and within the area of San Fernando, Pampanga and Paombong Bulacan and adjoining provinces in Central Luzon and part of Region I.

More specifically, SasBank will provide valuable and reasonably priced deposit and loans products to the Micro enterprise segment, like:

- Sari Sari Stores / General Merchandise
- Retail Meat, Fish, Vegetables and Fruits Vendors/market stallholders
- Services, e.g. Health care
- Food, food processing and food deliveries
- Manufacturing
- Trading
- Livestock (piggery and poultry)

3. Loans and Deposits Generation

SasBank will expand its client base primarily through the micro savings component of the microfinance loans and also through the aggressive account solicitation efforts by the branch managers, account officers, collectors and bank representatives and other employees. The bank will leverage on the locations of its branches to increase its customer base, loans and deposits levels. Loans and Deposits, e.g. Regular Savings, Basic Deposit Accounts and Time Deposits will be offered to its target markets at competitive rates. The following strategies will be executed:

- a. Area Mapping and Client Orientation
 - Two barangays per branch per quarter
 - Campaign for Basic Deposit Accounts in various school campuses
 - Client orientation per month
- b. Disciplined Sales acquisition process
 - 5-10 field sales calls per day
 - 10 new customers (depositors or borrowers) per month
 - Submission of Weekly Call Reports and Prospect List and Monthly Sales Activity Analysis
- c. Team Selling
 - Involve the branch personnel by giving them individual targets
 - Telemarketing, e.g. phone calls and SMS follow-ups
 - Centralized text blasts
 - Encourage loan borrowers to open or increase their deposits
- d. Advertisement
 - Posting of signages/tarpaulins/stickers in public utility jeepneys, tricycles, business establishments and schools
 - Providing flyers and posting of tarpaulins
 - Posting of tarpaulins where the ROPA is located
 - Use of social media platforms
- e. Customer Service
 - Maintain good relationship and stay connected with clients
 - Clients visitation to find out their additional needs

4. Focused Collection Effort

- Zero Tolerance for Delinquency
- Weekly Collection Report, Delinquency Feedback
- Restructuring Based on Customers Cash Flow
- Non-renewal of loan accounts with 3-time delinquency
- Encourage on line payment thru the facilities of BDO
- Maximize the use of BDO (inter-branch deposit facility)

- Branch Managers to assist in collection in addition to their deposit generation campaign
- Accelerate Collection Efforts for Delinquent Loan Accounts
- Target Php2,250,000 collection per month
- Foreclosure of collaterals or attachment of property held for safekeeping of long overdue loan accounts
- Aggressive filing of collection cases for long overdue loan accounts by utilizing Small Claims Court
- File motions to revive previously unimplemented court decisions

5. **Manpower Plans**

- Hiring of additional Account Officers
 - Hire additional account officers (AOs) and bank representatives, and such additional personnel as maybe necessary;
- Hire one (1) additional credit investigator (CI) and appraiser in CIAAD to augment our succession planning and compliment the aggressive loan production
- Training, Mentoring and Development
 - Selling Skills (for Deposits and Loans) Training
 - Micro Enterprise Appraisal Course
 - Enhanced Cash Flow Analysis
 - Mastery of Bank's System
 - More focused training on branch operations

IV. FINANCIAL TARGETS

With the execution of the above strategies and action plans, the financial forecast is summarized below.

1. Deposit Targets (Figures in Million Pesos)

	2023	2024	2025	2026	2027
SD Regular	226.391	231.089	234.162	342.162	450.162
Time Deposit	21.680	25.152	39.166	43.082	47.390
Total	248.071	256.241	273.328	385.244	497.552

Distribution of Deposit Targets per Branch:

Sasmuan Head Office P 3.5 Million per month

San Fernando Branch P 3.00 Million per month

Paombong Branch P2.5 Million per month

Notes: 1. Target is an average increase of P 108.00 Million per annum.

2. The monthly target increase in deposits is net withdrawals.

2. Loan Targets
(Figures in Million Pesos)

	2023	2024	2025	2026	2027
Current	239.904	267.933	265.008	336.687	415.773
Past Due	25.856	24.022	21.822	22.611	25.406
Total Loan Portfolio	265.760	291.955	286.830	359.298	441.179

Distribution of loan targets:

Account Officers (4): P5.200 each per month (new or incremental) total of 20.8M/month for 2023

Account Officers (5): P3.600 each per month (new or incremental) total of 18.0M/month for 2024

Account Officers (5): P3.600 each per month (new or incremental) total of 18.0M/month for 2025

Account Officers (5): P3.900 each per month (new or incremental) total of 19.5M/month for 2026

Account Officers (5): P4.700 each per month (new or incremental) total of 23.5M/month for 2027

3. Projected Income Statement

	2023	2024	2025	2026	2027
Interest Income	31.880	31.601	32.497	39.576	48.129
Gain on Sale	0.754	0.418	0.210	0.171	0.151
Non-Interest Income	4.160	4.320	4.320	4.680	5.640
Total Income	36.794	36.339	37.027	44.427	53.920
Compensation & Fringe Benefits	11.115	9.851	14.073	17.591	21.989
Taxes and Licenses	1.938	2.174	1.942	2.318	2.812
Other Admin Expenses	15.738	14.856	14.095	17.619	22.024
Loan Loss Provisioning	3.582	4.505	2.204	2.182	2.261
Total Expenses	32.373	31.386	32.315	39.710	49.086
Net Income Before Taxes	4.421	4.953	4.712	4.717	4.834
Income Taxes	1.105	1.238	1.178	1.179	1.209
Net Income After Taxes	3.316	3.715	3.534	3.538	3.625

4. Projected Equity

	2023	2024	2025	2026	2027
Equity	40.702	32.242	39.776	47.313	55.339

PART II

**FINANCIAL SUMMARY
AND
FINANCIAL HIGHLIGHTS**

FINANCIAL SUMMARY/HIGHLIGHTS

Shown hereunder is the two (2)-year comparative presentation of selected profitability, capital, performance and balance sheet data/ratios:

Minimum Required Data	Current Year 2024	Previous Year 2023
Profitability		
Total Interest Income	19,155,657	19,418,380
Total Non-Interest Income	5,661,095	14,057,252
Total Non- Interest Expenses	31,803,227	26,846,860
Pre-provision profit	4,515,181	9,597,653
Allowance for credit losses	10,316,903	5,728,964
Net Income/Loss	-5,801,322	3,868,689
Selected Balance Sheet Data		
Liquid Assets	193,791,244	163,466,734
Gross Loans	161,928,278	147,078,593
Total Assets	217,388,822	203,460,893
Deposits	164,004,557	148,241,243
Total Equity	40,916,311	41,172,913
Selected Ratios		
Return on Equity	-14.13	10.88
Return on Assets	-2.76	2.02
Capital Adequacy Ratio	14.24	16.25

Capital Structure and Capital Adequacy

	2024	2023
Tier 1 Capital		
Paid up common stock	48,230,000	44,300,000
Retained Earnings	(7,313,689)	(3,127,087)
Undivided Profits		
Deferred Tax Assets	6,731,445	4,339,401
NET TIER 1 CAPITAL	34,184,866	36,833,512
Tier 2 Capital	1,452,785	1,020,190
Total Qualifying Capital	35,637,651	37,853,702
Total Credit Risk- Weighted Assets	250,348,754	232,987,903
1% of Credit Risk- Weighted Assets	2,503,488	2,329,879
NET TIER 2 CAPITAL	1,452,785	1,020,190

Qualifying Capital	35,637,651	37,853,702
Net Tier 1 Capital	34,184,866	36,833,512
Net Tier 2 Capital	1,452,785	1,020,190
TOTAL QUALIFYING CAPITAL	35,637,651	37,853,702
Risk-Weighted Assets		
Risk-Weighted Assets On-Balance Sheet (BS)	216,279,228	204,200,522
Risk-Weighted Assets Off- BS	-	-
CREDIT RISK-WEIGHTED ASSETS	216,279,228	204,200,522
MARKET RISK-WEIGHTED ASSETS		
OPERATIONAL RISK-WEIGHTED ASSETS	34,069,526	28,787,381
TOTAL RISK-WEIGHTED ASSETS	250,348,754	232,987,903
RISK-BASED CAPITAL ADEQUACY RATIO	14.24	16.25

At present, the Bank has Php100.0 Million, Php49.700 Million and Php 48.230 Million authorized, subscribed and paid up capital stock, respectively. As of year-end 2024, the Bank's total equity stood at Php 40.916 Million from the previous year of Php41.713 Million.

The Bank's Risk-Based Capital Adequacy Ratio (CAR) stood at 14.24% at year-end 2024. This is above the required regulatory limit of 10%. The Bank has not declared any cash dividend.

PART III

**FINANCIAL CONDITIONS
AND
RESULTS OF OPERATIONS**

PRESIDENT'S REPORT

I am pleased to report and share with you SasBank's result of operations for the year ended 31 December 2024, our performance, initiatives and future direction.

The Bank sustained a modest growth in 2024 despite the challenges in the financial sector. The Bank remained strong and resilient, ensuring that our clients, employees, and shareholders continue to benefit from our stability and commitment. Overall, our financial performance has improved. Actually, were it not for the additional Allowance for Credit Losses (ACL) of Php12.5 million required to be booked by the BSP based on its 2024 regular examination, our Net Income for year ended 2024 could have been Php3.331 million. This additional ACL if you recall resulted from the embezzlement committed in 2022 by the former Branch Manager of Paombong Branch and the Branch Cashier of San Fernando Branch in the amount of Php9.5 million and Php3.6 million, respectively, or a total of Php13.1 million. The criminal cases filed against these two former employees are ongoing.

Some of the financial highlights are shown below:

Particulars (in millions)	12/31/2024	12/31/2023	Inc./ (Dec.)	%
ASSETS				
Cash & Other Cash Items	4.864	6.163	(1.299)	(21.08)
Due from BSP & other Banks	38.424	25.901	12.523	48.35
Total Current Loans	140.018	126.034	13.984	11.10
Total Past Due Loans	16.755	15.614	1.142	7.310
Items in Litigation	5.155	5.431	(.276)	(5.08)
Total Loans & Receivables	161.928	147.079	14.849	10.100
Loans & Receivables (NET)	150.503	131.403	19.100	14.54
Real & Other Property Acquired (ROPA)	1.118	3.549	(2.431)	(68.50)
TOTAL ASSETS	217.389	203.461	13.928	6.85
LIABILITIES & CAPITAL				
Savings Deposits	127.759	123.089	4.670	3.79
Time Deposits	36.246	25.152	11.094	44.11
TOTAL DEPOSIT LIABILITIES	164.005	148.241	15.764	10.63
CAPITAL				
Paid Up Capital	48.230	44.300	3.930	8.87
Undivided Profits (Deficit)	(7.314)	(3.127)	4.187	133.90
TOTAL STOCKHOLDERS' EQUITY	40.916	41.173	(.257)	(.62)
Gross Income	28.168	35.877	(7.709)	(21.49)
Interest Income from Loans & Bank Deposits	22.507	21.820	.687	3.145
Non-interest Income	5.337	6.154	(.817)	(13.28)
Gain on Sale of ROPA	.324	7.903	(7.579)	(95.90)

Total Expenses	35.155	29.249	5.905	21.19
Total Operating Expenses	24.838	23.520	1.318	5.60
ACL Provisions	10.317	5.729	4.588	80.08
Net Income (NI) before ACL	3.330	12.357	(9.026)	(73.04)
NI (Loss) after Income Tax	(5.801)	3.869	9.670	249.94
Earnings per Share	(1.20)	.87	(2.07)	237.93
Past Due Ratio	13.53%	14.31%	.78%	5.45
*Figures are from 2023 and 2024 AFS.				

Despite the fact that we were not able to meet our loan target for 2024 of Php270.0 million, our Total Loans and Receivable (Net) still increased by Php19.100 million, from Php131.403 in 2023 to Php150.503 in 2024. Our Total Past Due Loans (PDLs) slightly increased from Php21.045M in 2023 to Php21.910M in 2024 despite earnest collection efforts by our Collection and Asset Recovery Department (CARD). This was primarily a carry over of PDLs from the previous years, particularly during the pandemic period. To address this problem, the Bank intensified its collection effort thru filing of collection cases.

Our Past Due Ratio (PDR) at year end 2024 was 13.53% from 14.31% in 2023, while total ACL per books stood at Php12.806 M or 58.45% of Total Past Due Loans of Php21.910M. Our Capital Adequacy Ratio (CAR) ended at 14.24%, compliant with the 10% minimum required by BSP.

There was a substantial decrease of Php7.709M or 21.49% in Gross Income from year end 2023 of Php35.877M to only Php28.168M in 2024. The increase in gross income in 2023 was brought about by the gain on sale of ROPA in the amount of Php7.903M, whereas only Php324 thousand was earned in 2024. Total Expenses in 2024 increased to Php35.155 from Php29.249 in 2023 or an increase of Php5.906 or 21.19% resulting to a Net Loss after income tax in 2024 of Php5.801 million from Net Income After Taxes of Php3.869 million in 2023. The net loss in 2024 primarily resulted from the booking of additional ACL of Php12.5 million required by BSP.

We really need to increase our loan production to achieve a sustainable growth for the Bank. However, this must be accompanied by an increase in our deposit generation.

The same problem was encountered in 2024 as in 2023, our deposit generation lagged very much behind our loan production target. The Loan Operations Group could not go full blast for lack of sufficient loanable funds.

As of year end 2024, the Bank has complied with its capital build up program (CBUP) under the Rural Bank Strengthening Program (RBSP) as required by BSP Circular No. 1151 with a total paid up capital of Php48.230 million. If we want to sustain a positive trajectory and improve the Bank's bottom line in the long term, there is a need to fast track the Bank's capital build up program (CBUP), and not wait until 2027.

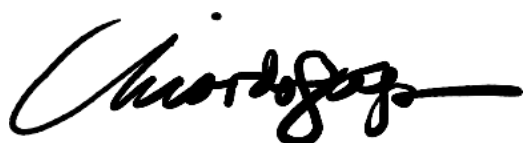
The future direction of the Bank for which some initiatives had already been started are:

1. Vigorously pursue its application to act as Partner Lending Conduit (PLC) with the Agricultural Credit and Policy Council (ACPC) of the Department of Agriculture.
2. Pursue its digitization program;
3. Continue its training program for all officers and employees;
4. Continue its reorganization program to meet current changes and development in banking;
5. Continue its financial inclusion campaign by strengthening community presence thru opening of Basic Deposit Accounts (BDA) for students and teachers in various schools in Sasmuan and adjacent towns;
6. Amendment of its articles of incorporation and by laws;
7. Transfer of head office from the municipality of Sasmuan to San Fernando City, Pampanga ;
8. Update all bank manuals, particularly strengthening its internal control system;
9. Sustain aggressive collection efforts by filing collection cases against delinquent borrowers which were not done before;
10. Continue to comply with our Capital Build Up Program (CBUP) required under Circular 1151. We committed to infuse the additional amount of Php4.0 million, Php4.0 million and Php4.4 million for 2025, 2026 until September 2027, respectively, to comply with the minimum capital of Php50.0 million. Whenever possible, we should not wait for 2027 to comply with the minimum paid up capital of Php50.0 million; and
11. Put up additional branches and/or branch lite units (BLUs);

Finally, I am happy to report that the result of the BSP regular examination for 2024 was satisfactory. After more than seven (7) years, the Letter of Commitment was finally lifted.

Looking ahead, we remain dedicated to responsible growth, sound financial management, and delivering added value to all our stakeholders. With the continued support of the major stockholders, board of directors, coupled with the dedication and commitment of our officers and staff, we are confident that SasBank will not only be able to navigate future challenges, but will sustain its growth target, and seize new opportunities for success.

Thank you for your continued trust and confidence. We look forward to another year of shared progress.



ATTY. RICARDO S. ARLANZA, CPA
President/CEO

PART IV

**RISK MANAGEMENT
FRAMEWORK**

Risk Appetite Statement

I. OVERVIEW

The Rural Bank of Sasmuan, (Pampanga), Inc. or SasBank was established in 1968 pursuant to the Rural Banks Act (R.A. No. 720, as amended) to provide banking services for the needs of the unbanked, the unserved, and the underserved communities in the countryside. The Bank fulfills its mandate under the oversight of its board of directors, board committees and senior management.

The Bank conducts its business by treating the security of its deposits with utmost importance. Its Mission and Vision Statements serve as its North Star with its corporate values as its guiding principle. The fulfillment of its fiduciary responsibility rests on the good reputation that the Bank had enjoyed and continues to enjoy in the community it zealously serves and among its peers.

This Statement has a holistic approach having in mind all the activities of the Bank and the related risks associated with the same. All business plans and strategies are and will always be aligned with this Statement.

II. GENERAL STATEMENT

The Bank faces different kinds of risk in the fulfillment of its function as a rural bank. These risks could be related to credit, liquidity, operational, reputational, legal, market and even environmental and climate change.

The Bank recognizes the risks inherent in its credit activities more specifically those from loans extended to unserved, unbanked and underserved communities. These risks are mitigated by the faithful implementation of credit policies embodied in its board approved Credit Risk Manual. Said manual is revised from time to time through issuances of credit bulletins and memorandum circulars which offer some latitude for innovation and adjustments attuned to the needs of the market.

Deposit taking and loan generating activities also expose the Bank to liquidity risk which it manages through its Contingency Funding Policy.

The Bank has a low appetite for risk when it comes to its operations. The Bank recognizes the impossibility to completely avoid operational risks, but has come up with operations manual to mitigate the same.

Legal risks may come in the form of unenforceable or defective contracts or other legal documents or wrong venues in filing legal actions. These are mitigated by continuously reviewing and revising our existing bank forms and discussion with the bank's legal counsel before filing a court action. The Bank has an existing policy on Legal Risk Management.

Market risks may take the form of fluctuations in commodity prices of the products purchased or sold by our borrowers or even in the interest rates pricing for loans and deposits arising from competition. This is mitigated thru regular monitoring of the market condition and rates granted by peer banks so as to adjust according to the demands of the market, and thru conservative pricing.

The risks associated with environmental and climate change arising from frequent flooding, typhoons and waste pollution, no doubt have tremendous impact on the businesses of our clients, borrowers and depositors alike, and to the Bank. This can best be mitigated by securing crop insurance coverage for our farmers and fisher folks. The Bank had already adopted its Sustainability Finance Framework as guidance on how to handle risks associated with social, environmental and climate change.

III. RISK MANAGEMENT FRAMEWORK

The Bank's risk management framework aims to ensure effective mitigation of all identified risks and encourages revision to mitigate risks from the previously unidentified ones. Risk management is integral to the bank's system and is the responsibility of everybody in all levels of the organization. The Board collaborates with senior management in coming up with policies for risk management. Said policies are supported by processes and control procedures designed to ensure that identification, aggregation, mitigation and monitoring capabilities are commensurate to the risk activities of the Bank.

Risk Management System is supervised by the Board of Directors. The Board, at its option, may form ad hoc committees composed of some of its members on a per need basis, to tackle and possibly resolve specific issues on risk management. Resolutions of said committees are then brought to the attention of the Board for approval and/or other appropriate action.

IV. Scope

The Bank's perspective as far as it concerns its prime strategic risk, credit risk, liquidity risk, operational risk and other pertinent risks are described below.

Strategic Risk

The Bank's vision is to be a premier rural bank and a leading pillar in countryside development which will be measured by its ability to provide its services in a timely and effective manner. Given the stiff competition in the banking industry, the Bank has a low appetite to threats that may prevent it from rendering its services in a timely and effective manner. The Bank recognizes that its inability to produce strategic initiatives could greatly affect its relevance in the industry and its overall operations.

Fraud and Corruption

The Bank has zero appetite for fraud or corruption committed by its directors, officers and staff. The Bank enhanced its whistle blower policy that serves as a channel whereby its personnel may provide information on suspicions or commission of fraud or corruption on any level of the organization. Similarly, the Bank has adopted a policy that any officer or employee who has actual knowledge of the crime being committed or has been committed by any officer or employee or in a position to know the same, and fails to report the incident to Management shall likewise be administratively or criminally liable.

Credit Risk

The Bank caters to communities unserved, unbanked and underserved by mainstream banking and as such traditional methods of credit underwriting may not be squarely applicable thereto. It has a medium appetite for credit risk given its mandate and the need for it to be competitive in order to stay relevant. It has credit policies and procedures in place that govern credit initiation. Said policies and procedures allow some deviations upon proper justifications. Mitigation rests on the deliberations of the approving authority.

Liquidity Risk

The Bank has a low appetite for liquidity risk. It is fully aware that servicing deposits while extending loans poses an inherent risk involving liquidity. It, therefore, has a Contingency Funding Policy in place wherein its Board monitors key liquidity indicators such as its Capital Adequacy Ratio (CAR) and Minimum Liquidity Ratio (MLR), among other things. Said policy also has counter measures in place in case set thresholds are breached. Consequently, the Bank has adopted a Business Recovery Plan.

Operational Risk

The Bank operations involve various risks coming from different areas. The Board has a low appetite for operational risks and has an approved Manual of Operations that sets forth policies, procedures and controls for substantially as much of its operations as possible. Said Manual is updated as needed in order to reflect and cover actual operations. New policies are crafted as the Bank offers new products and services. As a second line of defense, the Bank also has an approved Internal Audit Plan that seeks to ensure that all policies in the Manual are timely and effectively implemented. For purposes of uniformity and consistency in the implementation by our branch personnel, the Bank will issue a Branch Operations Manual in 2025.

Compliance Risk

Operating a bank entails reporting and accountability to the Bangko Sentral ng Pilipinas (BSP), including other various government agencies such as the Philippine Deposit Insurance Corporation (PDIC), Securities and Exchange Commission (SEC), and Bureau of Internal Revenue (BIR). The Bank has a low appetite for compliance risk as it sees such risk to potentially affect its over all operations, standing in the community and among its peers. A Board-approved Compliance Manual is in place that aims to stress test different areas of compliance whereby the Chief Compliance Officer of the Bank, the assigned mitigator of compliance risk, may promptly recommend to the board and senior management whatever appropriate actions.

Market Risk

Market risk could still not be avoided even in the operation of the Bank. Its clients are producers of goods and services who are vulnerable to market price fluctuations thereby affecting their cash flows and eventually the capacity to pay their loans. Thus, in depth analysis of the nature of their products and cash flows are very critical. The Credit Investigation Appraisal and Administrative Department (CIAAD) is tasked to make a more detailed credit investigation and relevant and reliable credit scoring system which are integral and crucial in the decision making process of the Credit Committee and the loan approving authority. As regards interest rates on loans and deposits, the Bank conducts a market survey from time to time to ensure that its rates are competitive to ensure sustainable profitable operations.

Legal Risk

As in any business organization, entering into various contracts or contractual obligations could not be avoided. This is more so in banking, with a lot of legal documents prepared especially in its lending operations. The Bank has a very low appetite for this type of risk. This is managed by reviewing regularly and revisiting its existing bank forms to align with latest laws and jurisprudence to avoid the possibility of contracts entered into being rendered void, voidable, unenforceable or outright illegal. Similarly, regular and timely consultations with the Bank's legal counsel are conducted on certain legal issues before filing a case in court. The Bank has adopted a policy on Legal Risk Management to mitigate this type of risk.

Environmental and Social Risks

There is no doubt that all Bank operations can be affected by the risks associated with environmental and climate change, especially so that the country is frequently hit by both natural and man made calamities, such as typhoons, floods and soil and waste water pollution. The Bank feels that it has the duty to educate its employees, clients and communities where it serves against these hazards

brought about by environmental and climate change. Thus, a Sustainable Finance Framework Manual was adopted.

As part of credit risk management, the Bank shall not finance projects with E&S issues such as environmental pollution, hazards to human health, safety and security, and threats to community, biodiversity, among others.

V. Implementation

Board committee members and all Managers are responsible for the implementation of and compliance with this Risk Appetite Statement. This Statement is printed together with the Bank's Annual Report which in turn is posted conspicuously in the head office and all the branches of the Bank.

VI. Review

This Statement is reviewed annually to update the same on its relevance to the operations of the Bank. Said review is done by the Board or a board-appointed Ad Hoc Committee. Any changes to this Statement have to undergo Board approval.

Risk Strategy

Banking operations involve the handling of cash and extending of loans in order to generate revenues. The Bank is fully aware that risk is inherent in the business of banking and mitigation is the key to its sustainability. It is the strategy of the Bank to identify all possible sources of risks and to indicate methods whereby the same may be avoided and/or mitigated. Identified methods and processes will then be embodied in policies and procedures which would be approved by the Board and implemented by Management.

Risk Governance Structure

Risk governance is the main responsibility of the Board of Directors. Risk mitigating policies and procedures emanate from the Board and implemented through the President. Front liners are the first line of defense in terms of risk mitigation. They are guided by policies and procedures passed by senior management. Regular audit conducted by the internal audit unit and compliance testing by the compliance unit serve as additional risk mitigation measures.

Anti-Money Laundering /Countering the Financing of Terrorism Governance and Culture

The Board of Directors has the ultimate responsibility for the proper supervision, reporting and compliance under the Anti-Money Laundering Act (AMLA), as amended, and its Implementing Rules and Regulations.

The Senior Management oversees the day-to-day management of the covered persons and ensures effective implementation of AML/CFT policies approved by the Board.

The Compliance Office is responsible in ensuring that covered and suspicious transactions are reported within the required period to the AMLC.

The Bank MTPP is promulgated to prescribe guidelines for the implementation of the AMLA, as amended. The AMLA enunciates the policy of the State to protect and preserve the integrity and confidentiality of bank accounts and to ensure that the Philippines shall not be used as money laundering site for the proceeds of unlawful activities.

All new account applicants are required to provide valid IDs and proper documentation and pictures. Based on the information provided in the signature card, the new account representative must perform a customer profiling and risk assessment before the account may be allowed to be opened. Any transaction involving the amount exceeding Php500,000.00 shall be reported as covered transaction within five (5) working days to the AMLC. The same principles on customer profiling and risk assessment are being done on loan borrowers and buyers of ROPA.

PART V

CORPORATE GOVERNANCE

Corporate Governance Structure and Practices

Corporate Governance function rests on the Board of Directors of the Bank given its simple classification. The Bank continues to commit itself to the highest standards of good corporate governance by complying with the statutory and regulatory requirements as directed by the regulatory agencies. With good governance, the Bank shall be able to raise investors' confidence, achieve high sustained growth, and maximize the value of the Bank to its stakeholders.

Selection Process for the Board and Senior Management

An Ad Hoc Committee composed of the Chairman of the Board and two other senior members of the Board does the screening for the selection of the members of the Board. Said Committee reviews and evaluates the qualifications of all persons nominated to the Board. It further ensures that each nominated persons should pass the fit and proper criteria of the BSP for the position.

The members of the Board comply with the fit and proper rule of the BSP. Every election, Board members attest that they have all the qualifications required of a director and none of the disqualifications specified under the regulations. Members are apprised of their general and specific duties and responsibilities as directors as prescribed by the Manual of Regulations for Banks (MORB) and are required to certify that they fully understand the same.

The Board of Directors Overall Responsibility

The responsibility of ensuring that the Bank practices good corporate governance rests mainly on its Board of Directors. The Board ensures that it appoints from among its ranks, members of the Audit and Compliance Committee. It also ensures that all members of the Board are fit and proper for the position and receive continuing education to be updated with relevant banking rules and regulations and information.

The Board also ensures that it has an objective performance evaluation of its members and itself as a body. It likewise oversees the remuneration process and crafts policies involving incentives. The Board further ascertains that all related party transactions (RPT), if any, are done at arms length and not to the disadvantage of the Bank and its stakeholders. The Bank has an existing RPT policy. Similarly, it has a recently approved Remuneration and Fringe Benefits Policies.

MAJOR ROLE AND CONTRIBUTION OF THE CHAIRMAN OF THE BOARD

Atty. Vicente S. Aquino, Chairman of the Board, provides able and steady leadership in the Board. His key role is to ensure that the Board works effectively

and maintains a relationship of trust and confidence among its members, all in the pursuit of the best interest of the Bank and all its stakeholders. In view of his vast experience in the legal, regulatory and banking professions he contributes immensely in crafting and providing policy directions for the Bank.

In accordance with Section 132 of the MORB, the Chairman of the board of Sasbank provides leadership among the members of the directors. He shall ensure effective functioning of the board of directors, including but not limited to the following:

- (1) the agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
- (2) that a sound decision-making process is achieved;
- (3) to encourage and promote critical discussion and active participation by all members;
- (4) that dissenting views are expressed and discussed within the decision-making process;
- (5) that members of the board receive accurate, timely, and relevant information;
- (6) the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
- (7) the conduct of performance evaluation of the board of directors individually and as a body at least once a year.

BOARD COMPOSITION

Name of Director	Type of Directorship	No. of years served as director	Number of direct and indirect shares	Percentage of Share
Ricardo S. Arlanza	Executive	7 years	1,999,960	41.49%
Vicente S. Aquino	Non-Executive	5 years	10	0%
Gerardo C. Balista	Executive	7 years	180,020	3.73%
Nemesiano P. Mogello	Non-Executive	4 ½ years	10	0%
Joselito U. Nicdao	Non-Executive	4 ½ years	180,010	3.22%
Julieta M. Liwanag	Non-Executive	9 years	10,001	0.21%
Noel V. Gavino	Independent / Non-Executive	2 years	10	0%

BOARD OF DIRECTORS



ATTY. VICENTE S. AQUINO, 72
Filipino
Chairman of the Board

Atty. Vicente S. Aquino was elected as Chairman of the Board, Rural Bank of Sasmuan (Pampanga), Inc. in January 2020. He graduated from the Lyceum of the Philippines in 1972 with a Bachelor's Degree in Journalism.

In 1979, he obtained his Bachelor of Laws Degree from the Manuel L. Quezon University School of Law and passed that year's Bar Examinations. From 1980-1983, he was a Special Counsel and Trial Prosecutor in the City Fiscal's Office of Manila. From 1983 to 1993, he was a private legal practitioner handling various cases for a number of banks and other financial institutions. From 1990 to 1995,

he was a professorial lecturer at the MLQU School of Law, teaching at one time or another, Criminal Law, Constitutional Law, Banking Laws and Law on Natural Resources. In January 2003, he became the first Executive Director of the Anti-Money Laundering Council (AMLC) Secretariat where he served for two (2) consecutive five-year terms. From January to May 2013, he was the Assistant Governor in-Charge of the BSP Security Plant Complex in Quezon City. In May 2013, he was appointed as Deputy Governor, Resource Management Sector, Bangko Sentral ng Pilipinas (BSP) where he served as such until his retirement in January 2017. Thereafter, for a period of about two (2) years, he served as BSP consultant.



ATTY. RICARDO S. ARLANZA, CPA, 73
Filipino
Executive Director

Atty. Ricardo S. Arlanza graduated from the University of San Agustin in 1972 with a degree of Bachelor of Science in Commerce, major in accounting. In 1982, he graduated from Manuel L. Quezon University, School of Law with a degree in

Bachelor of Laws. He was a former BSP Examiner for nine (9) years (1975-1984). He was a private practicing lawyer, professor of law and bar reviewer in various law schools for twenty (20) years before rejoining the government. In 2003, he was appointed as Undersecretary for Policy, Planning and Legal Affairs of the Department of Agrarian Reform (DAR) during President Gloria Macapagal Arroyo's term. Before joining Sasbank, he retired as Vice President and Legal Counsel of the Landbank of the Philippines (2005-2015).

He was elected to the Board of Directors and as President and CEO of SasBank in May 2018. Currently, he is the Chairman of the Credit Committee and Management Committee.



GERARDO C. BALISTA, 70
Filipino
Executive Director

Director Gerardo C. Balista graduated from the Polytechnic University of the Philippines (PUP) in 1979 with a degree of Bachelor of Science in Commerce. He has been a member of the board since 2018.

At present, Director Balista is the Treasurer, a member of the Credit Committee and Management Committee of the Bank.



ENGR. NEMESIANO P. MOGELLO, 71
Filipino
Non-Executive Director

Engr. Nemesiano P. Mogello was elected to the Board of Directors in 2020. He was a member of the Audit and Compliance Committee.

Engr. Mogello obtained his Bachelor in Mechanical Engineering from Siliman University and Bachelor of Laws degree from the Manuel L. Quezon University in 2001. He took and passed the Licensure Examinations for Engineering. He retired from the Social Security System (SSS).



JOSELITO U. NICDAO, 68
Filipino
Non-Executive Director

Director Josecito U. Nicdao graduated from Tarlac College of Technology in 1977 with a degree of Bachelor of Science in Civil Engineering. He was elected as member of the board in 2020.

He is a member of the Audit and Compliance Committee.



JULIETA M. LIWANAG, 69
Filipino
Non-Executive Director

Director Julieta M. Liwanag was elected to the Board of Directors in 2015. She formerly chaired the Risk Assets and Review Committee (RarCom).

Director Liwanag obtained her Bachelors Degree major in Accounting from Guagua National Colleges and Bachelor of Laws degree from Harvardian College in 1989.



NOEL V. GAVINO, CPA, 71
Filipino
Non-Executive Director

Mr. Noel V. Gavino was elected as Independent Director in October 2022. He was the Chairperson of the Audit and Compliance Committee.

Independent Director Gavino graduated from Mapua Institute of Technology in 1973 with a degree of Bachelor of Science in Accounting. In 1974, he took and passed the CPA board exam. He retired as Bank Officer III after 30 years of service with BSP.

BOARD QUALIFICATION

The Bank considers the following as basic qualifications for the members of its Board: integrity, probity, physical and mental fitness; relevant education, financial literacy, training as well as possession of competencies relevant to the job and sufficiency of time to fully carry out his/her responsibilities.

All members of the Board continuously meet all the qualifications and none of the disqualifications under the MORB. All the present members of the board had attended the required seminar on corporate governance.

DIRECTORS ATTENDANCE AT BOARD MEETINGS

The Board held thirteen (13) meetings in 2024.

Name of Directors	Number of Meetings Attended
	%
1. Vicente S. Aquino	100%
2. Ricardo S. Arlanza	100%
3. Gerardo C. Balista	100%
4. Nemesiano P. Mogello	100%
5. Joselito U. Nicdao	100%
6. Julieta M. Liwanag	100%
7. Noel V. Gavino	100%
Total Number of Meetings Held During the Year	13

TYPES OF DIRECTORS OF THE BANK AND THEIR ROLE

Executive Directors – directors who currently hold executive positions.

Atty. Ricardo S. Arlanza, President & Chief Executive Officer is an executive director who is involved in the general supervision, administration, and management of Sasbank. His roles include, among others, updating the Board of Directors about the operations of the Bank, the challenges it faces, available opportunities, and developing and suggesting policies and strategies in order to overcome the challenges faced in the daily operations of the Bank. He also has massive experience in the academe, law practice, agrarian reform and banking.

Non-executive Directors - Those who are not part of the day-to-day management of operations and shall include the independent director.

Independent Directors - directors with no material relationship with the bank.

Sasbank's non-executive directors are not involved in the day to day management and operations of the Bank. There are five (5) non-executive directors who are responsible for oversight function on the business and affairs of the Bank, and one (1) of whom is an Independent Director.

Mr. Noel V. Gavino is the Independent Director of the Bank. His primary role is to ensure that the oversight function of the board is effective. He has been an independent director of the Bank since October 2022.

BOARD COMMITTEES

Assisting the Board in the efficient and effective discharge of its responsibilities are four (4) committees, namely: (1) Audit and Compliance Committee; (2) Executive Committee; (3) Risk Assets and Review Committee and (4) Credit Committee.

Audit and Compliance Committee (ACC)

The Audit and Compliance Committee is composed of three (3) members of the Board who are knowledgeable in accounting, auditing, and other related financial management matters. The committee is composed of non-executive directors and one (1) independent director who is the Committee Chairman. Said committee provides oversight of the Bank's external and internal audit functions as well as its compliance function. It ensures proper implementation of Board-approved policies and procedures. The ACC reports to the board any material breaches in policy for appropriate action.

This Committee is mandated to monitor and evaluate the adequacy and effectiveness of the Bank's system of internal control, risk management and corporate governance.

External Audit

The Audit and Compliance Committee supervises the activities of the external auditor Jackie Lou Ocbenia-Dungca, CPA through review and endorsement to the Board of the Audited Financial Statements for the years ended 31 December 2023 and 2024.

Internal Audit

The Audit and Compliance Committee provides oversight of the Bank's Internal Audit and Compliance Departments through review and discussion of the reports that include the following:

Approval of the 2024 Audit Plan, IAD Manual revisions and the monthly audit report of the three (3) branches.

Approval of the Compliance Program for 2024, Revision of the Compliance Manual and compliance testing report of the Chief Compliance Officer (CCO).

The Audit and Compliance Committee held twelve (10) meetings in 2024.

Name of Directors	Number of Meetings
	Attended %
1. Noel V. Gavino	100%
2. Nemesiano P. Mogello	100%
3. Joselito U. Nicdao	100%
Total Number of Meetings Held During the Year	10

Credit Committee

The Credit Committee (Crecom) is composed of two (2) members from the Board. Said committee is headed by the President; handles the approval of all loan applications within its authority, and recommends for approval to the Executive Committee or the Board, as the case may be, all loans beyond its authority. The Crecom is also responsible in formulating policies and procedures involving credit activities which in turn are presented to the Board for approval and adoption. Said committee ensures that the credit risks assumed by the Bank are properly mitigated in accordance with the bank's risk appetite.

The Credit Committee held forty-two (42) meetings in 2024.

Name of Directors	Number of Meetings
	Attended %
1. Ricardo S. Arlanza	100%
2. Gerardo C. Balista	100%
Total Number of Meetings Held During the Year	42

LIST OF EXECUTIVE OFFICERS/SENIOR MANAGEMENT

Name of Officer	Position/ Title	Age	Nationality	Educational Background	Work Experience
Ricardo S. Arlanza	Board Member President & CEO	73	Filipino	BSC-Accounting 1968-1972 Certified Public Accountant 1973; Bachelor of Laws 1978-1982 Passed the Bar - 1983	Bank Examiner-Central Bank of the Philippines 1975-1984 Practicing Lawyer & Professor of Law-1983- 2003 Undersecretary –DAR- 2003-2004 Vice President/ Legal Counsel, Land Bank of the Phils. (LBP) -2005-2015 President- – Yolo Holdings Corp. 2016-2018 Chairman/Director, Yolo Holdings Corp. 2018- present
Gerardo C. Balista	Board Member Treasurer	70	Filipino	BS in Commerce 1979	Director – Yolo Holdings Corp. 2016-present
Melchor G. Magdamo	Corporate Secretary	60	Filipino	Bachelor of Arts Social Sciences 1987 Bachelor of Laws 1993	Corporate Secretary and Director – Yolo Holdings Corp. – 2016-present
Joy M. Capulong	Chief Compliance Officer	41	Filipino	Bachelor of Science in Accountancy 2004	Acting Internal Auditor 2017-2023 Accountant – Sasbank 2012-2013
Annalyn E. Mendoza	Acting Internal Auditor	36	Filipino	Bachelor of Science Major in Business Management 2009	Accountant 2017-2023
Melva A. Cajucom	Accountant	29	Filipino	Bachelor of Science in Accounting Technology	General Bookkeeper Sasbank 2016- October 2023
Edley B. Ibay	LOG and CARD Head	36	Filipino	Bachelor of Science in Commerce Major in Banking and Finance	Branch Manager – Rural Bank of Angeles 2018- 2022
Bryan Aguilar	CIAAD Head	33	Filipino	Bachelor of Science in Accountancy Major in Financial Managerial Accounting	Account Officer Sasbank - 2018-2021 Direct Sales/Tele Sales Officer - Deem Bank United Arab Emirates

					November 2021-February 2022
Juvie T. Maninang	Human Resources and Administrative Department Head	49	Filipino	Bachelor of Science in Accountancy 1998	Officer-In-Charge San Fernando Branch Sasbank 2009-2011 Branch Manager 2012-2024
Loinie Ann C. Matias	Branch Manager	37	Filipino	Bachelor of Science in Business Management	Branch Cashier 2015-2023
Josephine P. Villegas	Branch Manager	56	Filipino	Bachelor of Science Major in Accountancy	Branch Cashier July 2023-January 2024
Jonathan M. Silva	Branch OIC	34	Filipino	Software Development	Account Officer – Rural Bank of Angeles 2017-2022

The Corporate Secretary

The Bank's Corporate Secretary plays a pivotal role in assisting the Board in the performance of its duties. In all activities of the Board, the Corporate Secretary ensures that Board policies and procedures are observed and properly documented.

Atty. Melchor G. Magdamo is the Bank's current Corporate Secretary. He joined the Bank in November 2017.

The Chief Compliance Officer

As stated in the Manual of Regulations for Banks (MORB), the Chief Compliance Officer (CCO) is the lead senior officer for purposes of administering the compliance program and interacting with the BSP on compliance-related issues. The principal function of the CCO is to oversee the design of an appropriate compliance system, promote its effective implementation and address breaches that may arise. The CCO shall also be responsible for ensuring the integrity and accuracy of all documentary submissions to the BSP. The CCO has a direct reporting line to the Board through the Audit and Compliance Committee.

Joy M. Capulong is the Bank's Chief Compliance Officer. She assumed her position as CCO in July 2013.

Performance Assessment Program

The Bank has Personnel Evaluation and Appraisal System (PEARS) that evaluates the performance of all bank officers and staff. Said system is documented in the

bank Employee's Manual. Said evaluation is the basis for the rating of every bank personnel.

Board and Committee Performance Evaluation

The Board of Directors is assigned to facilitate the annual evaluation of the performance and effectiveness of the Board itself as a body, individual self-assessment, as well its various committees, and its Senior Management. A questionnaire template and/or forms is answered by each member of the Board to evaluate the performance of various committees taking into account different areas of concern and or factors such as the degree of management, effectiveness, overall performance and adequacy of the internal control system. The performance evaluation relates to the mission of the board, duties and responsibilities of the various committees and compliance with the corporate governance standards and practices.

Senior Management and Employees Performance Evaluation

To continuously improve performance and to enhance the existing skills and competencies of employees, Sasbank conducts a yearly performance evaluation of all its officers and employees. Performance evaluation covering various factors such as job functions, interpersonal skills and compliance with Sasbank's internal policies and rules and regulations.

Orientation and Education Program

Bank personnel undergo an on boarding orientation program that involves orienting them on the Employee's Manual and Code of Conduct. All bank officers and staff undergo a seminar on AML/CFT conducted in house or by an outside service provider. Continuing education is done by the Bank and thru webinars offered by various service providers such as the BSP, RBRDFI, RBAP, CCLRB, etc. most especially for senior management in order to update them on current banking trends and regulations.

To further equip the directors in performing their decision-making functions, they are also required to undergo necessary trainings/attend seminars to keep them abreast of the latest BSP regulations and trends in banking.

A competency and skills training program for all directors, officers and employees for the year 2025 has been prepared and is being implemented on a continuing basis.

RETIREMENT AND SUCCESSION PLAN

The Bank has an existing Retirement Plan and a sufficiently funded Retirement Fund in place. This is being maintained with FWD Insurance Company. The premiums are being paid for by the Bank over a maximum five (5) year period for

each covered employee. The total amount of premiums paid serves as the seed fund from which the retirement benefits shall be taken. The retirement plan is set for life up to 100 years (benefit period). The moment the employee retires at the age of 60 or 65 or dies while still employed, the employee gets whatever value as computed or stated in the policy. However, this existing Retirement Fund does not cover all officers and employees of the Bank. The present Board is in the process of evaluating on how to further improve the existing retirement package for the employees and to cover more employees. The Board had already approved a Retirement Policy which shall cover all officers and employees.

The present owners put up an expanded Retirement Plan to cover all its employees as required by R.A. No. 7641 (the new Retirement Law), starting 2025. The Bank shall provide an amount of Php30,000.00 per month as Retirement Fund or in the total amount of Php360,000.00 per annum. This monthly provision shall continue until the Bank is able to establish a better retirement plan than what the law requires. An officer or employee already covered under the FWD Insurance Policy who retires, shall be paid based on the new Retirement Law or under the insurance policy, whichever is higher.

The Board ensures that the Bank has in place an appropriate and updated succession planning for key positions to address any emergency in the event of extraordinary circumstances and ensure continuity of operations.

Board of Directors

Members of the Board of Directors shall hold office for a term of one (1) year and until their successors are elected and qualified. However, in terms of their retirement age and term limit, the Bank takes into account the longer life expectancy and the willingness of the directors to serve even in their senior years. After all, the continued service of the directors is primarily determined on the basis of each director's ability to perform his/her duties effectively and the willingness to serve regardless of age, with due regard to mental acuity, physical fitness, and the fortitude to actively engage and make a positive contribution in the pursuit of shared goals of the Bank for the benefit of its stakeholders. This, however, does not apply to existing rules and regulations on the tenure/term limit of the independent directors. In the meantime, the members of the board and the major stockholders continue to look out for possible candidates to the board.

Senior Management

The Bank provides a mandatory retirement age of 65 years old for all officers and employees including those in the senior management positions, except the President, Treasurer and Corporate Secretary. This is in accordance with the provisions of R.A. No. 7641. Employees may also opt to retire at 60 years old, which the Bank considers as the normal retirement age in terms of retirement benefits set forth under the existing policies of the Bank. Upon retirement of the employee, his/her services may be continued or extended depending on the result of the evaluation by the Management and/or the Board as to his/her competency and capability to continue working.

REMUNERATION POLICY

The Bank has a remuneration policy that is incorporated in the Bank's Employees' Manual. Said policy covers the performance of all personnel.

All Directors do not receive any salary, except for the President and Treasurer/Director. Each director is paid per diem only and other reimbursable expenses such as gasoline expenses/toll fees for each meeting attended.

It is Sasbank's desire to pay all its officers the wages and salaries that are competitive with other employers in a way that will be motivational, fair and equitable. Compensation increases are adjustments based on their annual performance evaluation. Existing jobs, position classifications and salary are reviewed regularly or upon the instructions of the Board of Directors. The four (4) most highly compensated management officers of the bank are: President & CEO, Loan Operations Group & Collection and Assets Recovery Head, Chief Compliance Officer and Human Resources and Administrative Department Head.

The Bank recently adopted a Remuneration Policy and a Fringe Benefits Policy which defined the entitlement of each Director for attendance in every board or committee meeting, and to all officers and employees.

RELATED PARTY TRANSACTIONS

The Board of Directors has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the Bank, claimants, creditors and other stakeholders.

Senior Management implements appropriate controls to effectively manage and monitor RPTs on per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with Sasbank's and BSP regulations.

The internal audit unit conducts a formal review of the effectiveness of Sasbank's system and internal controls governing RPTs to assess consistency with the board-approved policies and procedures.

The Compliance Officer ensures that Sasbank complies with all relevant rules and regulations more particularly on the reportorial requirements.

Sasbank is expected to identify relevant transactions that could pose a potential conflict of interest, abuse, and material risk to the Bank and its stakeholders. RPTs are generally allowed provided, that these are done on an arm's length basis.

Materiality Threshold – Any financial transaction, arrangement or relationship regardless of the amount involved in any calendar year where a Related Party was

or will have direct or indirect material interest. The basis for the materiality threshold is at a level where omission or misstatement of the transaction could pose significant risk to the Bank and could influence the decisions of the Board of Directors.

Per Circular 969, these shall include, but not limited to the following:

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

All RPTs shall require approval of the Board of Directors through special resolution and the concerned party shall not participate in the deliberations, unless called upon by the board of directors and shall abstain from voting on such resolution.

The price discovery mechanisms used and the results obtained should also be disclosed in the proposal. The price discovery mechanism may include, but not limited to acquiring the services of an external expert, opening the transaction to a bidding process or publication of available property for sales.

To ensure that RPTs are conducted at arm's length basis and in the ordinary course of business, the terms and conditions of the transaction should not be more favorable than similar transactions with non-related parties. The terms and conditions shall include those relating to term, interest rates, fees, collaterals, contract/selling price and other relevant information that will allow a clear determination that no preferential treatment was given to the related party.

The Management shall provide all the relevant material information of the RPT, including the terms of the transaction, the benefits to Sasbank and to the Related Party, and any other relevant matters.

The members of the Board of Directors, Stockholders, and Management shall disclose to the board of directors whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting Sasbank. Directors and officers with personal or pecuniary interest in the transaction shall inhibit from the discussion, abstain from the approval and management of such transaction or matters affecting Sasbank and all its stakeholders.

Sasbank's policy guidelines shall be reviewed and updated when any changes are to be incorporated in the policy due to changes in regulation and/or amendments to existing laws.

No related party transaction in 2024.

SELF-ASSESSMENT FUNCTIONS

Internal Audit and Compliance Functions

The Internal Audit Department is headed by the Acting Internal Auditor. Said department designs an Internal Audit Program and does the audit of all bank operations and reports to the Audit and Compliance Committee on a regular basis to discuss its findings which in turn are reported to the board for appropriate action.

The Bank has a Compliance Office headed by the Chief Compliance Officer. Said unit does periodic compliance testing in accordance with its designed compliance program approved by the Board. The Chief Compliance Officer reports the results of its compliance testing to the Audit and Compliance Committee, which in turn are reported to the Board for consideration and appropriate action.

Review of Adequacy and Effectiveness of the Internal Control System

The Audit and Compliance Committee (ACC) shall be responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to ensure compliance in areas including reporting, monitoring, compliance with laws, regulations and internal policies, efficiencies and effectiveness of operations and safeguarding of assets. Under the supervision of the ACC are the IA and CCO who regularly review the effectiveness of the internal control system and validate the compliance with rules and regulations through regular audit and compliance testing. Results of audit and testing are reported to the ACC, and resolutions and actions taken thereon are presented to the Board of Directors for approval.

DIVIDEND POLICY

The procedures in distributing/paying dividends require prior board approval.

Prior to the declaration, the Board of Directors ensures compliance with the minimum capital requirements and risk-based capital ratios even after dividend declaration. The net amount available for dividend declaration shall be based on the unrestricted retained earnings and undivided profits which shall be based on

a sound accounting system and loss provisioning process that considers relevant adjustments to capital including losses, bad debts and unearned profits or income. However, in the case of stock dividends, Section 42 of the Revised Corporation Code requires prior approval of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a regular or special meeting called for the purpose.

For several years now up to 2024, no dividend was declared.

CORPORATE SOCIAL RESPONSIBILITY

The Bank has not yet institutionalized a Corporate Social Responsibility program. However, it conducts occasionally gift-giving activities in the community where it operates during Christmas and/or Bank Anniversary.

CONSUMER PROTECTION

Role and Responsibility of the Board and Senior Management

The Bank has an existing Consumer Protection Program. The Board and senior management are responsible in the development of consumer protection strategy and established an effective oversight over the Consumer Protection Program. The Board is primarily responsible for approving and overseeing the implementation of the Bank's consumer protection policies and to ensure compliance with the said policies. The Senior Management is responsible for the implementation of the consumer protection policies approved by the Board.

Consumer Assistance Management System of the Bank

The Bank's existing policy on consumer protection which aims to improve the right course of action relative to complaints, inquiries and requests coming from all sources where Sasbank is of service, was duly approved by the Board.

The Consumer Assistance Officer receives and acknowledges consumer concerns, records concern in a register, makes an initial interview and investigation of concerns, and prepares and submits report to the Head Consumer Assistance Officer who will provide official reply to the customer. If the complaint cannot be acted on his/her level the complaints shall be elevated to the Consumer Assistance Group.

The Head Consumer Assistance Officer monitors consumer assistance process, keeps track, identifies and analyzes the nature of complaints and recommends solutions to avoid recurrence thereof, and ensures immediate escalation of any significant complaint to the concerned unit/s of the Bank.

In the Bank's website consumer complaints and queries can be done on line.

Sustainable Finance Framework

a. Sustainability strategic objectives and risk appetite

As a bank that operates in the countryside, we acknowledge that environmental and social (E&S) risks arising from our activities and of our clients have significant impact to the communities that we serve. We aim to identify or determine these risks for us to manage them well, while making sure that we operate our business in a sustainable way. We can only achieve sustainability if we put in the core of our governance, sustainability principles, especially when making decisions, assessing relationships, and creating products and services.

This environment and social risk management policy aims to cover the Bank's lending and back office operations. This framework will be the Bank's guide in incorporating and considering environmental and social risk in the way we extend loans, perform other banking activities, relate with counterparties and formulate our strategic plans. In addition, this framework will help the bank identify, assess, and manage Environment and Social Risks.

The ESRM Policy will be regularly updated as the Bank starts to embark its sustainability journey, improvements and updates will be triggered by gathering feedback from employees, stakeholders, BSP regulations and other best practices on sustainability.

The Bank envisions that it will have a stronger relationship with its clients by making sure that they will not be left behind as the Bank begins its sustainability journey. The Bank will advocate sustainability not only to its employees but especially to its counterparties and clients. It will be sensitive to the transition needs of its clients and will continue to support their financing needs as they transition to an environmentally friendly and socially inclusive business operations.

We believe that thru this framework or policy, the Bank will promote sustainable development and growth to align with the UN Development Goals, bringing its corporate governance in a higher level as it continues to promote transparency, fairness, integrity and accountability.

b. Overview of E&S risk management system

Board of Directors

Consistent with the expectations set out under Sections 143, 146 and 153 of the MORB and in relation to the management of environmental and social (E&S) related risks, the Board of Directors shall:

1. Institutionalize the adoption of sustainability principles, including those covering E&S risk areas in the bank, by incorporating the same in the corporate governance and risk management frameworks as well as in the bank's strategic objectives and operations risk strategy, risk management policies and procedures;

2. Set strategic E&S objectives covering short, medium, and long-term horizons;
3. Approve the risk appetite on specific risk areas that the bank is willing and capable to manage, results of stress testing exercises, and assessment of the timing and channels through which E&S risk may materialize;
4. Ensure that material E&S risks are considered in the internal capital planning process;
5. Promote a culture that fosters environmentally and socially responsible business decisions;
6. Approve the bank's ESRMS that is commensurate with the bank's size, nature, and complexity of operations and oversee its implementation;
7. Ensure that sustainability objectives and policies are clearly communicated across the institution, and to its investors, clients, and other stakeholders;
8. Adopt an effective organizational structure to ensure attainment and continuing relevance of the bank's sustainability objectives;
9. Monitor the progress of the bank in meeting its E&S strategic objectives and targets and ensure that issues in meeting the same are addressed;
10. Ensure that adequate resources are available to attain bank's sustainability objectives;
11. Adopt an effective communication strategy to inform both internal and external stakeholders of the bank's E&S strategic objectives and targets; and
12. Ensure that the sustainability agenda is integrated in the bank's performance appraisal system.

Senior Management

The Senior Management shall be responsible for the overall implementation of the board-approved strategies and policies in relation to the sustainability objectives of the bank. It shall:

1. Assess on a periodic basis the effectiveness of implementation and continuing relevance of said policies considering the developments in the business environment;
2. Facilitate the identification, assessment, monitoring and mitigation of E&S risks.
3. Ensure that the bank activities are aligned with the overall E&S strategic objectives and targets;
4. Ensure adaptation of methodologies and tools that will effectively identify, and quantify/measure, monitor and control E&S risks;
5. Ensure that policies, procedures and processes are clearly and effectively communicated across the organization;
6. Assess consistency of operations and performance of personnel with the bank's sustainability objectives; and
7. Apprise the board of directors and/or relevant management committee, on a regular basis on the bank's exposure to E&S risks which shall include potential issues associated with both internal and external activities of the bank and the activities of its clients that may have material impact on the bank's portfolio or reputation.

c. Products/services aligned with internationally recognized sustainability standards and practices.

The Bank has very limited products and services which may not have any significant impact as to whether or not these are aligned with internationally recognized sustainability standards and practices.

d. Breakdown of Environmental and Social Risk exposure of the Bank per industry or sector

Percentage per total loan portfolio	2024	%
Agriculture, Forestry & Fishing	67,466,412	41.93%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle	22,536,880	14.01%
Manufacturing	4,776,409	2.97%
Water supply, sewerage, waste management and remediation activities	1	0.00%
Real Estate Activities	9	0.00%
Education	0	0.00%
Other Service Activities	63,093,127	39.21%
Construction	3,706	0.00%
Transportation and Storage	558,704	0.35%
Professional, Scientific and Technical Activities	1	0.00%
Accommodation & Food Services Activities	7	0.00%
Activities of Household for own use	2,460,970	1.53%
TOTAL	160,896,227	100.00%

e. Information on existing and emerging E&S risks and their impact on the bank

At present, the existing and/or emerging E & S risks which may have impact on the Bank is the continuous use of fertilizers and pesticides, and diesel for farm equipment used by the farmers. The Bank could not afford to stop lending to this sector, considering that

Region 3 is primarily engaged in agriculture and aquaculture. Besides, the amount is too insignificant globally. Organic farming is not also a viable alternative. Otherwise, food production and security will be jeopardized.

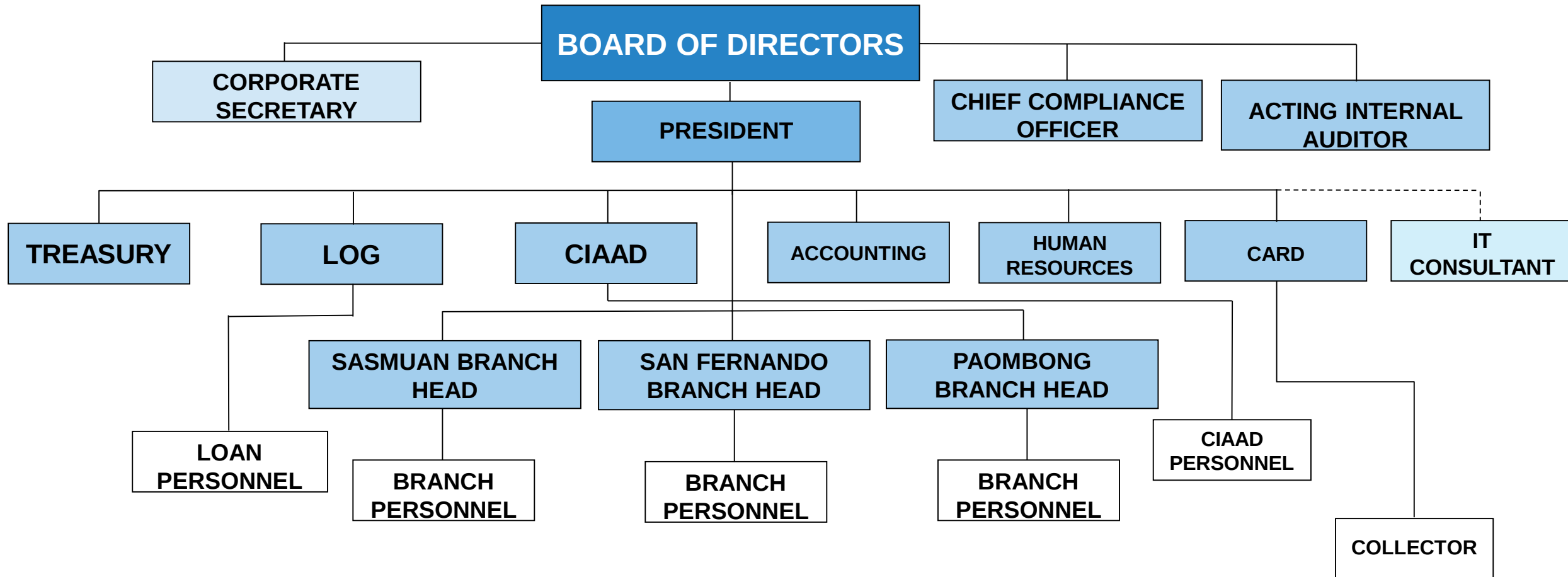
f. Other initiatives to promote adherence to internationally recognized sustainability standards and practices.

The Bank shall continue its advocacy on educating the residents in the community it serves on the proper waste segregation which largely contributes to pollution and clogging of waterways.

PART VI

CORPORATE INFORMATION

ORGANIZATIONAL STRUCTURE



Executive Officers and Senior Management	
President/CEO	Atty. Ricardo S. Arlanza, cpa
Treasurer	Gerardo C. Balista
Corporate Secretary	Atty. Melchor G. Magdamo
Chief Compliance Officer	Joy M. Capulong
Acting Internal Auditor	Annalyn E. Mendoza
Accountant	Melva A. Cajucom
Head, Human Resources and Administrative Department	Juvie T. Maninang
Loan Operations Group Head, concurrent Collection and Assets Recovery Department Head	Edley B. Ibay
Head, Credit Investigation, Appraisal and Administration Department (CIAAD)	Bryan S. Aguilar
Branch Manager (Sasmuan)	Josephine P. Villegas
Branch Manager (San Fernando)	Loinie Ann C. Matias
Officer in Charge (Paombong Branch)	Jonathan M. Silva

MAJOR STOCKHOLDERS

Name of Stockholder	Type of Director	Type of Share	Citizenship	No. of shares Subscribed	Paid in Capital	Subscription Receivable	Amount Subscribed	Ratio of Amount Subscribed to Total Subscribed Capital Stock
Yolo Holdings Group		Common	Filipino	1,999,980	19,999,800	-0-	19,999,800	41.49%
Arlanza, Ricardo S.	Regular	Common	Filipino	1,999,960	19,999,600	-0-	19,999,600	41.49%
Pablo, Randy F.	Regular	Common	Filipino	314,837	3,148,370	-0-	3,148,370	6.53%
Balista, Gerardo C.	Regular	Common	Fiipino	180,020	1,800,200	-0-	1,800,200	3.73%
Nicdao, Joselito U.	Regular	Common	Filipino	180,010	1,550,100	250,000	1,800,100	3.22%

PRODUCTS AND SERVICES OFFERED:

DEPOSITS

SAVINGS DEPOSIT - is an interest bearing account which may be withdrawn upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook.

BASIC DEPOSIT ACCOUNT - is similar to a savings deposit in operation. The basic differences only are: -- no maintaining balance requirement and the maximum amount of Php50,000.00. Otherwise, it will be converted into a regular savings deposit. The KYC requirement is very stringent. This is primarily aimed to promote financial inclusion.

TIME DEPOSIT - is an interest bearing account which requires a specific amount of funds to be deposited in order to earn interest at a predetermined competitive rate for a fixed period of time/term and evidenced by a certificate/passbook issued by the bank.

LOANS

AGRICULTURAL LOAN

These are loans to farmers usually engaged in the production of palay and/or corn, or other high value crops such as onions, garlic, water melon, or in the business of aquaculture. Included in this type of loans are those engaged in livestock like poultry, duck raising and piggery. This type of clients normally requires a payment schedule that jibes with the harvest of their crop or livestock.

LOAN TO PALAY/CORN TRADERS

These are loans granted to those primarily engaged in the buying of palay and corn directly from the farmers. Their business activities are very seasonal in nature.

LOANS TO LESSORS OF FARM EQUIPMENT

These are loans granted to those primarily engaged in the rental of tractors, harvesters and other farm equipment to the farmers. The payment of their loans are aligned with the harvest season. The nature of their business are also very seasonal in nature.

SMALL AND MEDIUM ENTERPRISES LOAN

This type of loan is extended to small and medium enterprises (SME) as defined by the Magna Carta on SMEs. Borrowers of this type have their own businesses and normally have cash inflows on a monthly basis. Included here are market stall holders, vegetable dealers, sari sari store owners, operators of carinderias, parol makers, etc.

SALARY LOAN

This type of loan is normally extended to individuals who are on compensation income or have

regular cash in flows on a monthly or semi-monthly basis.

HOLD-OUT/ BACK-TO-BACK LOAN

These are loans extended to borrowers who have deposits with the Bank, which they do not want to touch. Said deposits are then voluntarily assigned to the Bank by means of a deed of assignment in exchange for credit.

MICRO FINANCE LOAN

Microfinance loans are designed for borrowers who have their own business and whose net worth are lower compared to SMEs. Normally, these are paid on a weekly or monthly basis.

POINT OF SALE (POS) CARDS

Clients are issued POS/Debit Cards. Cardholders are required to open deposit accounts with the Bank. The issuance of the POS/Debit card is a tie up with BDO. This POS service of the Bank proved very helpful, especially during the pandemic in servicing the encashment by SAP and 4Ps beneficiaries.

BANK WEBSITE: sasbank.org

OFFICES AND BRANCHES

Sasmuan Branch

Address: SasBank Bldg., Jupiter St. San Nicolas II Sasmuan,
Pampanga

Email: sasbanksasmuan@yahoo.com

Mobile Number: 0917-712-0170

San Fernando Branch

Address: Ground Floor, HPT Building 2, Dolores, City of San Fernando, Pampanga

Email: sasbanksanfernando@yahoo.com

Landline: 0917-703-8097

Paombong Branch, Bulacan

Address: SGDC Bldg. Poblacion, Paombong Bulacan

Email: sasbankpaombong@yahoo.com

Landline: (044) 665-0758

PART VII

Audited Financial Statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **RURAL BANK OF SASMUAN (PAMPANGA), INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the years ended **December 31, 2024 and 2023**. Management is likewise responsible for all information and representation contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representation contained in all the other tax returns filed for the reporting period, including but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, and any all other tax returns.

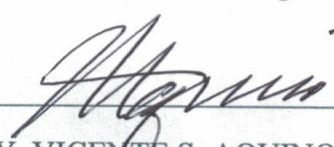
In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2024 and 2023** and the accompanying Annual Income Tax Return are in accordance with the books and records of **RURAL BANK OF SASMUAN (PAMPANGA), INC.** are complete and correct in all material respects.

Management likewise affirms that:

- a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulation and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances.
- c. The **RURAL BANK OF SASMUAN (PAMPANGA), INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

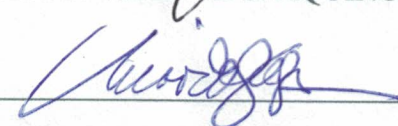
Signature

Chairman of the Board:


ATTY. VICENTE S. AQUINO

Signature

Chief Executive Officer:


ATTY. RICARDO S. ARLANZA, CPA

Signature

Treasurer:


GERARDO C. BALISTA

Signed this 14th day of 58 APRIL 2025

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

Signature

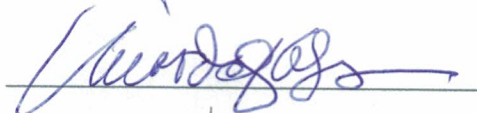
Chairman of the Board:



ATTY. VICENTE S. AQUINO

Signature

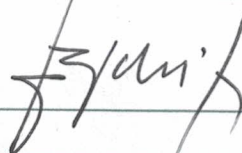
Chief Executive Officer:



ATTY. RICARDO S. ARLANZA, CPA

Signature

Treasurer:



GERARDO C. BALISTA

Signed this 14th day of APRIL 2025



JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE

CERTIFIED PUBLIC ACCOUNTANT

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

INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

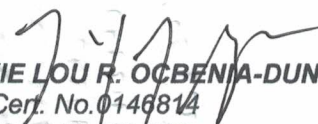
**The Board of Directors and Stockholders
RURAL BANK OF SASMUAN (PAMPANGA), INC.
Jupiter St., San Nicolas 2nd, Sasmuan, Pampanga**

Gentlemen:

I have audited the financial statements of the **RURAL BANK OF SASMUAN (PAMPANGA), INC.** for the year ended December 31, 2024, on which I have rendered the attached report dated 14 April 2025.

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

The schedule of taxes paid and accrued by the Bank for the year ended December 31, 2024 is embodied in Note 26 of the Audited Financial statements attached to the Income Tax Return.


JACKIE LOU R. OCBENIA-DUNGCA, CPA

CPA Cert. No. 0146814

TIN: 236-447-466-000

PTR No.: 4461956, January 13, 2025

City of San Fernando Pampanga

BIR ACC. No.: 04-005756-001-2022

BOA ACC. No.: 5299, Expiring on June 30, 2027

BSP ACC No. 146814; CY 2021-2025

CDA CEA No.: 1093 Expiring on June 13, 2029

April 14, 2025

Member: Philippine Institute of Certified Public Accountants



JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE

CERTIFIED PUBLIC ACCOUNTANT

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

SUPPLEMENTAL WRITTEN STATEMENT OF INDEPENDENT AUDITOR

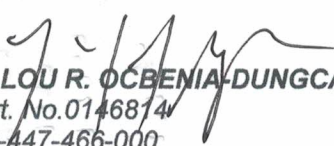
The Board of Directors and Stockholders
RURAL BANK OF SASMUAN (PAMPANGA), INC.
Jupiter St., San Nicolas 2nd, Sasmuan, Pampanga

Gentlemen:

I have examined the financial statements of the **RURAL BANK OF SASMUAN (PAMPANGA), INC.** for the year ended December 31, 2024, on which I have rendered the attached report dated 14 April 2025.

In compliance with SRC Rule 68, I am stating that the bank has a total of twenty-seven (27) stockholders owning One Hundred (100) or more common shares each as at December 31, 2024.

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


JACKIE LOU R. OCBENIA-DUNGCA, CPA

CPA Cert. No. 0146814

TIN: 236-447-466-000

PTR No.: 4461956, January 13, 2025

City of San Fernando Pampanga

BIR ACC. No.: 04-005756-001-2022

BOA ACC. No.: 5299, Expiring on June 30, 2027

BSP ACC No. 146814; CY 2021-2025

CDA CEA No.: 1093 Expiring on June 13, 2029

April 14, 2025

Member: Philippine Institute of Certified Public Accountants



JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE

CERTIFIED PUBLIC ACCOUNTANT

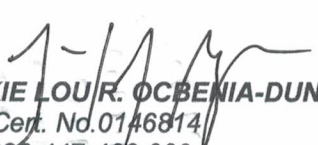
#212 Prk. 3 Brgy. Suclayin, Arayat, Pampanga
Cp. #0919-272-3574/ jackielou_ocbenia@yahoo.com

INDEPENDENT AUDITOR'S REPORT FOR SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
RURAL BANK OF SASMUAN (PAMPANGA), INC.
Jupiter St., San Nicolas 2nd, Sasmuan, Pampanga

I have audited in accordance with Philippine Standards on Auditing, the financial statements of **RURAL BANK OF SASMUAN (PAMPANGA), INC.** as at and for the taxable year ended December 31, 2024 on which I issued my report thereon dated 14 April 2025. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on financial soundness indicators including their definitions, formulas, and calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management.

These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other banks. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code, Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2024 and no material exceptions were noted.


JACKIE LOU R. OCBENIA-DUNGCA, CPA

CPA Cert. No. 0146814

TIN: 236-447-466-000

PTR No.: 4461956, January 13, 2025

City of San Fernando Pampanga

BIR ACC. No.: 04-005756-001-2022

BOA ACC. No.: 5299, Expiring on June 30, 2027

BSP ACC No. 146814; CY 2021-2025

CDA CEA No.: 1093 Expiring on June 13, 2029

April 14, 2025



JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE

CERTIFIED PUBLIC ACCOUNTANT

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

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

The Board of Directors and Stockholders
RURAL BANK OF SASMUAN (PAMPANGA), INC.
Jupiter St., San Nicolas 2nd, Sasmuan, Pampanga

Opinion

I have audited the accompanying Financial Statements of the **RURAL BANK OF SASMUAN (PAMPANGA), INC.** of the Statements of Financial Position as of December 31, 2024 and 2023 and the Statements of Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, including a summary of significant accounting policies and explanatory notes.

In my opinion, the financial statements presents fairly, in all material respects, the financial position of the **RURAL BANK OF SASMUAN (PAMPANGA), INC.** as of December 31, 2024 and 2023 and its financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for opinion

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

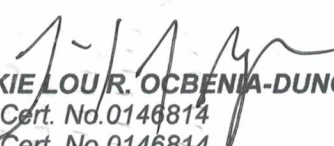
As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial misstatements, whether due to fraud or error, design and perform audit procedures responsive to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention to my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease, or to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether, the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Note 27 to the financial statements is presented for purposes of filing with the Bangko Sentral ng Pilipinas and is not required part of the basic financial statements. Such information is the responsibility of management of the **RURAL BANK OF SASMUAN (PAMPANGA), INC.** The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respect in relation to the basic financial statements taken as a whole.


JACKIE LOUR OCBENIA-DUNGCA, CPA

CPA Cert. No. 0146814

CPA Cert. No. 0146814

TIN: 236-447-466-000

PTR No.: 4461956, January 13, 2025

City of San Fernando Pampanga

BIR ACC. No.: 04-005756-001-2022

BOA ACC. No.: 5299, Expiring on June 30, 2027

BSP ACC No. 146814; CY 2021-2025

CDA CEA No.: 1093 Expiring on June 13, 2029

April 14, 2025

File Upload



All files successfully uploaded

Transaction Code:

AFS-0-P11SPQT30PSZNVYQSPRMT2ZZW0QW212R21

Submission Date/Time:

Apr 23, 2025 10:29 AM

 [Back To Upload](#)



JACKIE LOU ROXAS OCBENIA ACCOUNTING OFFICE

CERTIFIED PUBLIC ACCOUNTANT

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

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

RURAL BANK OF SASMUAN (PAMPANGA), INC.

Jupiter St., San Nicolas 2nd, Sasmuan, Pampanga

AUDITED FINANCIAL STATEMENTS DECEMBER 31, 2024

Member: Philippine Institute of Certified Public Accountants

RURAL BANK OF SASMUAN (PAMPANGA), INC.**STATEMENTS OF FINANCIAL POSITION****As at December 31****2024****2023****ASSETS**

Cash and Other Cash Items (Note 7.1)	P	4,864,165	P	6,163,479
Due from BSP and other Banks (Note 7.2)		38,423,984		25,900,682
Loans and Receivable, Net (Note 8)		150,503,095		131,402,573
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)		2,276,996		3,145,235
Investment Properties (Note 10)		1,118,225		3,549,083
Right of Use Assets (Note 11)		9,870,911		12,021,351
Other Assets (Note 12)		3,600,001		16,939,089
Deferred Tax Assets (Note 22)		6,731,445		4,339,401
TOTAL ASSETS		217,388,822		203,460,893

LIABILITIES & SHAREHOLDERS' EQUITY**LIABILITIES**

Deposit Liabilities (Note 13)		164,004,557		148,241,243
Accrued Interest, Taxes and Other Expenses Payable (Note 14)		704,923		770,607
Other Liabilities (Note 15)		10,902,605		12,349,903
Income Tax Payable		860,426		926,227
TOTAL LIABILITIES		176,472,511		162,287,980

SHAREHOLDERS' EQUITY

Share Capital (Note 16)				
Share Capital		48,230,000		44,300,000
Retained Earnings (Deficits)		(7,313,689)		(3,127,087)
TOTAL SHAREHOLDERS' EQUITY		40,916,311		41,172,913
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	P	217,388,822	P	203,460,893
BOOK VALUE PER SHARE	P	8.48	P	9.29

See accompanying Notes to Financial Statements

RURAL BANK OF SASMUAN (PAMPANGA), INC.
STATEMENTS OF INCOME

		For the Years Ended December 31	
		2024	2023
INTEREST INCOME ON			
Loans & Receivables (Note 8)	P	22,487,410	P 21,798,521
Due from Other Banks (Note 7.2)		19,550	21,911
		22,506,960	21,820,432
INTEREST EXPENSE ON			
Savings Deposits (Note 13)		445,975	444,352
Time Deposits		1,188,947	954,492
Lease Liabilities		1,716,381	1,003,209
		3,351,303	2,402,052
NET INTEREST INCOME		19,155,657	19,418,380
Other Income (Note 17)		5,661,095	14,057,252
TOTAL OPERATING INCOME		24,816,752	33,475,632
OTHER OPERATING EXPENSES			
Provision for Credit Losses		10,316,903	5,728,964
Compensation and Fringe Benefits (Note 18)		10,353,411	9,382,068
Other Operating Expenses (Note 20)		5,951,820	6,214,066
Depreciation and Amortization (Note 21)		3,371,412	3,182,696
Taxes and Licenses (Note 26)		1,809,681	2,339,066
TOTAL OPERATING EXPENSES		31,803,227	26,846,860
INCOME (LOSS) BEFORE INCOME TAX		(6,986,475)	6,628,772
PROVISION FOR INCOME TAX (Note 22)		(1,185,153)	2,760,083
NET INCOME (LOSS) AFTER INCOME TAX	P	(5,801,322)	P 3,868,689
EARNINGS PER SHARE	P	(1.20)	P 0.87

See accompanying Notes to Financial Statements.

RURAL BANK OF SASMUAN (PAMPANGA), INC.
STATEMENTS OF CHANGES IN EQUITY
For the Year Ended December 31, 2024 and 2023

		Share Capital (Note 16)		Retained Earnings - Reserves		Retained Earnings - Free (Deficits)		Total Equity
Balance at January 1, 2024	P	44,300,000	P	644,099	P	(3,771,186)	P	41,172,913
Issuance of Shares		3,930,000		-		-		3,930,000
Total income for the year		-		-		(5,801,322)		(5,801,322)
Transfer to/from Retained Earnings to Reserve		-		-		-		-
Provision and Adjustments		-		-		1,614,720		1,614,720
Balance at December 31, 2024		48,230,000		644,099		(7,957,788)		40,916,311
Balance at January 1, 2023		40,500,000		644,099		(11,176,697)		29,967,402
Subscribed Shares		3,800,000		-		-		3,800,000
Issuance of shares		-		-		-		-
Total income for the year		-		-		3,868,689		3,868,689
Transfer to/from Retained Earnings to Reserve		-		-		(37,643)		(37,643)
Provisions and Adjustments		-		-		3,574,465		3,574,465
Balance at December 31, 2023	P	44,300,000	P	644,099	P	(3,771,186)	P	41,172,913

See accompanying Notes to Financial Statements.

RURAL BANK OF SASMUAN (PAMPANGA), INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31	
	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES		
Income (Loss) before tax	P (6,986,475)	P 6,628,772
Adjustment to reconcile Net Income to		
Net cash provided by operating activities:		
Depreciation/Amortization (Note 10,11 and 21)	3,371,412	3,182,696
Income from Asset Acquired (Note 17)	(323,863)	(7,903,397)
Provision for credit losses on loans receivable	10,316,903	5,728,964
Interest Income (Note 7, 8 and 9)	(22,506,960)	(21,820,432)
Interest Expense (Note 13)	3,351,303	2,402,052
Operating income before working capital adjustments	(12,777,680)	(11,781,344)
Decrease/(Increase) in:		
Loans & Receivables (Note 8)	(29,417,425)	(23,006,651)
Other Assets (Note 12)	13,339,087	(4,669,490)
Increase / (Decrease) in current liabilities		-
Deposit liabilities (Note 13)	15,763,314	10,164,519
Accrued interest, taxes and other expense payable (Note 14)	(65,683)	266,198
Other liabilities (Note 15)	(698,571)	(2,962,722)
Interest received	22,506,960	21,820,432
Interest paid	(3,351,303)	(2,402,052)
Income Taxes paid	(1,272,693)	(2,052,266)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,026,008	(14,623,377)
CASH FLOW FROM INVESTING ACTIVITIES		
Cash receipts from Investment Properties (Note 11)	2,754,721	11,260,855
Cash payments on Premises, Furniture, & Equipment (Note 10)	(352,734)	(300,675)
Cash receipts from Premises, Furniture, & Equipment	-	729,173
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES	2,401,987	11,689,353
CASH FLOW FROM FINANCING ACTIVITIES		
Adjustments Charged to Retained Earnings	1,614,720	3,574,465
Payments of Lease Liabilities	(748,727)	(742,427)
Issuance of Shares (Note 16)	3,930,000	3,800,000
NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES	4,795,993	6,632,038
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	11,223,988	3,698,014
CASH & CASH EQUIVALENTS - BEGINNING	32,064,161	28,366,147
CASH & CASH EQUIVALENTS - ENDING	P 43,288,149	P 32,064,161

See accompanying Notes to Financial Statements.

RURAL BANK OF SASMUAN (PAMPANGA), INC.**NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2024 and 2023

1. CORPORATE INFORMATION

RURAL BANK OF SASMUAN (PAMPANGA), INC. (the Bank) was registered with the Securities and Exchange Commission (SEC) on August 5, 1968. Consequently, on August 19, 1968, the bank was authorized by the Bangko Sentral ng Pilipinas (BSP) to engage into rural banking business. Its authorized capital stock is ₱ 100,000,000 divided into 10,000,000 ordinary shares with par value of ₱10 per share.

The Bank's principal office is located at Jupiter St., San Nicolas 2nd, Sasmuan, Pampanga. It has 3 branches: (1) main branch at Sasmuan (2) McArthur Highway, Bgy. Dolores, San Fernando City, Pampanga and (3) SGDC Bldg., Bgy. Poblacion, Paombong, Bulacan

The Bank's Board of Directors (BOD) is composed of nine (9) members, with two (2) vacant position; one (1) of them is independent director.

Approval of Financial Statements

The accompanying financial statements of the Bank for the year ended December 31, 2024 were authorized for issue by its Board of Directors on April 14, 2025.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

Basis of Preparation

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

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

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

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

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

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

Statement of Compliance

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

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

Going Concern Assumption

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except that the Bank has adopted the following new accounting pronouncements beginning January 1, 2024. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated.

Amendments, and Interpretations Adopted

Amendments

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

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

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

(1) that accounting policy information may be material because of its nature, even if the related amounts are

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

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

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

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

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

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

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

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

New and Amended PFRS Issued But Not Yet Effective

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

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

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

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

Deferred effectivity

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

Financial Instruments

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

Initial Recognition and Measurement

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

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

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

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

Financial Assets

Classification and Subsequent Measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

Cash and Cash Equivalents

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

Cash on Hand

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

Due from Bangko Sentral ng Pilipinas

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

Due from Other Banks

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

Loans Receivables

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

Loans & Discounts

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

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

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

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

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

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

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

Sales Contract Receivable

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

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

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

Financial Liabilities

Classification and Measurement

A financial liability is any liability that is:

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

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

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

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

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

Deposit Liabilities

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

Accrued Expenses and Other Liabilities

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

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

Other Payables arising from contractual obligations

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

discounting to be immaterial.

Borrowing Costs

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

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

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

Financial Liabilities

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

Impairment of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

Definition of "default" and "cure"

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

Write-off Policy

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

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

Offsetting of Financial Instruments

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

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

Other Assets

Other assets represent residual accounts which were not classified as a separate line item in the Financial Reporting

Package (FRP) - Manual of Accounts issued by the Bangko Sentral ng Pilipinas.

Premises, Furniture, Fixtures and Equipment

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

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

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

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

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

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

Building	10 years
Transportation equipment	6 years
Leasehold Improvements	5 years
Furniture and fixtures	3 - 5 years
Information Technology Equipment	3 - 5 years

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

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

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

Investment Properties

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

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

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

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

Statement of Comprehensive Income in the year of retirement or disposal.

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

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

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

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

Right-of-use Assets

The Banks recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

	Years
Buildings and improvements	5 to 10

Impairment of Non-Financial Assets

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

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

Equity

Share Capital

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

voting, and (c) non-redeemable.

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

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

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

Dividends

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

Earnings per Share

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

Book Value per Share

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

Revenue Recognition

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

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

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

Revenue within the scope of PFRS 15:

Loan Fees, Service Charges and Commissions

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

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

Revenue outside the scope of PFRS 15:

Interest Income

Interest on Loans

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

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

Other Income

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

Cost and Expense Recognition

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

Interest Expense

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

Other Expense

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

Employee Benefits

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

Short-term benefits

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

Retirement Benefits

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

Post-employment Defined Benefit Plan

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

Income Taxes

taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

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

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

Related Party Relationships and Transactions

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

Provisions and Contingencies

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

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

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

Subsequent Events

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

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

Judgments

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

a. Classification of financial instruments

The Bank exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as

either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

b. Determination of Functional currency

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

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

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

c. Recognition of Provision and Contingencies

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

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

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

Estimates

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

a. Determination of Fair Values of Financial Assets and Liabilities

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

b. Allowance for Credit Losses

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

Other Risk Assets

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

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

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

The useful lives of Bank Premises, Furniture, Fixtures and Equipment are estimated based on the period over which these assets are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of Bank Premises, Furniture,

Fixtures and Equipment are reviewed periodically and are updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the Bank Premises, Furniture, Fixtures and Equipment. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

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

d. *Useful life of Depreciable Investment Property*

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

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

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

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

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

f. *Recognition of Retirement Costs*

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

g. *Recognition of Deferred Tax Assets*

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit Risk

Credit risk is the risk of financial loss due to the other party's failure to discharge an obligation cited in a binding financial instrument. The Bank manages the level of credit risks it accepts through comprehensive credit risk policy setting assessment and determination of what constitutes credit risk for the Bank; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Additionally, the tables below show the maximum exposure to on-balance sheet credit risk of the Bank as at December 31, 2024 and 2023:

	2024		2023	
Cash and other cash items	P	4,864,165	P	6,163,479
Due from BSP		1,928,501		1,963,466
Due from other banks		36,495,483		23,937,216
Loans Receivable		150,503,095		131,402,573
Total	P	193,791,244	P	163,466,734

Credit quality per class of financial assets

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

2024								
	High grade		Standard grade		Past due but not impaired		Impaired	Total
Due from BSP	P	1,928,501	P	-	P	-	-	1,928,501
Due from other banks		36,495,483		-		-	-	36,495,483
Loans Receivable*		-		138,985,911		10,557,590	11,352,726	160,896,227
Sales contract receivable*		-		2,412,379		-	-	2,412,379
Other Assets**		-		182,065		-	-	182,065
	P	38,423,984	P	141,580,355	P	10,557,590	P 11,352,726	P 201,914,655

*amount is gross of ACL but net of unamortized discounts

**comprised of retirement fund and accounts receivable

2023								
	High grade		Standard grade		Past due but not impaired		Impaired	Total
Due from BSP	P	1,963,466	P	-	P	-	-	1,963,466
Due from other banks		23,937,216		-		-	-	23,937,216
Loans Receivable*		-		125,733,051		15,613,888	5,430,521	146,777,460
Sales contract receivable		-		1,982,716		-	-	1,982,716
Other Assets***		-		217,853		-	-	217,853
	P	25,900,682	P	127,933,620	P	15,613,888	P 5,430,521	P 174,878,711

*amount is gross of ACL but net of unamortized discounts

***comprised of retirement fund and accounts receivable

Market Risk

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

Interest rate risk

The Bank's loan receivables earn effective interest rates ranging from 10.98% to 188.45% for 2024 and 2023. The Bank's interest rate on its deposit liabilities is ranging from 0.35% to 7.00% since 2023 to year end 2024.

However, the Bank earns 0.25% on its current and savings account with other Banks for the year 2024 and 2023.

Liquidity Risk

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

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

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

2024										
		0 - 3 months		3 - 6 months		6 - 12 months		Beyond 1 year		Total
Financial Assets:										
Cash and other cash items	P	4,864,165	P	-	P	-	P	-	P	4,864,165
Due from BSP		1,928,501		-		-		-		1,928,501
Due from other banks		36,495,483		-		-		-		36,495,483
Loans receivable*		160,896,227		-		-		-		160,896,227
Sales contract receivable		2,412,379		-		-		-		2,412,379
Other Assets **		174,709		-		-		7,356		182,065
Total Financial Assets	P	206,771,464	P	-	P	-	P	7,356	P	206,778,820
Financial Liabilities:										
Deposit liabilities	P	135,714,596	P	14,389,909			P	13,900,052	P	164,004,557
Accrued Interest Payable		238,635		-		-		-		238,635
Accrued Others		466,288		-		-		-		466,288
Other Liabilities		813,165		-		-		9,815,573		10,628,738
Total Financial Liabilities	P	137,232,685	P	14,389,909	P	-	P	23,715,625	P	175,338,219
Liquidity Position (Gap)	P	69,538,779	P	(14,389,909)	P	-	P	(23,708,269)	P	31,440,601

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

*** comprised of retirement fund and accounts receivable

2023										
		0 - 3 months		3 - 6 months		6 - 12 months		Beyond 1 year		Total
Financial Assets:										
Cash and other cash items	P	6,163,479	P	-	P	-	P	-	P	6,163,479
Due from BSP		1,963,466		-		-		-		1,963,466
Due from other banks		23,937,216		-		-		-		23,937,216
Loans receivable*		146,777,460		-		-		-		146,777,460
Sales contract receivable**		1,982,716		-		-		-		1,982,716
Other Assets**		210,496		-		-		7,356		217,853
Total Financial Assets	P	181,034,834	P	-	P	-	P	7,356	P	181,042,190
Financial Liabilities:										
Deposit liabilities	P	124,862,721	P	1,007,784	P	7,370,687	P	15,000,051	P	148,241,243
Accrued Interest Payable		209,469		-		-		-		209,469
Accrued Others		561,138		-		-		-		561,138
Other Liabilities		1,557,537		-		-		10,564,300		12,121,837
Total Financial Liabilities	P	127,190,865	P	1,007,784	P	7,370,687	P	25,564,351	P	161,133,687
Liquidity Position (Gap)	P	53,843,969	P	(1,007,784)	P	(7,370,687)	P	(25,556,995)	P	19,908,503

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

*** comprised of retirement fund and accounts receivable

Operational Risks

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

Minimum Liquidity Ratio (MLR)

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

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

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

		2024	2023
PART 1. MINIMUM LIQUIDITY RATIO (MLR)			
A. Stock of Liquid Assets	P	42,871,248	P 31,214,206
B. Qualifying Liabilities		144,349,506	132,894,873
Minimum Liquidity Ratio		29.70%	23.49%
PART II. STOCK OF LIQUID ASSETS			
Cash on Hand		4,447,264	5,313,524
Bank Reserves in the BSP		1,928,501	1,963,466
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP		-	-
Deposits in Other Banks		36,495,483	23,937,216
		42,871,248	31,214,206
PART III. QUALIFYING LIABILITIES			
A. Qualifying Liabilities			
1. Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below	P	64,246,011	P 32,123,005
Borrowings that are non-callable in , or have contractual maturity dates beyond, the next 30 calendar days		-	-
3. Total on Balance Sheet Liabilities		176,472,511	162,287,980
4. Deduct: [Sum of A1 to A2]		64,246,011	32,123,005
B. Other non-balance sheet liabilities (Item A.3 less A.4)		112,226,501	112,226,501
C. Irrevocable obligations under off-balance sheet items		-	103,501,766
D. Total (Sum of Adjusted Amount of Item A(1), A(2), B and C)	P	144,349,506	P 132,894,873

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

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

As at December 31, 2024

	Carrying Value	Level 1	Level 2	Level 3
Cash and other cash items	P 4,864,165	P -	P 4,864,165	P -
Due from BSP	1,928,501	-	1,928,501	-
Due from other banks	36,495,483	-	36,495,483	-
Loans and Receivable	150,503,095	-	150,503,095	-
Deposit Liabilities	164,004,557	-	164,004,557	-
Accrued Expenses and Other Liabilities	11,607,528	-	11,607,528	-
Total	P 369,403,329	P -	P 369,403,329	P -

As at December 31, 2023

	Carrying Value	Level 1	Level 2	Level 3
Cash and other cash items	P 6,163,479	P -	P 6,163,479	P -
Due from BSP	1,963,466	-	1,963,466	-
Due from other banks	23,937,216	-	23,937,216	-
Loans and Receivable	131,402,573	-	131,402,573	-
Deposit Liabilities	148,241,243	-	148,241,243	-
Accrued Expenses and Other Liabilities	13,120,510	-	13,120,510	-
Total	P 324,828,487	P -	P 324,828,487	P -

7'. CASH AND CASH EQUIVALENTS

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

	2024	2023
7.1. Cash and Other Cash items		
Cash on Hand and in Vault	P 4,447,264	P 5,313,524
Check and Other Cash Items	416,901	849,955
Total cash and other cash items	4,864,165	6,163,479
7.2. Due from BSP and other Banks		
Due from Bangko Sentral ng Pilipinas	1,928,501	1,963,466
Due from Other Banks	36,495,483	23,937,216
Total	38,423,984	25,900,682
Total Cash and Cash Equivalents	P 43,288,149	P 32,064,161

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

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

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

Name of Banks		2024		2023
Land bank of the Philippines	P	906,881	P	107,790
Banco De Oro		8,853,244		8,021,751
China Banking Corporation		26,512,114		15,601,306
Bank of the Philippine Islands		223,244		206,369
Total	P	36,495,483	P	23,937,216

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

As of December 31, 2024, the Bank's SBL was registered at ₱10,229,079 and as per BSP Manual of Regulations, banks are exempted on the ceiling of single borrower's limit (SBL) on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for clearing operation.

As of December 31, 2024, none of the Banks has exceeded the prescribed limit or ₱ 100 million.

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

Interest income from bank accounts and short-term cash deposits amounted ₱19,550 and ₱21,911 in 2024 and 2023, respectively.

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

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

8. LOANS AND RECEIVABLE

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

		2024		2023
Current Loans	P	140,017,962	P	126,034,185
Past Due Loans				
Performing		1,271,830		561,904
Non-Performing		15,483,703		15,051,983
Items in Litigation		5,154,783		5,430,521
Total		161,928,278		147,078,593
Less: Unamortized Interest and Discount		1,032,051		301,133
Total, net of discount		160,896,227		146,777,460
Less: Allowance for Credit Losses				
Specific		11,352,726		16,337,413
General		1,452,785		1,020,190
Total Loans Receivables-net	P	148,090,716	P	129,419,857
Add: Sales Contract Receivable, net (Note 8.1)		2,412,379		1,982,716
Total Loans and Receivables-net	P	150,503,095	P	131,402,573

As of December 31, 2024 and 2023, total interest earned amounted to ₱22,487,410 and ₱21,798,521, respectively.

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

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

Note 8.1 - Sales Contract Receivable

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

This account consists of:

		2024		2023
Performing	P	2,412,379	P	1,982,716
Non- performing		-		-
Total		2,412,379		1,982,716
Less: Allowance for Credit Losses		-		-
Unamortized Discount		-		-
Sales Contract Receivable-net	P	2,412,379	P	1,982,716

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

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

		2024		2023
Balance at beginning of year	P	17,357,603	P	26,144,910
Provision		10,316,903		5,728,964
Adjustment		(14,868,995)		(14,516,271)
Balance at end year	P	12,805,511	P	17,357,603

The total Allowance for Credit Losses of ₱12,805,511 which composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the BSP Memorandum Circular 1011.

9. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

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

Details of net carrying amount as of December 31, 2024

	Cost	Accumulated Depreciation/ Amortization	Net Carrying Amount
Cost			
Land	P 630,000	P -	P 630,000
Building	173,438	165,484	7,954
Furniture and Fixtures	2,403,483	2,199,620	203,862
Information Technology Equipment	5,904,634	5,628,806	275,828
Transportation Equipment	4,513,252	3,497,009	1,016,243
Leasehold Improvements	727,649	584,541	143,108
Total	P 14,352,456	P 12,075,460	P 2,276,996

Details of net carrying amount as of December 31, 2023

	Cost	Accumulated Depreciation/ Amortization	Net Carrying Amount
Cost			
Land	P 630,000	P -	P 630,000
Building	3,351,540	3,310,133	41,407
Furniture and Fixtures	2,437,183	2,173,390	263,793
Information Technology Equipment	5,671,555	5,327,394	344,161
Transportation Equipment	4,463,097	2,798,777	1,664,320
Leasehold Improvements	2,675,247	2,473,693	201,554
Total	P 19,228,623	P 16,083,387	P 3,145,236

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

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

	Balance at beginning of year	Additions	Disposals	Adjustments	Balance at end of year
Cost					
Land	P 630,000	P -	P -	P -	P 630,000
Building	3,351,540	-	3,178,102	-	173,438
Furniture and Fixtures	2,437,183	34,900	68,600	-	2,403,483
Information Technology Equipment	5,671,555	233,079	-	-	5,904,634
Transportation Equipment	4,463,097	84,755	34,600	-	4,513,252
Leasehold Improvements	2,675,247	-	1,947,598	-	727,649
Total	19,228,623	352,734	5,228,900	-	14,352,456
Accumulated Depreciation					
Building	3,310,133	27,426.77	3,172,076	-	165,484
Furniture and Fixtures	2,173,390	100,856	68,600	6,026	2,199,620
Information Technology Equipment	5,327,394	301,410	-	(2)	5,628,806
Transportation Equipment	2,798,777	732,830.98	34,599	-	3,497,009
Leasehold Improvements	2,473,693	58,447	1,947,599	-	584,541
Total	16,083,387	1,220,971	5,222,874	6,024	12,075,460
Net carrying amount	P 3,145,236				P 2,276,996

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

	Balance at beginning of year	Additions	Disposals	Adjustments	Balance at end of year
Cost					
Land	P 630,000	P -	P -	P -	P 630,000
Building	3,351,540	-	-	-	3,351,540
Furniture and Fixtures	2,363,793	73,390	-	-	2,437,183
Information Technology Equipment	5,444,270	227,285	-	-	5,671,555
Transportation Equipment	4,716,698	-	253,601	-	4,463,097
Leasehold Improvements	2,675,247	-	-	-	2,675,247
Total	19,181,549	300,675	253,601	-	19,228,623
Accumulated Depreciation					
Building	3,243,528	60,578	-	(6,027)	3,310,133
Furniture and Fixtures	2,010,179	169,238	-	6,027	2,173,390
Information Technology Equipment	5,023,155	304,239	-	-	5,327,394
Transportation Equipment	3,120,808	660,743	982,774	-	2,798,777
Leasehold Improvements	2,155,766	317,927	-	-	2,473,693
Total	15,553,436	1,512,725	982,774	-	16,083,387
Net carrying amount	P 3,628,113				P 3,145,235

Depreciation amounting to ₱1,220,971 and ₱1,512,726 in 2024 and 2023, respectively, are shown as separate components of operating expenses in the Statements of Comprehensive Income.

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

The value of the Bank premises, furniture, fixtures and equipment of ₱2,276,996, net of accumulated depreciation, as of December 31, 2024 is 6% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Section 109).

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

10. INVESTMENT PROPERTIES

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

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

	2024		2023	
Land	P	1,230,044	P	4,181,791
Building		520,889		-
Total		1,750,933		4,181,791
Less: Accumulated Depreciation		632,708		-
Total		1,118,225		4,181,791
Less: Allowance for Credit Losses		-		632,708
Net Carrying Amount	P	1,118,225	P	3,549,083

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

	2024		2023	
Balance at beginning of year net of accumulated depreciation and Impairment loss	P	3,549,083	P	6,906,541
Additions		-		-
Disposal		(2,951,747)		(3,357,458)
Depreciation		-		-
Adjustments		520,889		-
Balance at end of year net of accumulated depreciation and Impairment loss	P	1,118,225	P	3,549,083

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

Additions to investment property during the year are through transfer of loans receivables to ROPA account.

11. RIGHT TO USE ASSET

The bank has several lease agreements of which are under the finance lease model of accounting. With the exception of short term leases and leases of low-value underlying assets, the lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The bank classifies its right-of-use assets in a consistent manner as Bank Premises, Furniture, Fixtures and Equipment.

In compliance with PFRS 16, the movement of right-of-use assets is as follow:

		Building		Total
Cost				
Balance at January 1, 2023	P	9,192,738	P	9,192,738
Additions		4,177,578		4,177,578
Balance at December 31, 2023		13,370,316		13,370,316
Additions		-		-
Balance at December 31, 2024		13,370,316		13,370,316
Accumulated Amortization				
Balance at January 1, 2023		4,002,819		4,002,819
Amortization		1,669,971		1,669,971
Adjustments		(4,323,825)		(4,323,825)
Balance at December 31, 2023		1,348,965		1,348,965
Amortization		2,150,440		2,150,440
Adjustments		-		-
Balance at December 31, 2024		3,499,405		3,499,405
Net Book Value - 2024	P	9,870,911	P	9,870,911
Net Book Value - 2023	P	12,021,351	P	12,021,351

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

12. OTHER ASSETS

This account is consists of:

		2024		2023
Financial Asset				
Accounts Receivable	P	174,709	P	210,496
Accrued Interest Receivable		2,139,620		2,229,666
Non-Financial Assets				
Miscellaneous Assets		874,400		874,400
Retirement Fund		7,356		7,356
Petty Cash Fund		13,000		37,000
Stationery and Supplies		183,218		155,512
Deferred Charges		114,585		114,585
Documentary Stamps		93,114		-
Shortages		14,110,074		14,110,074
Total	P	17,710,075	P	17,739,089
Less: Allowance for Credit Losses		14,110,074		800,000
Total Other Assets	P	3,600,001	P	16,939,089

Retirement Fund is the amount set aside for retirement of bank employees. Prepaid Income Tax is an excess payments incurred previous years that can be use against tax due in the future. Miscellaneous assets consist of unused documentary stamp tax and PLDT shares held as an investments. The accounts receivables are mainly cost of insurance, real property tax and registration fees advanced by the Bank for collections to its clients. Stationery and Supplies this refers to the cost of unissued stationery, printed forms and supplies. Shortages refers to allegedly fraud committed from the previous branch Manager of Paombong Branch and Cashier from San Fernando Pampanga Branch.

13. DEPOSIT LIABILITIES

This account is consists of:

		2024		2023
Savings Deposit	P	127,758,723	P	123,088,935
Time Deposit		36,245,834		25,152,308
Total Deposit Liabilities	P	164,004,557	P	148,241,243

Savings Deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time. The total deposits for the year increased by P15,760,314 or 10.63% over the figures of 2023.

For the year 2024 and 2023, savings deposit carries an interest rate of 0.35% p.a.. The Bank's time deposit carries interest rate ranging from 0.50% to 7.00% for the years 2024 and 2023.

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

Interest expense on deposit liabilities charged to profit or loss in 2024 and 2023 amounted to ₱1,634,922 and ₱1,398,844, respectively.

14. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

		2024		2023
Accrued Interest Expense on Financial Liabilities	P	238,635	P	209,469
Accrued Expense Others		466,288		561,138
Total	P	704,923	P	770,607

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

15. OTHER LIABILITIES

This account consists of:

		2024		2023
Accounts Payable	P	813,165	P	1,557,537
Withholding Tax Payable		130,940		102,758
SSS, Medicare and Pag-Ibig Contribution Payable		142,927		125,308
Lease Liability		9,815,573		10,564,300
Total	P	10,902,605	P	12,349,903

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

Accounts Payable represents various liabilities incurred by the Bank for its own account and the third parties arising from short term indebtedness/obligations still outstanding at the cut-off/ reporting date. Withholding tax payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is obliged to withhold as a withholding agent of the government. SSS, Medicare and Pag-ibig Contributions are employees' contribution which are to be remitted by the Bank on January 2025. The lease liability is calculated using the present value of the lease payments over the lease term discounted using the average incremental borrowing rate as provided by the Bangko Sentral ng Pilipinas.

16. EQUITY

16.1 SHARE CAPITAL

Ordinary Shares

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

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

	2024		2023	
	Shares	Amount	Shares	Amount
Share Capital – P10 par value, 10,000,000 authorized shares				
Ordinary Shares at the beginning of the year	4,430,000	P 44,300,000	4,050,000	P 40,500,000
Additional Infusion	393,000	3,930,000	380,000	3,800,000
Issuance of shares of stocks from settlement of subscriptions receivable	-	-	-	-
	-	-	-	-
Ordinary Shares the end of the year	4,823,000	48,230,000	4,430,000	44,300,000
Subscribed	-	-	150,000	1,500,000
Subscription receivable	-	-	-	(1,500,000)
Total	4,823,000	P 48,230,000	4,580,000	P 44,300,000

16.2 RETAINED EARNINGS - FREE

The reconciliation of surplus during the period is as follows:

	2024	2023
Balance, Beginning	P (3,771,187)	P (11,176,698)
Net Income (Loss)	(5,801,322)	3,868,689
Transfer to/from Retained Earnings to Reserve	-	(37,643)
Provisions and Adjustments	1,614,720	3,574,465
Balance, Ending	P (7,957,788)	P (3,771,187)

Provision and Adjustments

	2024	2023
Over provision for income tax - prior year	P -	P -
Others	1,614,720	3,574,465
Total	P 1,614,720	P 3,574,465

16.3 CAPITAL MANAGEMENT

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

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

Regulatory Qualifying Capital

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

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

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent (10.00%) of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio to total equity excludes:

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability; and
- other regulatory deductions.

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

Under Section 121: *Minimum Required Capital*, Rural Banks with up to five (5) branches including head office in all other areas are required to comply with the new minimum capital of P50M within five (5) years as amended by BSP Circular No. 1151 series of 2022.

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

		2024		2023
Tier 1 Capital	P	34,184,866		36,833,512
Tier 2 Capital		1,452,785		1,020,190
Total Qualifying Capital	P	35,637,651	P	37,853,702
Risk Weighted Assets	P	250,348,754	P	232,987,903
Tier 1 Ratio		13.65%		15.81%
Tier 2 Ratio		0.58%		0.44%
Capital Adequacy Ratio (CAR)		14.24%		16.25%

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

		2024		2023
A. Calculation of Qualifying Capital				
A.1 Tier 1 Capital				
Core Tier 1 Capital				
Paid-Up Capital - Ordinary	P	48,230,000	P	44,300,000
Paid-up perpetual and non-cumulative preferred stock		-		-
Retained Earnings (Deficits)		(7,313,689)		(3,127,087)
Deductions from Core Tier 1 Capital				
Deferred Tax Asset, Net of Deferred Tax Liability		6,731,445		4,339,401
Total Tier 1 Capital		34,184,866		36,833,512
A.2 Tier 2 Capital				
General Loan Loss Provision		1,452,785		1,020,190
Deductions from Upper Tier 2		-		-
Total Upper Tier 2 Capital		1,452,785		1,020,190
TOTAL QUALIFYING CAPITAL	P	35,637,651	P	37,853,702

Capital ratios	2024	2023
Total regulatory capital expressed as percentage of total risk weighted assets	14.24%	16.25%
Total CET 1 capital expressed as percentage of total risk weighted assets	13.65%	15.81%
Total Tier 1 capital expressed as percentage of total risk weighted assets	13.65%	15.81%

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

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

17. OTHER INCOME

This account consists of:

		2024		2023
Fees and Commissions	P	1,130,991	P	1,931,528
Gains From Sale/Derecognition of Investment Properties		323,863		7,903,397
Miscellaneous Income		4,206,241		4,222,327
Total	P	5,661,095	P	14,057,252

18. COMPENSATION AND BENEFITS

This account consists of the following:

		2024		2023
Salaries, Wages and Other Benefits	P	8,913,587	P	8,101,173
Director's Fee		617,368		594,737
SSS, Philhealth, and Employees Compensation Premium and Pag-ibig Fund Contribution		822,456		686,158
Total	P	10,353,411	P	9,382,068

19. RETIREMENT BENEFITS PLAN

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

On December 31, 2021, the Bank procured a non-contributory endowment policy from FWD for certain officers and employees. The Bank also does not provide or recognize accrual on pensions and other post-retirement benefits obligations. As at December 31, 2024, the Bank continues the endowment policy with FWD.

20. OTHER OPERATING EXPENSES

This account consists of the following:

		2024		2023
Traveling Expenses	P	475,129	P	684,277
Security, Clerical, Messengerial & Janitorial Services		704,086		646,178
Power, Light & Water		439,768		477,975
Information and Technology		361,460		347,453
Litigation Expenses		114,905		183,395
Postage, Telephone, Cables & Telegram		167,393		148,347
Miscellaneous		797,128		792,635
Insurance Expenses		634,639		733,844
Advertising & Publicity		41,183		28,155
Fines, Penalties and Other Fees		3,337		13,339
Fuel & Lubricants		1,143,143		1,141,086
Documentary Stamp Used		23,862		64,707
Stationeries & Supplies Used		189,727		148,284
Management and Other Professional Fees		450,758		391,226
Repairs and Maintenance		280,003		285,189
Membership Fees & Dues		36,910		10,800
Trainings and Seminars Expenses		55,400		80,725
Supervision and Banking Fees		32,989		36,451
Total	P	5,951,820	P	6,214,066

21. DEPRECIATION AND AMORTIZATION EXPENSE

This account is consists of:

		2024		2023
Building	P	27,427	P	60,578
Furniture, Fixtures and Equipment		88,922		139,844
Information Technology		301,410		304,239
Transportation Equipment		732,831		660,743
Other Office Equipment		11,935		29,394
Leasehold Improvement		58,447		317,927
Right-of-use		2,150,440		1,669,971
Total	P	3,371,412	P	3,182,696

22. INCOME TAXES

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

Provision for income tax consists of:

		2024		2023
Current:	P	1,206,891	P	3,200,951
Deferred		(2,392,044)		(440,868)
Tax Expense reported in Statement of Income	P	(1,185,153)	P	2,760,083

The current and deferred tax is computed as follows:

Current Tax

		2024		2023
Statutory income tax	P	(1,746,619)	P	1,657,193
Income tax effects of:				
Interest income subject to final tax		(4,888)		(5,478)
Provision for credit losses on loans and receivables		2,579,226		1,432,241
Non-deductible depreciation on ROUA		537,610		417,493
Non-deductible interest expense on Lease Liability		429,095		250,802
Non-deductible expenses (Interest Arbitrage)		1,222		1,369
Lease Payments		(588,756)		(552,670)
Provision for Income Tax-Current	P	1,206,891	P	3,200,951

Computation of Income Tax:

		2024		2023
Net Income per books	P	(6,986,475)	P	6,628,772
Add: Non-deductible Expenses/Taxable Other Income				
Provision for Credit Losses on Loans and Receivables		10,316,903		5,728,964
Non-deductible depreciation on ROUA		2,150,440		1,669,971
Non-deductible interest expense on Lease Liability		1,716,381		1,003,209
Non-deductible Interest expense reduced by 20%		4,888		5,478
Total		7,202,137		15,036,393
Less: Non-taxable Income and Income Subjected to Final Tax				
Lease Payments		2,355,024		2,210,678
Interest Income Subject to Final Tax		19,550		21,911
Net Taxable Income		4,827,563		12,803,804
Tax Rate		25%		25%
Normal Corporate Income Tax		1,206,891		3,200,951
Minimum Corporate Income Tax**		316,471		371,159
Income Tax Due		1,206,891		3,200,951
Less:				
Prior Year's Excess Credits – Taxes Withheld		-		222,458
Tax Payments other than MCIT		346,465		2,052,266
Income Tax Still Due/(Overpayment)	P	860,426	P	926,227

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

		2024		2023
Revenue	P	22,506,960	P	21,820,432
Cost of Revenue		12,324,963		11,111,843
Gross Income		10,181,998		10,708,589
Add: Other Income		5,661,095		14,057,252
Less: Interest Income Subjected to Final Tax		19,550		21,911
Total Gross Income		15,823,542		24,743,930
MCIT Rate		2.00%		1.50%
Minimum Corporate Income Tax	P	316,471	P	371,159

An analysis of Deferred Tax Assets as follow:

		2024		2023
Deferred Tax Asset				
Deferred Tax Asset – Beginning	P	4,339,401	P	9,007,145
Provision for allowance credit losses		2,579,226		1,432,241
Lease Liability		-		2,641,075
Excess overpayment of lease liability		(187,182)		-
Others - write-off		-		(8,741,060)
Deferred Tax Asset – Ending		6,731,445		4,339,401
Deferred Tax Liability				
Deferred Tax Liability – Beginning		-		-
Deferred Tax Liability – Ending		-		-
Deferred Tax Assets, Net	P	6,731,445	P	4,339,401

23. RELATED PARTY TRANSACTIONS

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

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

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

Remunerations of Key Management Personnel

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

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

		2024		2023
Short-term employee benefits	P	10,353,411	P	9,382,068
Post-employment benefits		-		-
TOTAL	P	10,353,411	P	9,382,068

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

24. RECLASSIFICATION OF ACCOUNTS

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

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

25. OTHER MATTERS

1. Anti-Money Laundering Act (AMLA)
The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering
2. As of December 31, 2024, all of the Bank's directors had undergone the requirements for corporate governance as confirmed by the Monetary Board as mandated by Section 132 of the MORB.

26. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR No. 15-2010 and RR NO. 19-2011***Revenue Regulation (RR) No 15-2010***

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

Percentage Taxes (Gross Receipt Tax)

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

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

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

GRT in 2024 consists of taxes on:

	Tax Base		GRT	
Interest income	P	22,506,960	P	1,125,348
Other income		5,661,094		396,277
Total	P	28,168,054	P	1,521,625

Documentary Stamp

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

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

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

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

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

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2024, follow:

Taxes and Licenses

		2024
a. Local		
Business Permit	P	241,897
Real Property Tax		11,110
Others		33,050
b. National		
Percentage Tax		1,521,625
Annual Registration-BIR		2,000
Total-Taxes and Licenses	P	1,809,681

Withholding Taxes

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

Withholding Tax on Compensation	P	106,965
Withholding Tax at Sources		161,689
Final Withholding Tax (Interest and Dividends)		153,102
Total	P	421,756

Tax Assessments and Cases

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

Revenue Regulation (RR) No 19-2011

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

Sale of Services

The Bank's taxable sale of services amounted to ₱22,487,410 and income subject to final income tax and are exempt from tax amounted to ₱19,550 for the year ended December 31, 2024.

Cost of Services

	2024		2023
Details of the Bank's tax deductible cost of services accounts are as follows:			
Direct Charges - Salaries and wages	P 10,353,411	P	9,382,068
Direct Charges - Insurance (PDIC)	308,529		299,958
Direct Charges – Supervision Fee	32,989		36,451
Direct Charges - others (interest expense net of 20% limit)			
Interest expense	1,634,922		1,398,844
Less: Limit (20% of interest income subj. to final tax)	(4,888)		(5,478)
Total	P 12,324,963	P	11,111,843

Itemized Deductions

		2024		2023
Insurance- Others	P	326,110	P	433,886
Power, Light and Water		439,768		477,975
Litigation Expenses		114,905		183,395
Stationeries and Supplies Used		189,727		148,284
Janitorial and Security		704,086		646,178
Fuel and Lubricants		1,143,143		1,141,086
Postage, Telephone, and Telegram		167,393		148,347
Management and Other Professional Fees		450,758		391,226
Traveling Expense		475,129		684,277
Repairs and Maintenance		280,003		285,189
Documentary Stamp Used		23,862		64,707
Information Technology Expense		361,460		347,453
Membership Fees and Dues		36,910		10,800
Advertising and Publicity		41,183		28,155
Miscellaneous Expense		797,128		792,635
Fines, Penalties and Other Charges		3,337		13,339
Trainings and Seminars Expenses		55,400		80,725
Taxes and Licenses		1,809,681		2,339,066
Depreciation		1,220,972		1,512,725
Rental		2,355,024		2,210,678
Total	P	10,995,979	P	11,940,126

27. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

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

In compliance with the requirements set forth by Circular No. 1074, hereunder are the supplementary information:

Financial Performance

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

	2024	2023
A. Return on Average Equity	-14.13%	10.88%
B. Return on Average Assets	-2.76%	2.02%
C. Net Interest Margin	11.19%	13.49%
D. Debt to Equity Ratio	431.30%	394.16%

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

Return on Average Equity (ROE)

Formula: $ROE = \text{Net Income after Tax} / \text{Average Capital}$

		2024		2023
Net Income (Loss)	P	(5,801,322)	P	3,868,689
Equity				
2024		40,916,311		
2023		41,172,913		41,172,913
2022				29,967,402
Total		82,089,224		71,140,316
Average Equity	P	41,044,612	P	35,570,158
Return on Average Equity		-14.13%		10.88%

Return on Average Assets (ROA)

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

		2024		2023
Net Income (Loss)	P	(5,801,322)	P	3,868,689
Assets				
2024		217,388,822		
2023		203,460,893		203,460,893
2022				179,492,347
Total		420,849,714		382,953,240
Average Assets	P	210,424,857	P	191,476,620
Return on Average Assets		-2.76%		2.02%

Net Interest Margin

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

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

		2024		2023
Net Interest Income	P	19,155,657	P	19,418,380
Interest Earnings Assets				
2024		186,998,578		
2023		155,339,788		155,339,788
2022				132,453,189
Total		342,338,366		287,792,977
Average Interest Earnings Assets	P	171,169,183	P	143,896,489
Net Interest Margin		11.19%		13.49%

Leverage Ratio and Total Exposure Measure

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

		2024		2023
Total equity	P	40,916,311	P	41,172,913
Total assets	P	217,388,822	P	203,460,893
Leverage ratio		18.82%		20.24%
Total exposure measure	P	217,388,822	P	203,460,893

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

Capital Instruments

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

	Shares*		Amount
Share Capital - ₱10 par value			
Authorized	10,000,000	P	100,000,000
Issued and outstanding	393,000		3,930,000
Balance at the beginning and end of the year	4,823,000	P	48,230,000

*Absolute number of shares

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

Significant credit exposures as to industry/economic sector

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

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

Percentage per total loan portfolio		2024	%	2023	%
Agriculture, Forestry & Fishing	P	67,466,412	41.93%	81,511,111	55.53%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle		22,536,880	14.01%	25,250,389	17.20%
Manufacturing		4,776,409	2.97%	3,668,598	2.50%
Water supply, sewerage, waste management and remediation activities		1	0.00%	1	0.00%
Real Estate Activities		9	0.00%	9	0.00%
Education		-	0.00%	518,860	0.35%
Other Service Activities		63,093,127	39.21%	30,418,284	20.72%
Construction		3,706	0.00%	43,207	0.03%
Transportation and Storage		558,704	0.35%	1,632,070	1.11%
Professional, Scientific and Technical Activities		1	0.00%		0.00%
Accommodation & Food Services Activities		7	0.00%	7	0.00%
Activities of Households for own use		2,460,970	1.53%	3,734,925	2.54%
Total	P	160,896,227	100.00%	146,777,460	100.00%

Percentage per tier 1 capital		2024	%	2023	%
Agriculture, Forestry & Fishing	P	67,466,412	197.36%	81,511,111	221.30%
Wholesale & Retail Trade, Repair of Motor vehicles, Motorcycle		22,536,880	65.93%	25,250,389	68.55%
Manufacturing		4,776,409	13.97%	3,668,598	9.96%
Water supply, sewerage, waste management and remediation activities		1	0.00%	1	0.00%
Real Estate Activities		9	0.00%	9	0.00%
Education		-	0.00%	518,860	1.41%
Other Service Activities		63,093,127	184.56%	30,418,284	82.58%
Construction		3,706	0.01%	43,207	0.12%
Transportation and Storage		558,704	1.63%	1,632,070	4.43%
Professional, Scientific and Technical		1	0.00%	-	0.00%
Accommodation & Food Services Activities		7	0.00%	7	0.00%
Activities of Households for own use		2,460,970	7.20%	3,734,925	10.14%
Total	P	160,896,227		146,777,460	

The BSP considers that significant credit exposures exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital. As of December 31, 2024, two (2) of the credit exposure has exists for the total loan portfolio while four (4) on the 10% for Tier I Capital.

As at December 31, 2023, one (1) industry exceeding 30.0 percent of the total loan portfolio and five (5) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2024 and 2023: Classification of loans: (Net of Unamortized Discounts)

As to Maturity:

	2024	2023
Due within one (1) year	P 160,896,227	P 146,777,460
Due beyond one (1) year to five (5) years	-	-
Total Loan Portfolio	P 160,896,227	P 146,777,460

As to Status

	2024	2023
Current Loans	P 138,985,911	P 125,733,051
Past Due Loans	16,755,533	15,613,888
Items in Litigation	5,154,783	5,430,521
Total Loan Portfolio	P 160,896,227	P 146,777,460

As to Security:

		2024		2023
Secured	P	120,753,401	P	123,520,729
Unsecured		40,142,826		23,256,732
Total Loan Portfolio	P	160,896,227	P	146,777,460

As to type of security:

		2024		2023
REM	P	31,976,582	P	26,971,077
Chattel		88,776,818		96,549,652
Others		40,142,826		23,256,732
Total	P	160,896,227	P	146,777,460

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

Product Line	2024			Total
	Performing	Non-Performing		
Agrarian Reform loans	P 3,685,004	P 2	P	3,685,006
Other Agricultural Credit Loans	53,969,887	9,811,519		63,781,406
Microfinance Loans	373,295	458,372		831,667
Small Scale Enterprise Loans	69,453,081	2,579,825		72,032,906
Medium Scale Enterprise Loans	5,253,737	3,125,912		8,379,649
Loans to Individuals for Personal Purposes	901,087	155,485		1,056,573
Loans to Individuals for Other Purposes	5,349,819	5,779,201		11,129,020
Total	P 138,985,911	P 21,910,316	P	160,896,227

Product Line	2023			Total
	Performing	Non-Performing		
Agrarian Reform loans	P 5,474,244	P 2	P	5,474,246
Other Agricultural Credit Loans	67,721,748	8,315,117		76,036,864
Microfinance Loans	689,525	476,640		1,166,165
Small Scale Enterprise Loans	32,978,299	4,128,007		37,106,306
Medium Scale Enterprise Loans	4,846,992	3,287,573		8,134,565
Loans to Individuals for Personal Purposes	3,335,982	398,942		3,734,924
Loans to Individuals for Other Purposes	11,248,166	3,876,224		15,124,390
Total	P 126,294,956	P 20,482,505	P	146,777,460

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.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of the bank's net worth, the unsecured portion shall not exceed 5.00% of such net worth. Further, the total outstanding exposures shall not exceed 20.00% of the net worth of the lending bank. The said Circular became effective on February 15, 2007.

BSP Circular No. 423, dated March 15, 2004 amended the definition of DOSRI accounts. Further, BSP issued Circular No. 464 dated January 4, 2005 clarifying the definition of DOSRI accounts.

In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

Below are the selected ratios relative to the Banks' DOSRI and Related Party loan accounts.

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

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

Aggregate amount of secured liabilities and assets pledged as security

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

Commitments and contingent liabilities

This account consists of:

a.) The Bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of loans and receivables under litigation amounted to ₱5,154,783 and ₱5,430,521 as at December 31, 2024 and 2023, respectively.

b.) The Bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.

c.) The Bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.

d.) The Bank has no contingent accounts for the years ended December 31, 2024 and 2023.

RURAL BANK OF SASMUAN (PAMPANGA), INC.**FINANCIAL HIGHLIGHTS****As of December 31, 2024**

	2024	2023	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	28,168,055	35,877,684	(7,709,629)
TOTAL EXPENSES	33,969,377	32,008,995	1,960,382
NET INCOME	(5,801,322)	3,868,689	(9,670,011)
EARNINGS PER SHARE			
Ordinary Shares	(1.20)	0.87	(2.08)
RETURN ON AVERAGE EQUITY	-14.13%	10.88%	-25.01%
RETURN ON AVERAGE ASSETS	-2.76%	2.02%	-4.78%
NET INTEREST MARGIN	11.19%	13.49%	-2.30%
AT YEAR END			
TOTAL ASSETS	217,388,822	203,460,893	13,927,929
LOANS AND RECEIVABLES (NET)	150,503,095	131,402,573	19,100,522
LIQUID ASSETS	193,791,244	163,466,734	30,324,510
FIXED ASSETS	2,276,996	3,145,235	(868,240)
DEPOSIT LIABILITIES	164,004,557	148,241,243	15,763,314
EQUITY ACCOUNTS	40,916,311	41,172,913	(256,602)
BOOK VALUE PER SHARE			
Ordinary Shares	8.48	9.29	(0.81)
CAPITAL ADEQUACY RATIO	14.24%	16.25%	-2.01%
PAST DUE RATIO	13.53%	14.31%	-0.78%
RATIO OF LIQUID ASSETS OVER DEPOSITS	118.16%	110.27%	7.89%
DEBT TO EQUITY RATIO	431.30%	394.16%	0.37
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	5.57%	7.64%	-2.07%

RURAL BANK OF SASMUAN (PAMPANGA), INC.
Comparison of Submitted Balance Sheet and Income Statement and Audited Financial Statements

As of December 31, 2024

	Submitted Report		Audited Report		Variance/ Discrepancy	Reasons for Discrepancy
Cash and Other Cash Items (Note 7.1)	P	4,864,165	P	4,864,165	-	
Due from BSP and other Banks (Note 7.2)		38,423,984		38,423,984	-	
Loans and Receivable, Net (Note 8)		148,090,716		148,090,716	-	
Sales Contract Receivable (Note 8.1)		2,412,379		2,412,379	-	
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)		12,147,906		2,276,996	9,870,910	FS presentation consist of right of use assets and See AJE# 3
Investment Properties (Note 10)		1,118,225		1,118,225	-	
Right of Use Assets (Note 11)		-		9,870,911	(9,870,911)	FS presentation previously reported in BFFE per FRP
Deferred Tax Assets (Note 22)		-		6,731,445	(6,731,445)	See adjustment no. 2 of P2,392,044 and P4,339,401 beg. bal
Other Assets (Note 12)		7,939,400		3,600,001	4,339,399	DTA
Total Assets		214,996,775		217,388,822	(2,392,047)	
Deposit Liabilities (Note 13)		164,004,557		164,004,557	-	FS presentation previously reported in other liabilities consist of accrued interest payable of P238,635 and accrued other taxes of P466,288
Accrued Interest, Taxes, and Other Expenses (Note 14)		-		704,923	(704,923)	See adjustment no. 1 of P885,913 and P376,087 previously reported in other liabilities per FRP
Income Tax Payable		-		860,426	(860,426)	FS presentation consits of accrued interest payable of P238,635, accrued other taxes of P466,288 and income tax payable of P376,087
Other Liabilities (Note 15)		11,983,615		10,902,605	1,081,010	
Total Liabilities		175,988,172		176,472,511	(484,339)	
Share Capital (Note 16)		48,230,000		48,230,000	-	
Retained Earnings		(9,221,397)		(7,313,689)	(1,907,708)	See adjustment no. 1, 2 and 3
Total Capital		39,008,603		40,916,311	(1,907,708)	
Total Liabilities & Capital		214,996,775		217,388,822	(2,392,047)	Net of adjustments
Total Income		28,168,055		28,168,055	-	
Total Expenses		35,154,530		35,154,530	-	
Net Income Before Tax		(6,986,475)		(6,986,475)	-	
Income Tax Expense		722,552		(1,185,153)	1,907,705	See adjustment no. 1 and 2
Net Income After Tax	P	(7,709,027)	P	(5,801,322)	P	1,907,705

See notes to financial statements

RURAL BANK OF SASMUAN (PAMPANGA), INC.**LIST OF ADJUSTING ENTRIES****December 31, 2024**

No.	Descriptions/Particulars	Debit	Credit
1.	Provision for income tax	484,338.34	
	Income tax payable		484,338.34
	<i>To adjust income tax for the period.</i>		
2.	Deferred tax assets	2,392,044.03	
	Income tax benefits		2,392,044.03
	<i>To adjust DTA for the period.</i>		
3.	Accumulated Depreciation - Information Technology	2.18	
	Furnitures and Fixtures		0.21
	Retained Earnings		1.97
	<i>To correct balances as of December 31, 2024</i>		