Subject: Your BIR AFS eSubmission uploads were received
Date: 04/30/2025 02:00 PM
From: eafs@bir.gov.ph
To: BIRREPORTS@TRUBANK.COM
Cc: CQPALOMA@TRUBANK.COM

Hi FIRST TAGUM RURAL BANK, INC.,

Valid files

- EAFS277399811ITRTY122024.pdf
- EAFS277399811RPTTY122024.pdf
- EAFS277399811AFSTY122024.pdf
- EAFS277399811TCRTY122024-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-B7FCACBF0QWYPVNZYQ3S4PX2R06GKL69D8**
Submission Date/Time: **Apr 30, 2025 02:00 PM**
Company TIN: **277-399-811**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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Bureau of Internal Revenue
Republic of the Philippines

efps

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 277-399-811-000
Name	: FIRST TRUBANK A RURAL BANK , INC.
RDO	: 127
Form Type	: 1702
Reference No.	: 462500065334298
Amount Payable (Over Remittance)	: 644,361.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2024
Date Filed	: 04/14/2025
Tax Type	: IT

Proceed to Payment

[BIR Main | eFPS Login | User Menu | Help]

BIR e-Payment

Your corporation is **FIRST TAGUM RURAL BANK INC.**.
Your last login was on Apr 08, 2025, 11:16:46 AM

Account	0000001517355093/FIRST TAGUM RURAL BANK INC.-CENTRAL OFFI-PHP-SA
Payment Date	04/14/2025
Filing Reference Number	462500065334298
Payment Transaction Number	258270616
TIN	277399811
Branch Number	000
RDO Code	127
Transacting Bank Code	26000
Depository Bank Code	26000
Taxpayer Name	FIRST TRUBANK A RURAL BANK , INC.
Tax Type	IT
Tax Return Period	12/31/2024
Quarter	0
Amount Due	PHP 644,361.00
Actual Amount Paid	PHP 644,361.00

Reference No : 462500065334298
Date Filed : April 14, 2025 10:49 AM
Batch Number : 0

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

For BIR Use Only: **BCS/ Item:**

BIR Form No.
1702-RT
January 2018(ENCS)
Page 1

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

1702-RT 01/18ENCS P1

1 For	**3** Amended Return?	**4** Short Period Return?	**5** Alphanumeric Tax Code (ATC)
◉ Calendar ○ Fiscal	○ Yes ◉ No	○ Yes ◉ No	IC055 Minimum Corporate Income Tax (MCIT) ☑
2 Year Ended (MM/20YY) 12/2024			IC010 DOMESTIC CORPORATION IN GENERAL ☑

Part I - Background Information

6 Taxpayer Identification Number (TIN)	277 - 399 - 811 - 000
7 RDO Code	127
8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*	FIRST TRUBANK A RURAL BANK , INC.
9A Registered Address *(Indicate complete registered address)*	TRUBANK BLDG. CORNER BONIFACIO MAGUGPO POBLACION DAVAO DEL NORTE
9B Zipcode	8100
10 Date of Incorporation/Organization (MM/DD/YYYY)	12/05/2008
11 Contact Number	*
12 Email Address	birreports@trubank.com

13 Method of Deductions: ◉ Itemized Deductions [Section 34 (A-J), NIRC] ○ Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

14 Total Income Tax Due (Overpayment) *(From Part IV Item 43)*	6,143,655
15 Less: Total Tax Credits/Payments *(From Part IV Item 55)*	5,499,294
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15) (From Part IV Item 56)*	644,361
Add Penalties	
17 Surcharge	0
18 Interest	0
19 Compromise	0
20 Total Penalties *(Sum of Items 17 to 19)*	0
21 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 16 and 20)*	644,361

If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*

○ To be refunded ○ To be issued a Tax Credit Certificate (TCC) ○ To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

Signature over printed name of President/Principal Officer/Authorized Representative		Signature over printed name of Treasurer/Assistant Treasurer		**22** Number of Attachments
Title of Signatory	TIN	Title of Signatory	TIN	4

Part III - Details of Payment

Particulars	Drawee Bank/Agency	Number	Date *(MM/DD/YYYY)*	Amount
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others *(Specify Below)*				0

Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)*	*Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)*

BIR Form No.
1702-RT
January 2018(ENCS)
Page 2

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

1702-RT 01/18ENCS P2

Taxpayer Identification Number (TIN)	Registered Name
277 - 399 - 811 - 000	FIRST TRUBANK A RURAL BANK , INC.

Part IV - Computation of Tax	*(Do NOT enter Centavos)*
27 Sales/Receipts/Revenues/Fees	119,287,904
28 Less: Sales Returns, Allowances and Discounts	0
29 Net Sales/Receipts/Revenues/Fees *(Item 27 Less Item 28)*	119,287,904
30 Less: Cost of Sales/Services	53,528,536
31 Gross Income from Operation *(Item 29 Less Item 30)*	65,759,368
32 Add: Other Taxable Income Not Subjected to Final Tax	29,181,111
33 Total Taxable Income *(Sum of Items 31 and 32)*	94,940,479

Less: Deductions Allowable under Existing Law		
34 Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	70,365,858	
35 Special Allowable Itemized Deductions *(From Part VI Schedule II Item 5)*	0	
36 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)*	0	
37 Total Deductions *(Sum of Items 34 to 36)*	70,365,858	
***OR** [in case taxable under Sec 27(A) & 28(A)(1)]*		
38 Optional Standard Deduction *(40% of Item 33)*	0	

39 Net Taxable Income/(Loss) *(If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)*	24,574,621
40 Applicable Income Tax Rate	25 %
41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) *(Item 39 x Item 40)*	6,143,655
42 MCIT Due *(2% of Item 33)*	1,898,810
43 Tax Due *(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)*	6,143,655

Less: Tax Credits/Payments (attach proof)	
44 Prior Year's Excess Credits Other Than MCIT	0
45 Income Tax Payment under MCIT from Previous Quarter/s	0
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	5,393,248
47 Excess MCIT Applied this Current Taxable Year *(From Part VI Schedule IV Item 4)*	0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	0
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	106,046
50 Foreign Tax Credits, if applicable	0
51 Tax Paid in Return Previously Filed, if this is an Amended Return	0
52 Special Tax Credits *(To Part V Item 58)*	0
Other Credits/Payments *(Specify)*	
53	0
54	0

55 Total Tax Credits/Payments *(Sum of Items 44 to 54) (To Part II Item 15)*	5,499,294
56 Net Tax Payable / (Overpayment) *(Item 43 Less Item 55)) (To Part II Item 16)*	644,361

Part V - Tax Relief Availment	
57 Special Allowable Itemized Deductions *(Item 35 of Part IV x Applicable Income Tax Rate)*	0
58 Add: Special Tax Credits *(From Part IV Item 52)*	0
59 Total Tax Relief Availment *(Sum of Items 57 and 58)*	0

BIR Form No.
1702-RT
January 2018(ENCS)
Page 3

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

1702-RT 01/18ENCS P3

Taxpayer Identification Number (TIN)	Registered Name
277 - 399 - 811 - 000	FIRST TRUBANK A RURAL BANK , INC.

Schedule I - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Amortizations	359,738
2 Bad Debts	9,891,298
3 Charitable Contributions	45,716
4 Depletion	0
5 Depreciation	9,538,026
6 Entertainment, Amusement and Recreation	477,256
7 Fringe Benefits	0
8 Interest	0
9 Losses	54,884
10 Pension Trust	0
11 Rental	5,002,548
12 Research and Development	0
13 Salaries, Wages and Allowances	0
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	0
15 Taxes and Licenses	13,933,056
16 Transportation and Travel	3,045,886
17 Others (Deductions Subject to Withholding Tax and Other Expenses) *[Specify below; Add additional sheet(s), if necessary]*	
a Janitorial and Messengerial Services	1,853,266
b Professional Fees	734,667
c Security Services	6,457,406
d POWER, LIGHT AND WATER	2,978,556
e INFORMATION TECHNOLOGY EXPENSES	2,541,189
f INSURANCE EXPENSE- OTHERS	2,428,770
g STATIONARY AND SUPPLIES	1,678,385
h FUEL AND LUBRICANTS	1,653,574
i OTHERS	7,691,637
i.1 AMORTIZATION OF PAST SERVICE LIABILITY	2,759,342
i.2 LITIGATION ASSETS ACQUIRED EXPENSES	1,180,697
i.3 POSTAGE, TELEPHONE, CABLES, AND TELEGRAMS	897,974
i.4 ADVERTISING AND PUBLICITY	445,031
i.5 REPAIRS AND MAINTENANCE	337,169
i.6 OTHER EXPENSES	2,071,424
18 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 17i) (To Part IV Item 34)*	70,365,858

Schedule II - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

	Description	Legal Basis	Amount
1			0
2			0
3			0
4			0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 35)*			0

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Taxpayer Identification Number (TIN)	Registered Name
277 - 399 - 811 - 000	FIRST TRUBANK A RURAL BANK , INC.

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 33)*	0
2 Less: Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)*	0
3 Net Operating Loss*(Item 1 Less Item 2) (To Schedule IIIA, Item 7A)*	0

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) *(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

	Net Operating Loss		B) NOLCO Applied Previous Year
	Year Incurred	A) Amount	
4		0	0
5		0	0
6		0	0
7		0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) *[E = A Less (B + C + D)]*
4	0	0	0
5	0	0	0
6	0	0	0
7	0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV, Item 36)*		0	

Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0	0	0
2		0	0	0
3		0	0	0

Continuation of Schedule IV *(Item numbers continue from table above)*

	D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	**F) Excess MCIT Applied this Current Taxable Year**	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
Total Excess MCIT Applied *(Sum of Items 1F to 3F) (To Part IV Item 47)*			0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income *(attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books	35,198,976
Add: Non-deductible Expenses/Taxable Other Income	
2 INTEREST EXPENSE FROM BANK DEPOSIT	75,984
3 FINES AND PENALTIES	509,662
4 Total *(Sum of Items 1 to 3)*	35,784,622
Less: A) Non-Taxable Income and Income Subjected to Final Tax	
5 INTEREST INCOME ALREADY SUBJECTED TO FINAL TAX	379,921
6 TEMPORARY DIFFERENCES, NET	10,830,080
B) Special Deductions	
7	0
8	0
9 Total (Sum of Items 5 to 8)	11,210,001
10 Net Taxable Income/(Loss) (Item 4 Less Item 9)	24,574,621

Financial Statements of

First Trubank (A Rural Bank), Inc.

(FORMERLY: FIRST TAGUM RURAL BANK, INC.)

December 31, 2024 and 2023

And

Report of Independent Auditors

First TRuBank
A Rural Bank, Inc.

(084) 216-0308 customercare@trubank.com Bonifacio Cor. Rizal St., Magugpo Poblacion, Tagum City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **First Trubank (A Rural Bank), Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2024**. Management is likewise responsible for all information and representations 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 representations 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, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2024** and the accompanying Annual Income Tax Return are in accordance with the books and records of **First Trubank (A Rural Bank), Inc.** 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 regulations 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 Bank's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **First Trubank (A Rural Bank), 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.

EDUARDO A. BANGAYAN
Chairman of the Board

REYMUND A. PESIAO
President & Chief Executive Officer

EDWARD C. HERRERA
Treasurer

Signed this 24th day of March 2025

LOPE LARANJO BATO & CO.
Certified Public Accountants
(A Member Firm of the Leading Edge Alliance Global)
2/F Bato Building, Coastal Road, Zone 1, Kauswagan
Cagayan de Oro City, 9000 Philippines
Tel. Nos. (088)882-7439 & (+63)918-888-7070, (+63)998-571-5654
Email: llbandcocpas@gmail.com and junbato.llb@gmail.com
Website: www.llbato-cpas.com

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

Branches:

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Unit 827, South Star Plaza
Osmeña Highway
Bangkal, Makati City
Cell (+63)9177024175
junbato@yahoo.com

Cebu Branch
c/o Reyes & Bato Consulting
Reyes Building
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Mandaue City 6014
Cebu Province
Tel. No.: (032)272-3140

Davao Branch
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Talomo Dist., Davao City 8000
Cell: (+63) 09262255317

Butuan Branch
2F MCAGA Building
Purok 4 J.P Rosales Avenue
Limaha Pob. (Brgy. 14)
Butuan City 8600
Tel. No.: (085)342-1946

Ozamiz Branch
G/F Medina Building
Gallardo Street
Ozamiz City
Tel. No.: (088)564-3481

Malaybalay Branch
2F Jamstar Building
Judge P. Carillo Street
Malaybalay City, Bukidnon
Tel. No.: (088)314-0694

Ipil Branch
2nd Floor Avery Arcade Sanito
Ipil Zamboanga Sibugay
7001 Philippines
Tel.No.: 0629574281
Cell: (+63) 09296089081

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
First Trubank (A Rural Bank), Inc.
(Formerly: First Tagum Rural Bank, Inc.)
Corner Bonifacio-Rizal Streets
Brgy. Magugpo, Poblacion, Tagum City

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

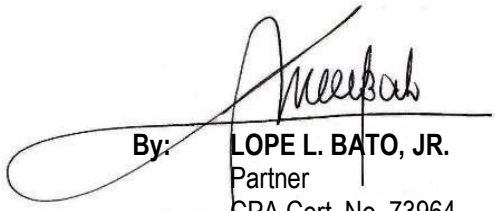
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required for the years ended December 31, 2024 and 2023 required by the BSP and by the BIR as disclosed in Notes 26 and 28 to the financial statements, respectively, is presented in accordance with PFRS. Such supplementary information is the responsibility of the management of First Trubank (A Rural Bank), Inc. and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole in accordance with Philippine Financial Reporting Standards.

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

Report on the Supplementary Information Required by Revised SRC Rule 68

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on the reconciliation of retained earnings available for dividend declaration as required by the Securities and Exchange Commission (SEC) under the Revised Securities Regulation Code (SRC) Rule 68 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the management of First Trubank (A Rural Bank), Inc. The information in such supplementary schedule has been subjected to the auditing procedures applied in the audit of basic financial statements. In our opinion, the information is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

LOPE LARANJO BATO & Co.



By: **LOPE L. BATO, JR.**
Partner
CPA Cert. No. 73964
TIN 102-081-516
BIR Accreditation No. 16-006925-001-2023, valid until September 29, 2026
SEC Group C Accreditation No. 73964-SEC, valid until Financial Audit 2025
BSP Group B Accreditation No. 73964-BSP, valid until Financial Audit 2025
PTR No. 6207502-A, January 2, 2025, Cagayan de Oro City, Philippines

March 24, 2025
Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

First Trubank (A Rural Bank), Inc.
(Formerly: First Tagum Rural Bank, Inc.)
Amounts in Philippines Peso

December 31	*Notes*	**2024**	2023
ASSETS			
Cash	*4*	**339,523,518**	263,691,771
Loans and Receivables	*5*	**603,365,878**	606,283,757
Bank Premises, Furniture and Equipment	*6*	**54,636,253**	48,416,338
Investment Properties	*7*	**98,875,186**	93,277,632
Other Resources	*8*	**89,751,188**	97,447,681
Total Assets		**1,186,152,023**	1,109,117,179
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposit Liabilities	*10*	**679,354,362**	572,532,963
Bills Payable	*11*	**-**	64,144,623
Retirement Benefits Obligation	*12*	**9,077,619**	8,088,145
Lease Liabilities	*13*	**24,447,663**	15,873,240
Other Liabilities	*14*	**70,479,764**	62,735,703
Total Liabilities		**783,359,408**	723,374,674
Shareholders' Equity		**402,792,615**	385,742,505
Total Liabilities and Shareholders' Equity		**1,186,152,023**	1,109,117,179

See Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

First Trubank (A Rural Bank), Inc.
(Formerly: First Tagum Rural Bank, Inc.)
Amounts in Philippines Peso

Years Ended December 31	*Notes*	**2024**	2023
INTEREST INCOME	*16*		
On loans and receivables		**119,287,904**	125,501,982
On banks deposits and investments		**379,921**	209,722
Total Interest Income		**119,667,825**	125,711,704
INTEREST EXPENSE	*17*	**12,738,980**	10,975,607
NET INTEREST INCOME		**106,928,845**	114,736,097
IMPAIRMENT LOSSES	*9*	**5,647,842**	5,973,167
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**101,281,003**	108,762,930
OTHER INCOME	*18*	**35,317,781**	22,461,187
INCOME BEFORE OPERATING EXPENSES		**136,598,784**	131,224,117
OPERATING EXPENSES	*19*	**101,399,808**	97,535,005
PROFIT BEFORE INCOME TAX		**35,198,976**	33,689,112
INCOME TAX EXPENSE	*21*	**8,927,160**	8,471,714
PROFIT FOR THE YEAR		**26,271,816**	25,217,398
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Gain (loss) on remeasurement of post-employment	*12*	**948,451**	-
Tax (expense) benefit		**(237,113)**	-
Other comprehensive income - net of tax		**711,338**	-
TOTAL COMPREHENSIVE INCOME		**26,983,154**	**25,217,398**
EARNINGS PER SHARE	*22*	**9.05**	8.69

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

First Trubank (A Rural Bank), Inc.

(Formerly: First Tagum Rural Bank, Inc.)

Amounts in Philippines Peso

December 31	*Notes*	**2024**	2023
SHARE CAPITAL	*26*	**290,000,000**	290,000,000
REVALUATION RESERVE	*26*	**30,002,766**	30,681,957
SURPLUS FREE			
Balance at beginning of year		**65,060,548**	45,564,307
Profit for the year		**26,271,816**	25,217,398
Dividends declared		**(21,025,000)**	-
Adjustments	*15*	**12,482,485**	(5,721,157)
Balance at end of year		**82,789,849**	65,060,548
		402,792,615	**385,742,505**

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

First Tagum Rural Bank, Inc.

Amounts in Philippine Peso

Years Ended December 31	*Notes*	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**35,198,976**	33,689,112
Adjustments for:			
Depreciation and amortization *(Note 19)*		**13,479,918**	12,886,239
Provision for impairment loss *(Note 9)*		**5,647,842**	5,973,167
Retirement benefits expense *(Note 12)*		**1,937,925**	1,744,245
Gain on disposal of investment properties *(Note 18)*		**(21,344,436)**	(12,455,397)
Loss on disposal of investment properties *(Note 18)*		**54,884**	18,478
Interest expense on finance lease liability *(Note 13)*		**1,227,878**	1,015,961
Interest income *(Note 16)*		**(119,667,826)**	(125,711,704)
Interest expense *(Note 17)*		**12,738,980**	10,975,607
Changes in working capital:			
(Increase) in loans and receivables		**(5,276,246)**	19,084,705
(Increase) in other assets		**7,696,492**	(9,270,538)
(Decrease) Increase in deposit liabilities		**106,821,399**	(25,074,121)
(Decrease) in retirement benefits obligation		**(948,451)**	
(Decrease) Increase in other liabilities		**8,440,787**	(8,608,151)
Increase in OCI reserve		**985,633**	
Adjustments		**(8,278,152)**	(5,721,157)
Cash generated from operation		**38,715,604**	(101,453,554)
Interest received *(Note 16)*	*17*	**119,667,826**	125,711,704
Interest paid *(Note 17)*	*22*	**(12,738,980)**	(10,975,607)
Income tax paid *(Note 21)*	*18*	**(9,623,885)**	(8,758,915)
Net Cash for Operating Activities		**136,020,564**	4,523,628
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to bank premises, furniture and equipment *(Note 6)*		**(19,699,833)**	(8,382,652)
Disposals (additions) in investment properties *(Note 7)*		**16,309,094**	21,415,490
Net Cash from (for) Investing Activities		**(3,390,739)**	13,032,838
CASH FLOWS FROM FINANCING ACTIVITIES			
Bills payable *(Note 11)*	*12*	**(64,144,623)**	(5,804,792)
Finance lease payments *(Note 13)*	*14*	**7,346,545**	(2,004,497)
Net Cash (for) from Financing Activities		**(56,798,078)**	(7,809,289)
NET (DECREASE) IN CASH		**75,831,747**	9,747,177
CASH AT BEGINNING OF YEAR	*4*	**263,691,771**	253,944,594
CASH AT END OF YEAR	*4*	**339,523,518**	263,691,771

See Notes to Financial Statements.

Bank Information

First Trubank (A Rural Bank), Inc. (the "Bank"), formerly known as First Tagum Rural Bank, Inc., was incorporated and registered with the Securities and Exchange Commission (SEC) on December 5, 2008, with SEC Registration No. CS200832437 and commenced commercial operations on July 1, 2009. The Bank is presently engaged in rural banking operations. It is extending rural credit to small farmers and tenants and to deserving rural industries or enterprises. As a rural bank, it exercises all authorities and power, doing and performing all acts, and transacting all business, which may be allowed for rural bank under and in accordance with the Republic Act No. 7353 (Rural Banks Act of 1992), including all things incidental thereto and necessary and proper in connection with said purposes within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP).

The Bank was reorganized to effect the consolidation of three rural banks, namely Tagum Rural Bank, Inc., Rural Bank of Carmen (Davao del Norte), Inc. and Rural Bank of Malalag (Davao del Sur), Inc. The Bank acquired all the assets and liabilities of the three rural banks in exchange for the Bank's shares of stocks (see Note 26).

On November 7, 2024, the Securities and Exchange Commission approved the amendment of articles of incorporation following the change of principal office address and corporate name, features of shares and term of existence adopted on November 23, 2021 by the majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock.

The Bank's registered office, which is also its principal place of business, is located at Corner Bonifacio-Rizal Streets, Brgy. Magugpo, Poblacion, Tagum City.

The financial statements of the Bank as of and for the years ended December 31, 2024 and 2023 was authorized for issue by the Bank's Board of Directors (BOD) on March 24, 2025.

Note 2
Summary of Significant Accounting Policies

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

Basis of Preparation of Financial Statements
The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The financial statements are presented in Philippine peso, which is the Bank's functional and presentation currency. All values are rounded to the nearest peso unless otherwise stated.

The financial statements provide comparative information in respect of the previous period.

Statement of Compliance

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

Changes in Accounting Policies

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

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

Effective beginning on or after January 1, 2024

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

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

- Amendments to PFRS 16 Leases—Lease Liability in a Sale and Leaseback

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

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

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

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

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

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

Standards and Interpretation Issued but Not Yet Effective

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

Effective beginning on or after January 1, 2025

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

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

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

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

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

Effective beginning on or after January 1, 2026

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

Effective beginning on or after January 1, 2027

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

Deferred effectivity

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

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

Accounting policies currently being used are as follows:

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

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

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

Financial assets that are debt instruments

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

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

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

i. Financial assets held for trading (HFT), which include stand-alone and/or embedded derivatives, except a derivative that is a financial guarantee contract or designated and effective hedging instruments, as defines in PFRS 9;

ii. Financial assets designated at fair value through profit or loss (DFVPL) as defined in PFRS 9.

The Bank may, at initial recognition, irrevocably designate financial assets that are debt instruments as measured at fair value through profit or loss in accordance with the condition mentioned under PFRS 9, subject to the following requirements:

- Bank shall have in place appropriate risk management systems including related risk management policies, procedures, controls; and
- Bank shall apply the fair value option only to instruments for which fair values can be reliably estimated.

iii. Other financial assets which are mandatorily measured at fair value through profit or loss (MMFVPL) refers to financial assets that are required to be measured at fair value through profit or loss under PFRS 9, other than those that are HFT and DFVPL.

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

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

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

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

Financial assets that are equity instruments

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

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

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

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

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

b. Credit exposures are classified into three stages using the following horizons in measuring ECL:
   i. Stage 1 – credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk.

      Stage 1 recognizes twelve (12)-month expected credit losses.

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

      Stage 2 recognizes Lifetime expected credit losses.

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

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

Twelve (12)-Month ECL

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

Lifetime ECL

a. The Bank evaluates the change in the risk of default occurring over the expected life of the exposures in assessing whether these shall be moved to a lifetime ECL measure. Although collateral will be used to measure the loss given a default, tis should not be primarily used in measuring risk of a default or in transferring to different stages.
b. Bank shall measure lifetime ECL of the following:
    - Exposures that have significantly increased their credit risk from origination (Stage 2); and
    - Non-performing exposures (Stage 3).

Assessment of forward-looking information

Bank shall clearly demonstrate how forward-looking information, including macroeconomic factors, have been reflected in the ECL assessment and how these are linked to the credit risk drivers of the exposures. Experienced credit judgement is essential in assessing the soundness of the forward-looking information and in ensuring that these are adequately supported.

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

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

a. Bank shall establish well-defined criteria on hat constitute significant increase in credit risk. Bank shall consider a wide range of information, which includes among others, information on macroeconomic conditions, economic sector and the geographical region relevant to the borrower, and other factors that are borrower-specific. The criteria on what constitutes significant increase in credit risk shall consider, at a minimum, the list provided in PFRS 9.

b. Bank shall classify exposures to Stage 2 if the exposures have potential weakness, based on current and/or forward-looking information, they warrant management's close attention. Said weaknesses, if left uncorrected, may affect the repayment of these exposures. Bank shall also classify to Stage 2 if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

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

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

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

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

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

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

Considering that the Bank operation is still considered simple, it adopted simple loan loss methodologies fundamentally anchored on the principle of recognizing Expected Credit Losses (ECL) as discussed in the preceding paragraph. The Bank looks beyond the past due or missed amortizations in classifying exposures and in providing an allowance for credit losses. The Bank uses Appendix 15 of the MORB as a guide, at a minimum, in implementing the simple loan loss methodologies in recognizing Expected Credit Losses (ECL).

Recognition of Income
Banks shall not recognize interest income on non-performing exposures except when payment is received.

On the other hand, interest oncome recognized on non-performing exposures (Stage 3 accounts) for purposes of preparing the audited financial statements (AFS) shall be disclosed in the AFS. This shall likewise be included in the list of reconciling items between the prudential reports and the AFS that is being submitted to the BSP.

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

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

Bank Premises, Furniture and Equipment
Land is stated at cost less any impairment in value. Depreciable properties including building and improvements, furniture, fixtures and equipment, transportation equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consist of its purchase price, including taxes and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are charged against operation in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts, and any resulting gain or loss is reflected as income or loss in the statement of profit or loss.

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

(a) buildings, 10 years;
(b) furniture, fixtures and equipment, 3 to 15 years;
(c) leasehold rights and improvement, over the estimated useful lives of the improvements or the term of the lease, whichever is shorter but not to exceed 20 years;
(e) transportation equipment, 5 years;
(f) information technology software, 5 years; and
(g) revaluation increment with remaining useful life of the asset being revalued, subject to BSP approval.

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

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

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

Real properties acquired in settlement of loans and receivables are booked under ROPA accounts as follows:

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

These properties are carried at cost, which is the fair value at acquisition date including certain transaction cost, less accumulated depreciation and impairment in value. Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying values of the cost of the real properties acquired. Investment properties acquired through a non-monetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable, where the net carrying value of the related loans and receivable is used. The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain (loss) on asset exchange' account in the statement of comprehensive income. Subsequent to initial recognition, real properties acquired in settlement of loans and receivables are stated at cost less accumulated depreciation and any accumulated impairment in value. Depreciation is computed on a straight-line basis over the estimated useful life from the time of acquisition of the investment properties but not to exceed 10 years.

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

Impairment of Financial Assets

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

(i) significant financial difficulty of the issuer or debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) that the borrower will enter bankruptcy or other financial reorganization;

(iv) the disappearance of an active market for that financial asset because of financial difficulties; or,

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

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

If there is objective evidence that an impairment loss on loans and receivable or financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Bank may measure impairment on the basis of an instruments' fair value using an observable market price.

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

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

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

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

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

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

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

Individually assessed impairment
The Bank determines the allowance appropriated for each significant loan or advances on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and expected dividend payout should Bankruptcy ensue, the availability of other financial support and realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more attention.

Collectively assessed impairment
Allowances are assessed collectively for losses on loans and advances that are not individually significant (including residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have no objective evidence as a result of individual impairment assessment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of impairment yet in an individual assessment.

Impairment losses are estimated by taking the following information into consideration: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individual assessed impairment allowance, and expected receipts and recoveries once impaired.

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

Impairment of Non-Financial Assets
The Bank equity investments, bank premises, furniture, fixtures and equipment, investment properties and other assets are subject to impairment testing.

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

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

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

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

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

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

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

Provisions
Provisions, if any, are recognized when the Bank has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision.

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

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

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

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

   The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

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

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

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

e. Interest income from bank deposits and investments is recognized on the accrual method.

Cost and expenses are recognized in the statement of profit or loss upon utilization of the service or at the date they are incurred.

Leases

Bank as lessee

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

i. Right-of-use assets (ROU)

The Bank recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets is 1 to 25 years for Office space.

ii. Lease liabilities

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

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Determining the lease term of contracts with renewal options
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in Note 13.

iii. Short-term leases and leases of low-value assets
The Bank applies the lease of low-value assets recognition exemption to leases of staff house that are considered of low value (i.e. ₱250,000 and below). Lease payments on leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

- *Retirement Benefits Obligation.* Retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies.

- *Termination Benefits.* Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial condition date are discounted to present value.

- *Compensated Absences.* Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the balance sheet date. The amounts recognized are included in Trade and Other Payables account in the balance sheet at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement

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

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

Income Taxes

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

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

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

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

Provisions and Contingent Liabilities
Provisions, if any, are recognized when the Bank has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements.

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

Note 3
Significant Accounting Judgments and Estimates

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

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

Leases

Bank as lessor

The Bank has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Bank as lessee

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Bank's right-of-use assets and lease liabilities are disclosed in Notes 6 and 13, respectively.

Classifying Financial Assets Measured at Amortized Cost

The Bank follows PFRS 9 for classifying non-derivative financial assets with fixed payments and maturity as Financial Assets Measured at Amortized Cost. This requires significant judgment, including considering the Bank's intention and ability to hold investments until maturity. If the Bank sells these investments prematurely (except in specific circumstances), they must reclassify them and measure them at fair value, not amortized cost.

Impairment of Financial Assets

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

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

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

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

Impairment Losses on Financial Assets
The Bank reviews its investments and loans and receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgment as to whether there is any observable data indicating that there has been measurable decrease in the estimated future cash flows from a portfolio of similar financial assets. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic condition that correlates with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates and volatility rates. However, the amount of changes in fair value would differ if the Bank had utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income. The total impairment losses on financial assets recognized in profit or loss is presented in Note 9.

Estimating Useful Lives of Property and Equipment and Investment Properties
The Bank reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts. The carrying amount of property and equipment are presented in Note 6, while the carrying amount of investment properties are presented in Note 7. Based on management's assessment as at December 31, 2024, there is no change in the estimated useful lives of the assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors such as physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of the assets.

Principal Assumptions for Management's Estimation of Fair Value
Investment properties are measured using the cost model. The fair value disclosed in Note 7 to the financial statements are mainly based on existing market conditions and actual transactions at the reporting date, such as selling price, expected timing of sale and appropriate discount rates. The expected selling price is determined on the basis of current appraised values of the properties or similar properties in the same location and condition.

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

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

Provision and Contingencies
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision are discussed in Note 2.

Note 4
Cash

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

December 31	**2024**	2023
Cash and other cash items	**35,595,898**	40,422,288
Due from Bangko Sentral ng Pilipinas (BSP)	**16,845,555**	17,314,737
Due from other banks	**287,082,065**	205,954,746
	339,523,518	263,691,771

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

Due from Bangko Sentral ng Pilipinas (BSP) represents the Bank's demand deposit with BSP in compliance with BSP's reserve requirements. Section 254.1 of the MORB further provides that such deposit account with the BSP is not considered as a regular current account as BSP checks for drawings against such deposits shall be limited to: (i) settlement of obligations with the BSP; and, (ii) withdrawals to meet cash requirements. The Bank has satisfactorily complied with the reserve requirements of the BSP. The deposit does not earn interest.

Due from other banks consist of:

December 31	**2024**	2023
Savings deposits	**144,543,364**	143,348,178
Demand deposits	**142,538,701**	62,606,568
	287,082,065	205,954,746

Due from other banks earned an average interest rate of 0.21% and 0.13% for the years ended December 31, 2024, and 2023, respectively.

Interest income from deposits with other banks amounted to 378,926 and 207,011 in 2024 and 2023, respectively (see Note 16).

Note 5
Loans and Receivables

The composition of loans and receivables is as follows:

December 31	*Notes*	**2024**	2023
Loans:			
Commercial		**228,533,865**	289,481,041
Agricultural		**35,179,233**	94,415,295
Others		**325,248,518**	234,693,963
Total		**588,961,616**	618,590,299
Allowance for impairment losses	*9*	**(24,269,736)**	(32,545,688)
Loans discount and unearned charges		**(17,706,209)**	(15,849,835)
Net loans receivable		**546,985,671**	570,194,776
Other Receivables:			
Sales contract receivable – net *(see below)*		**50,117,742**	30,716,100
Accrued interest receivable		**6,891,169**	7,187,059
Accounts receivable		**32,323,315**	31,859,581
Total		**89,332,226**	69,762,740
Allowance for impairment losses	*9*	**(32,952,019)**	(33,673,759)
Net other receivables		**56,380,207**	36,088,981
		603,365,878	606,283,757

Accounts receivable pertains to claims against employees who had committed fraud from the Bank during 2018; receivables from the Bank's client for processing documents; and other minor amounts owed by employees from the Bank.

Claims against employees who had committed fraud were provided with one hundred percent (100%) allowance for impairment loss.

Other loans mainly pertain to salary loan releases, the proceeds of which are being used by the borrowers in different industries.

Loans and discount and unearned charges consist of loans discounts and unearned service charges arising from lending activities of the Bank.

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

The maturity profile of the loans is as follows:

December 31	**2024**	**%**	2023	%
Due within one year	**11,436,260**	**1.94%**	15,020,633	2.43%
Over one year to five years	**431,636,944**	**73.29%**	420,784,301	68.02%
Due more than five years	**145,888,412**	**24.77%**	182,785,365	29.55%
Total	**588,961,616**	**100.00%**	618,590,299	100.00%

Breakdown by Age of Accounts

December 31, 2024	*Current*	*Past Due*	*In Litigation*	***Total***
Commercial	214,230,922	11,077,959	3,224,983	**228,533,864**
Agricultural	27,101,393	6,780,283	1,297,557	**35,179,233**
Others	300,321,014	20,513,076	4,414,429	**325,248,519**
Total	**541,653,329**	**38,371,318**	**8,936,969**	**588,961,616**
	91.97%	**6.52%**	**1.51%**	**100%**

December 31, 2023	*Current*	*Past Due*	*In Litigation*	***Total***
Commercial	253,864,329	31,764,232	3,852,480	**289,481,041**
Agricultural	86,951,842	5,374,632	2,088,821	**94,415,295**
Others	215,220,756	14,188,752	5,284,455	**234,693,963**
Total	**556,036,927**	**51,327,616**	**11,225,756**	**618,590,299**
	89.89%	**8.30%**	**1.81%**	**100%**

The non-performing loans as defined under MORB 304 amounted to 22,019,798 and 29,929,078 in December 31, 2024 and 2023, respectively. As a general rule, non-performing loans refer to loans that even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

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

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

The Bank's loans to Directors, Officers, Stockholders and Related Interests (DOSRI) amounted to 2,559,604 and 3,842,000 as of December 31, 2024 and 2023, respectively (see Note 26).

Sales contract receivable (SCR) refers to real and other properties acquired and subsequently sold on installment basis whereby the title of the property is transferred to the buyer only upon full payment of the agreed selling price. SCR is initially recorded at the present value of the installment receivable discounted at imputed rate of interest. Discount shall be credited over the life of the SCR by crediting interest income using the effective interest method. Any difference between the present value of the SCR and the derecognized assets shall be recognized in profit or loss in accordance with PAS 18, "Revenue" and PFRS 15 "Revenue from Contracts with Customers". Furthermore, SCR shall be subject to impairment provision of PFRS 9.

Sales contract receivable represents the outstanding balance of receivable for the sale of investment properties through agreed installment payment terms. Contracts to sell were also entered into between the Bank and several borrowers, wherein the latter reacquire the loan through equal installment payments for a period of six months to five years.

Accrued interest receivables represent accruals of amortization on loans receivables that are due within three (3) months. The accrued interest receivable from loans is considered not impaired.

Accounts receivable is non-interest bearing and allowance, per management, assessment on the collectability of this account was provided.

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

December 31	**2024**	2023
Sales contract receivable – performing	**49,322,425**	53,078,319
Sales contract receivable – nonperforming	**795,317**	6,458,835
Total	**50,117,742**	59,537,154
Less sales contract receivable discount	-	28,821,054
Total	**50,117,742**	30,716,100

The Bank in compliance with the BSP Memorandum No. 2020 – 017, *Implementing Rules and Regulations (IRR) of Section 4 (uu) of Republic Act No. 11469, otherwise known as the "Bayanihan to Heal As One Act"*, implemented a thirty (30) day grace period to all loans with principal and/or interest falling due within ECQ period, without incurring interest on interest, penalties, fees and other charges. The thirty (30) day grace period shall apply to each loan of individuals and entities with multiple loans. The accrued interest for the thirty (30) day grace period may be paid by the borrower on a staggered basis over the remaining life of the loan. Nonetheless, this shall not preclude the borrower from paying the accrued interest in full on the new due date.

In order for the Bank to fully adapt to the new normal, management plans to pursue digitalization initiatives, streamline and/or restructure business operations and introduce new products and services suitable to the new normal.

With the continued negative economic impact of the pandemic, on September 15, 2020, the Bank in compliance with the BSP Memorandum No. 2020 – 068, *Implementing Rules and Regulations (IRR) of Section 4 of Republic Act No. 11494 otherwise known as the "Bayanihan to Recover As One Act"*, implemented a mandatory one-time sixty (60) day grace period to all loans that are existing, current and outstanding falling due, or any part thereof, on or before December 31, 2020. The mandatory grace period shall apply to each loan of individuals and entities with multiple loans without incurring interest on interest, penalties, fees and other charges. The accrued interest for the sixty (60) day grace period may be paid by the borrower on a staggered basis over the remaining life of the loan. Nonetheless, this shall not preclude the borrower from paying the accrued interest in full on the new due date.

The loan breakdown as to their status in application of the BSP Memorandum is as follows:

December 31, 2024	Stage 1	Stage 2	Stage 3	**Total**
Loans receivable:				
Performing				
Current	541,653,329	-	-	**541,653,329**
Past due	-	25,288,489	-	**25,288,489**
	541,653,329	25,288,489	-	**566,941,818**
Non-performing				
Past due	-	-	13,082,829	**13,082,829**
In litigation	-	-	8,936,969	**8,936,969**
	-	-	22,019,798	**22,019,798**
Total	541,653,329	25,288,489	22,019,798	**588,961,616**
Expected Credit Loss Allowance	6,648,040	1,966,592	15,655,104	**24,269,736**
Carrying Amount	535,005,289	23,321,897	6,364,694	**564,691,880**

December 31, 2023	Stage 1	Stage 2	Stage 3	**Total**
Loans receivable:				
Performing				
Current	556,036,927	-	-	**556,036,927**
Past due	-	32,624,294	-	**32,624,294**
	556,036,927	32,624,294	-	**588,661,221**
Non-performing				
Past due	-	-	18,703,322	**18,703,322**
In litigation	-	-	11,225,756	**11,225,756**
	-	-	29,929,078	**29,929,078**
Total	556,036,927	32,624,294	29,929,078	**618,590,299**
Expected Credit Loss Allowance	6,434,603	2,530,155	23,580,930	**32,545,688**
Carrying Amount	555,016,347	30,094,139	6,348,149	**586,044,611**

The Monetary Board, in its Resolution No. 397 dated March 13, 2020, as circulated through BSP Memorandum No. M-2020-008, March 14, 2020, approved the granting of temporary regulatory and rediscounting relief measures to BSP Supervised Financial Institutions (BSFIs). The BSP recognizes that the outbreak of COVID – 19 have potential significant impact on the operations of BSFIs in terms of risks related to exposures to borrowers and/or industries or businesses severely disrupted or affected by the COVID – 19 as well as disruption in operations due to measures implemented to control the spread of the virus.

All BSFIs are eligible to avail of the regulatory relief package specified in the said BSP Memorandum within one (1) year from March 8, 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922. The period of eligibility may be extended depending on the developments of the COVID – 19 situation.

During 2021, the Bank has been approved by the BSP in their application for the availment of the aforementioned regulatory in the total amount of ₱4,775,759. In compliance with the provisions of Section 3 of the BSP Memorandum No. M-2020-061 relative to the recognition and reporting requirements for staggered booking of allowance for credit losses, the Bank has reflected the amount of allowance for credit losses for the five (5) year period, which is equivalent to ₱1,318,225 as of 2022. However, the remaining ACL for staggered booking shall cease effective the 2022 FRP reporting period under BSP Memorandum No. M-2022-001.

Note 6
Bank Premises, Furniture and Equipment

The property and equipment, which are stated at cost, consists of the following:

December 31	**2024**	2023
Land	**10,219,748**	10,619,748
Buildings	**32,457,468**	32,160,824
Furniture, fixtures and equipment	**42,781,095**	42,854,308
Leasehold improvements	**13,907,577**	14,588,973
Information technology software	**5,042,030**	5,042,030
Transportation equipment	**2,579,104**	2,579,104
Right-of-use assets	**32,449,359**	24,334,260
Total	**139,436,381**	132,179,247
Less accumulated depreciation on		
Bank premises, furniture and equipment	**74,863,310**	73,788,162
Right-of-use assets	**9,936,818**	9,974,747
Net	**54,636,253**	48,416,338

The reconciliation of the movements of the accounts follows:

December 31, 2024	*Beg. Balance*	*Additions*	*Retirements/ Adjustments*	***End Balance***
Cost				
Land	10,619,748	-	400,000	**10,219,748**
Buildings	32,160,824	296,644	-	**32,457,468**
Furniture, fixtures and equipment	42,854,308	1,029,594	1,102,807	**42,781,095**
Leasehold improvements	14,588,973	3,721,454	4,402,850	**13,907,577**
Information technology software	5,042,030	-	-	**5,042,030**
Transportation equipment	2,579,104	-	-	**2,579,104**
	107,844,987	5,047,692	5,905,657	**106,987,022**
Accumulated Depreciation				
Buildings	23,783,325	1,227,620	-	**25,010,945**
Furniture, fixtures and equipment	35,893,143	2,848,482	1,005,442	**37,736,183**
Leasehold improvements	7,388,627	1,733,782	4,089,032	**5,033,377**
Information technology software	4,143,969	359,738	-	**4,503,707**
Transportation equipment	2,579,098	-	-	**2,579,098**
	73,788,162	6,169,622	5,094,474	**74,863,310**
Net Book Value	34,056,825	(1,121,930)	811,183	**32,123,712**

December 31, 2023	*Beg. Balance*	*Additions*	*Retirements/ Adjustments*	***End Balance***
Cost				
Land	10,219,748	-	-	**10,619,748**
Buildings	32,149,024	11,800	-	**32,160,824**
Furniture, fixtures and equipment	41,122,972	1,777,831	46,495	**42,854,308**
Leasehold improvements	13,622,216	966,757	-	**14,588,973**
Information technology software	4,762,030	280,000	-	**5,042,030**
Transportation equipment	2,579,104	-	-	**2,579,104**
	104,455,094	3,036,388	46,495	**107,844,987**
Accumulated Depreciation				
Buildings	22,574,898	1,208,427	-	**23,783,325**
Furniture, fixtures and equipment	32,513,931	3,369,803	(9,409)	**35,893,143**
Leasehold improvements	6,049,595	1,339,032	-	**7,388,627**
Information technology software	3,770,463	373,506	-	**4,143,969**
Transportation equipment	2,570,153	8,945	-	**2,579,098**
	67,479,040	6,299,713	(9,409)	**73,788,162**
Net Book Value	36,976,054	(3,263,325)	55,904	**34,056,825**

Information technology software represents the Bank's purchased computer software license called CyberOne Online Solutions and one-time cost of migration to the new system, RBSoftech, used in the financial services activity and operations of the Bank.

Depreciation and amortization for years 2024 and 2023 amounting to 13,479,919 and 12,886,239 respectively, are presented under other operating expenses in the statements of profit or loss (see Note 19).

The detail of depreciation is as follows:

December 31	*Notes*	**2024**	2023
Bank premises, furniture and equipment	*19*	6,169,622	6,299,713
Investment properties	*7,19*	3,728,142	3,270,709
Right-of-use asset	*19*	3,582,155	3,315,817
		13,479,919	12,886,239

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

December 31	*Notes*	**2024**	2023
Balance at beginning of year		24,334,260	22,175,402
Addition to ROU		11,749,990	2,088,701
Adjustments		(3,634,891)	70,157
Balance at end of year		32,449,359	24,334,260
Accumulated depreciation – prior years		(9,947,348)	(6,631,531)
Depreciation charged for the year	*19*	(3,582,155)	(3,315,817)
Adjustments		3,592,685	(27,399)
Net		22,512,541	14,359,513

The Bank uses the modified retrospective approach in its adoption of PFRS 16, Leases. Under this approach, the Bank does not restate comparative information. Consequently, the date of initial application is the first day of the annual reporting period in which the Bank first applies the requirements of the new lease standard.

The adjustments to accumulated depreciation of the right-of-use asset is due to the termination of various contract of lease used in the computation of the present value of the asset in 2024 and 2023 which were replaced with new contracts for the current year.

The balances of the right-of-use asset at end of the year is as follows:

	2024	2023
Sto. Tomas	**5,022,546**	5,022,546
Panabo	**4,459,638**	2,147,829
Ecoland	**3,968,843**	-
Sta. Cruz	**3,143,297**	3,143,297
Samal	**3,125,767**	3,143,714
Toril	**3,110,980**	1,469,115
Digos	**3,038,191**	3,038,191
Asuncion	**2,088,701**	2,088,701
Sulop	**1,663,393**	1,663,392
Bansalan	**1,549,451**	1,549,451
Malita	**1,068,024**	1,068,024
Head office	**210,528**	-
	32,449,359	24,334,260

Note 7
Investment Properties

Investment properties consist mainly of parcels of land and improvements acquired in settlement of loans which are held for capital appreciation. Per MORB Section 382, the carrying amount of ROPA shall be allocated to land, building, other non-financial assets and financial assets. Buildings and other non-financial assets shall be depreciated over the remaining useful life of the assets, which shall not exceed ten (10) years and three (3) years from the date of acquisition, respectively. Land, buildings and other non-financial assets shall be subject to the impairment provisions of PAS 36 "Impairment".

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

December 31	*Notes*	**2024**	2023
Balance at beginning of year		**106,093,507**	112,924,069
Additions		**41,274,087**	37,529,653
Disposals		**(32,431,592)**	(44,360,215)
Total		**114,936,002**	106,093,507
Accumulated depreciation – net *(see next page)*		**(14,113,332)**	(9,431,074)
Allowance for impairment losses	*9*	**(1,947,484)**	(3,384,801)
		98,875,186	93,277,632

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

The Bank recognized a gain on the disposal of investment properties amounting to 21,344,436 and 12,455,397 as of December 31, 2024, and 2023, respectively. This includes the non-taxable portion equivalent to the allowance already booked in prior years, which was reversed *(see Note 18).* In compliance with the guidance provided by the Bangko Sentral ng Pilipinas (BSP) under Report of Examination (ROE) dated August 5, 2024 (File/Ref No. FSD VIII-2024-04-OO51L-FSD8-L-FTAGU), the Bank now recognizes gains immediately at the time of sale, instead of recognizing revenue over time as prescribed by PFRS 15 revenue from contracts with customers.

Total investment properties are attributable to the following:

December 31	**2024**	2023
Land	**78,997,083**	71,209,662
Building	**35,938,919**	34,883,845
	114,936,002	106,093,507

Movements in the Bank's accumulated depreciation on investment properties are as follows:

December 31	*Note*	**2024**	2023
Balance at beginning of year – net		**9,431,074**	5,925,623
Depreciation expense	*6,19*	**3,728,142**	3,270,709
Total		**13,159,216**	9,196,332
Retirements/adjustments		**954,116**	234,742
Balance at end of year - net		**14,113,332**	9,431,074

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

Before foreclosing or acquiring any property in settlement of loans, the Bank properly appraised the property to determine its true economic value. If the amount of real and other properties acquired (ROPA) to be booked exceeds ₱5 million, an independent appraiser acceptable to the BSP conducts the appraisal. The Bank made an in-house appraisal of all ROPA at least every other year. Moreover, immediate re-appraisal is conducted on ROPA, which materially decline in value. Allowance for impairment losses is set up for any anticipated losses based on appraisal reports, current negotiations and programs to dispose these properties. The ROPA's latest appraisal date was made during the months of January 2020 to October of 2023.

Real and other properties acquired have an estimated fair value of 186,875,614 and 205,486,595 in 2024 and 2023, respectively, and is solely composed of real estate properties.

Note 8
Other Assets

This account consists of the following:

December 31	*Notes*	**2024**	2023
Deferred tax asset *(see below)*		**21,478,204**	24,424,074
Investment fund for retirement	*12*	**18,660,633**	18,660,633
Prepayments		**1,893,600**	1,401,787
Supplies		**1,893,190**	2,162,248
Financial asset measured at amortized cost		-	37,631
Others *(see below)*		**45,825,561**	50,761,308
		89,751,188	97,447,681

The movement in deferred tax assets is as follows:

December 31	*Notes*	**2024**	2023
Balance at beginning of the year		**24,424,074**	28,079,316
Allowance for impairment losses	*9*	**1,411,961**	785,599
Post-employment defined benefit obligation		**484,481**	436,062
Finance lease liability	*13*	**106,587**	52,880
Prior period adjustments – finance lease liability	*15*	**(1,237)**	(4,239,947)
Adjustments for reversals of ROPA from prior period		**(225,617)**	-
Realized gain recognized in OCI	*12*	**(237,113)**	-
Past service liability	*12*	**(689,835)**	(689,836)
Reversal – ROPA disposal		**(1,547,889)**	-
Write-off accounts		**(2,247,208)**	-
Balance at end of the year		**21,478,204**	24,424,074

Deferred tax asset mainly consists of temporary differences as follows:

December 31, 2024	*Notes*	**Amount**	**Tax effect @25%**
Allowance for impairment losses	*9*	**59,169,239**	**14,792,310**
Past service liability	*12*	**22,074,734**	**5,518,683**
Post-employment defined benefit obligation	*12*	**2,733,719**	**683,430**
Finance lease liability	*13*	**1,935,124**	**483,781**
		85,912,816	**21,478,204**

Deferred tax assets represent the tax effect of temporary differences arising from the application of PFRS 16, Leases and other adjustments for the prior and current years.

Investment fund for retirement represents investment made by the Bank to Sunlife Insurance. The investment is not yet a registered retirement plan since it is still pending for approval by the Bureau of Internal Revenue.

Prepayments consist of insurance, rent, taxes and licenses, repairs and maintenance, fringe benefits, information technology, and other expenses. These are amortized and recognized as expenses in profit or loss.

Financial assets measured at amortized cost represent investments in bonds and other debt instruments with a term of ten (10) years and various maturity dates. As of December 31, 2024, these bonds were fully matured. In 2023, the carrying amount of the financial assets measured at amortized cost amounted to 37,631, with no allowance for impairment losses allocated.

During 2024, the investment in bonds earned interest amounting to 746, net of final withholding tax.

Others consist of the following:

December 31	**2024**	2023
Other programs	**44,899,553**	49,920,923
Petty cash	**90,000**	90,000
Miscellaneous assets	**836,008**	750,385
	45,825,561	50,761,308

Other programs consist of the Bank's government grant from the Agricultural Credit Policy Council (ACPC) for the purpose of agricultural loans.

Miscellaneous assets consist of billing deposits and advance rentals.

Note 9
Allowance for Impairment Losses

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

December 31, 2024	*Notes*	*Loans Receivable (Note 5)*	*Other Receivables (Note 5)*	*Investment Properties (Note 7)*	***Total***
December 31, 2022		**28,576,898**	**33,369,635**	**4,742,243**	**66,688,776**
Additions	21	4,294,867	1,678,300	-	**5,973,167**
Reversals	*18,21*	(1,187,267)	(286,061)	-	**(1,473,328)**
Disposals	*21,21*	-	-	(1,357,442)	**(1,357,442)**
Adjustments	*15*	861,190	(1,088,115)	-	**(226,925)**
December 31, 2023		**32,545,688**	**33,673,759**	**3,384,801**	**69,604,248**
Additions	*21*	1,897,542	128,416	759,794	**2,785,752**
Reversals	*18,21*	(3,041,417)	(1,855,492)	(1,294,645)	**(6,191,554)**
Disposals	*18,21*	-	-	(902,466)	**(902,466)**
Write-off	*21*	(8,988,832)	-	-	**(8,988,832)**
Adjustments		1,856,755	1,005,336	-	**2,862,091**
December 31, 2024		**24,269,736**	**32,952,019**	**1,947,484**	**59,169,239**

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

Reversals of allowance for impairment losses charged to current operations as part of other income amounting to 6,191,554 and 1,473,328 for 2024 and 2023, respectively (see Note 18).

Adjustments were made during the year 2024 to recognize an additional allowance for impairment losses as advised by the BSP examiners.

Write-offs of loans amounting to 8,988,832 as of December 31, 2024, were approved by the Board of Directors on October 28, 2024, as documented in Board Resolution No. 2024-323. These loans were deemed uncollectible by the Board of Directors.

In compliance with BSP Memorandum 2020 – 017 and 2020 – 068, the Bank has determined transfers on impairment of financial assets using the expected credit loss (ECL) model, in accordance with the provisions of PFRS 9. In this respect, the Bank recognized credit impairment/allowance for credit losses even before and objective evidence of impairment becomes apparent. The Bank considers past events, current conditions and forecasts of future economic conditions in assessing impairment.

Note 10
Deposit Liabilities

This account consists of:

December 31	**2024**	2023
Savings deposits:		
Active	**321,352,121**	312,247,086
Dormant	**17,353,572**	18,621,441
Total savings deposits	**338,705,693**	330,868,527
Demand deposits	**177,816,655**	167,371,749
Time deposits	**162,832,014**	74,292,687
Total	**679,354,362**	572,532,963

Regular savings deposits earn annual fixed interest of 1% compounded annually. These are withdrawable upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook.

Time deposits earn annual interest ranging from 2% to 6% and are due within thirty (30) days to five (5) years.

The interest expense of the Bank related to the deposit liabilities amounted to 9,946,491 and 6,788,204 for years 2024 and 2023, respectively (See Note 17).

The analysis of the residual maturity of deposit liabilities are as follows:

December 31	**2024**	**%**	2023	%
Due within one year	**530,781,773**	**78.13**	517,516,783	90.39
Over one year to five years	**19,572,589**	**2.88**	39,016,180	6.81
Due more than five years	**129,000,000**	**18.99**	16,000,000	2.79
Total	**679,354,362**	**100.00**	572,532,963	100.00

During the Enhanced Community Quarantine, the Bank did not experience massive withdrawals from its depositors. The branches continue to maintain reasonable amount in the cash in vault to sustain regular withdrawals. The Bank, likewise, has maintained an ample amount of liquidity buffer in its account with the BSP.

Note 11
Bills Payable

This account represents a liability of the Bank to Land Bank of the Philippines (LBP). As of December 31, 2024, the liability has been fully paid. In 2023, the remaining balance of the liability was 64,144,623.

December 31, 2023			**Maturity**	
Name of Creditor	**Type of Collateral**	**Amount**	**Due in 1 year**	**Due more than 1 year**
LBP	Assignment of borrowers' PNs and REM	64,144,623	13,783,305	50,361,318

Bills payable to Land Bank of the Philippines, which were incurred to augment the Bank's working capital, is payable on installment basis and is subject to an average annual interest of 5.79%, with terms ranging from 3 to 9 years. The bills payable is secured by the borrowers' secured promissory notes discounted at 85% of the face value. The Bank is in compliance with the covenants and warranties on loans as of end of year.

The interest expense of the Bank related to bills payable amounted to 2,792,489 and 4,187,403 for years 2024 and 2023, respectively (See Note 17).

Note 12
Retirement Benefits Obligation

The Bank maintains a fully funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Bank. The post-employment plan covers all qualified regular employees.

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

With the consent of the Bank, an employee may elect to retire before the age of 60 provided he has reached the age of 50 and has served the Bank for at least five (5) years of credited service. The retirement shall represent 100% of the employee's basic monthly salary in the final year of service multiplied by the number of years in service.

An employee is allowed by the Bank to continue to work on a case to case and yearly extension basis beyond his normal retirement date up to age sixty-five (65). The retirement shall represent 100% of the employee's basic monthly salary in the final year of service multiplied by the number of years in service, including the extension of service.

The Bank's retirement benefits obligations as of the year end were established based on actuarial valuations as required under PAS/IAS 19 *Employee Benefits* and PAS/IAS 26, *Accounting and Reporting by Retirement Benefit Plans*. The computed retirement benefits obligation approximates the recorded retirement liability, thereby stating fairly the Bank's retirement benefit liability at the end of the year.

All amounts presented below and on the succeeding pages are based on the actuarial valuation report prepared by an independent actuary in 2024.

The amounts of post-employment defined benefits obligation recognized in the statements of financial position are determined as follows:

December 31	**2024**	2023
Fair value of plan assets	**9,582,446**	9,418,045
Present value of the obligation	**18,660,065**	17,506,190
Deficit	**(9,077,619)**	(8,088,145)

There was no actual contribution made by the bank to the retirement plan because of their investment to Sun Life Insurance amounting to 18,660,633 for both years 2023 and 2022 (see Note 8), thus, resulting to an estimated obligation of 8,088,145 and 6,343,900 for the year 2023 and 2022, respectively. This investment made to Sun Life Insurance for their new retirement plan is an addition to the plan asset and is expected to cover the estimated deficit.

The past service liability is computed as follows:

December 31	**2024**	2023
Fair value of plan assets, 2022	**8,932,785**	8,932,785
Investment fund for retirement *(Note 8)*	**18,660,633**	18,660,633
Total retirement contribution	**27,593,418**	27,593,418
Less accumulated amortization of past service cost	**5,518,684**	2,759,342
Balance at end of year	**22,074,734**	24,834,076

Under the terms and conditions of the Certificate of Qualification issued by the Bureau of Internal Revenue (BIR), the Bank contribution to the fund to cover past service liability should be apportioned in equal parts over a period of ten (10) consecutive years beginning with the year in which the transfer or payment is made pursuant to Section 34 (J) of the Tax Code of 1997, as amended.

As of December 31, 2024, the accumulated amortization is 5,518,684. The annual amortization of 2,759,342 will end in 2032.

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

December 31	**2024**	2023
Balance at beginning of year	**17,506,190**	15,276,685
Remeasurements – Actuarial losses (gains) from:		
Changes in financial assumption	**2,398,377**	-
Experience adjustments	**(3,564,088)**	-
Current service cost	**1,343,567**	1,126,528
Interest expense	**1,263,947**	1,102,977
Benefits paid from plan assets	**(287,928)**	-
Balance at end of year	**18,660,065**	17,506,190

The movements in the present value of plan assets are shown below:

December 31	**2024**	2023
Balance at beginning of year	**9,418,045**	8,932,785
Interest income	**669,589**	485,260
Return on plan assets *(excluding amounts included in net interest)*	-	-
Benefits paid from plan assets	**(287,928)**	-
Remeasurement gain / (loss) - Return on Plan Assets	**(217,260)**	-
Balance at end of year	**9,582,446**	9,418,045

The composition of the fair value of plan assets at the end of the reporting period by category is presented below:

December 31	**2024**	2023
Cash and cash equivalents	**3,346,190**	3,803,501
Debt securities – Philippine government bonds	**6,178,761**	5,564,820
Others	**57,495**	49,724
	9,582,446	9,418,045

The fair value of the debt securities is determined based on quoted market prices in active markets (classified as level 1 of the fair value hierarchy) or stated in the quarterly report of the fund manager.

Plan assets do not comprise any of the Bank's own financial instruments or any of its assets occupied and/or used in its operations.

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

December 31	**2024**	2023
Reported in profit or loss:		
Current service cost	**1,343,567**	1,126,528
Net interest expense	**594,358**	617,717
	1,937,925	1,744,245
Reported in other comprehensive income:		
Actuarial (gains) losses arising from:	-	-
Changes in financial assumptions	**2,398,377**	-
Experience adjustments	**(3,564,088)**	-
Changes in demographic assumptions	-	-
Unrecognized asset due to the effect of asset ceiling	-	-
Return on plan assets (excluding amount included in net interest)	**217,260**	-
	(948,451)	-

Retirement benefits expense is presented as part of compensation and employee's benefits (Note 19).

Amounts recognized in other comprehensive income are included in items that will not be reclassified subsequently to profit or loss. These amounts, net of tax, are transferred to the post-employment benefit reserve in the equity section.

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

December 31	**2024**	2023
Discount rates	**6.09%**	7.22%
Expected rate of salary increases	**5.00%**	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 27 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The plan exposes the Bank to actuarial risk such as interest rate risk, longevity risk and salary risk.

Interest Rate Risk

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

Longevity and Salary Risk

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

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2024:

December 31, 2024

	Discount rate	Salary increase rate
Change in assumption	+/-1.00%	+/-1.00%
Increase in assumption	13.7%	13.9%
Decrease in assumption	(11.5%)	(11.7%)

The sensitivity analysis presented in the preceding page is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The retirement plan trustee has no specific matching strategy between plan assets and plan liabilities.

The maturity profile of estimated undiscounted expected benefit payments from the plan within ten years as per management computation, follows:

December 31	**2024**	2023
Within one year	**112,822**	98,959
More than one year to five years	**840,813**	1,684,282
More than five years to ten years	**13,166,236**	11,142,564
	14,119,871	12,925,805

The estimated weighted average duration of the defined benefit obligation at the end of the reporting period is 12.6 years.

Note 13
Finance Lease Liability

This account represents the present value of the finance lease for the year ended December 31, 2024, amounting to 24,447,663. This amount consists of rental payments that are not paid as of the date of application of PFRS 16, Leases, discounted using the Bank's incremental borrowing rate of 5.50%.

December 31	**2024**	2023
Maturity Analysis – contractual undiscounted cash flows		
Less than one year	**4,075,323**	3,732,873
One to five years	**16,358,201**	9,465,819
More than five years	**14,376,908**	8,939,168
Total undiscounted lease liabilities	**34,810,432**	22,137,860
Lease liabilities included in the statement of financial position		
Current	**2,572,171**	2,887,861
Non-current	**21,875,492**	12,985,379
Total Finance Lease Liability	**24,447,663**	15,873,240

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

December 31	**2024**	2023
Interest on lease liabilities *(Note 19)*	**1,277,878**	1,015,961
Variable lease payment not included in the measurement of lease liabilities		-
Expenses relating to short-term leases *(Note 19)*	**618,860**	837,573
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets		-

The following expenses relate to short-term leases and deferred tax asset as follows:

December 31, 2024	*Notes*		
Depreciation expense on right of use assets	*6*		**3,582,157**
Interest on lease liability	*19*		**1,277,878**
Total rental payments during the year		5,002,548	
Less short-term lease presented as rent expense	*19*	(618,860)	**(4,383,688)**
Over claim of expenses for income tax purposes	*21*		**426,346**
Deferred tax asset (25% of temporary difference)	*8*		**106,587**

December 31, 2023	*Notes*		
Depreciation expense on right of use assets	*6*		**3,315,817**
Interest on lease liability	*19*		**1,015,961**
Total rental payments during the year		4,957,830	
Less short-term lease presented as rent expense	*19*	(837,573)	**(4,120,257)**
Over claim of expenses for income tax purposes	*21*		**211,521**
Deferred tax asset (25% of temporary difference)	*8*		**52,880**

The Bank leases land and buildings for its office spaces. These lease contracts typically run for a period of 3-25 years, with an option for renewal for an additional period subject to mutual agreement between the Bank (lessee) and the lessors. There are no existing provisions for variable lease payment in any of the Bank's lease contracts.

Note 14
Other Liabilities

This account consists of the following:

December 31	*Notes*	**2024**	2023
Due to Agricultural Credit Policy Council (ACPC)		**49,929,735**	50,278,811
Accounts payable		**11,778,891**	4,070,290
Accrued expenses		**1,922,599**	1,641,919
Income tax payable	*21*	**644,361**	1,341,086
Deposit for future stock subscription		**1,000,000**	1,000,000
Accrued interest payable		**563,198**	700,861
Others		**4,640,980**	3,702,736
		70,479,764	62,735,703

As mandated under Executive Order No. 113 (EO 113) Series of 1986, Agricultural Credit Policy Council (ACPC) aims to assist the Department of Agriculture (DA) in synchronizing all credit policies and programs and to review and evaluate the economic soundness of all ongoing and proposed agricultural credit programs.

On August 4, 2020, the Bank signed three (3) Memorandum of Agreement (MOA) with the ACPC in order to serve as a lending conduit of the agency to offer the following programs:

1) **The Micro and Small Agribusiness Program also known as "AgriNegosyo (ANYO)"**
   A loan facility for agri-fishery based MSEs, farmer and fisherfolk organizations/associations and individual small farmers and fisherfolk for the acquisition of machinery/equipment, construction of facility/s and/or working capital requirements for agri-fishery-based income generating activities. The fund shall be used to cover up ninety percent (90%) of the project costs.

2) **The Young Agripreneurs Loan Program also known as "Kapital Access for Young Agripreneurs (KAYA)"**
   A loan facility for qualified young Agripreneurs at zero (0%) interest to finance the capital requirements of start-up or existing farm/fishery business. KAYA aims to attract Filipino youth agripreneurs to be key players in attaining our vision of a food-secure Philippines with prosperous farmers and fishers.

3) **SURE COVID-19 for Micro and Small Enterprises (MSEs)**
   The Expanded SURE Aid and Recovery Project is a quick response support facility that cater to agri-fishery-based micro and small enterprises from areas identified by the Department of Agriculture (DA) as severely affected by the Enhanced Community Quarantine (ECQ) due to the COVID-19.

These programs are governed by the following General Provisions:

1) Approved credit fund of Ten Million Pesos (₱10,000,000) for each of the programs are given by ACPC to the Bank as the "ACPC Program fund";
2) The Bank may charge service fee of up to 3.5% for KAYA Program and ANYO and 3.0% for SURE COVID-19 Program per transaction based on loan released to borrowers which may be deducted against the proceeds of the loan;
3) Eligible loans extended by the Bank under the Loan Program shall be fully guaranteed by the program fund. In case of non-payment of loans by any of its eligible borrowers under the program, the Bank shall execute a Deed of Subrogation in favor of ACPC, thereby transferring to ACPC the rights, claims and demands against borrowers of such loans;
4) The Bank shall be subject to a penalty of 12% per annum for the following:
   a) Failure to remit the undisbursed fund/s to ACPC at the end of the 90-day disbursement period;
   b) Failure to remit the principal collections after 15 days of the following month reckoned on the day after the lapse of said remittance period until the collections are fully remitted to ACPC;
   c) Utilizing the proceeds of the fund for purposes other than those stated in this agreement. This violation also gives ACPC the right to demand outright return of the fund or the portion thereof that was utilized for other purposes.

Accounts payable pertains to funds received from SSS that are for disbursement to respective SSS pensioners, withholding tax payable, SSS, Philhealth and Pag-ibig contributions payable.

The Bank considered such deposit for future stock subscription as part of its liability account as it has no available unissued shares as of December 31, 2020.

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

Other payable represents taxes and licenses payable, and insurance payable outstanding at year end.

Note 15
Retained Earnings

Adjustments to retained earnings have been made for the years 2024 and 2023. These consist of the following:

Years Ended December 31	*Notes*	**2024**	2023
Post-employed defined benefit reserve		**1,390,529**	-
DTA reversal:	*8*		
Finance lease liability		**(1,237)**	(3,924)
Allowance for impairment losses		-	(56,372)
Retirement benefits obligation		-	(4,179,291)
Allowance for impairment losses	*9*	-	(226,925)
Prior period adjustments		**11,093,193**	(1,254,645)
		12,482,485	(5,721,157)

Prior period adjustments pertain to the correction of recognition of allowance for interest receivable, sales contract receivables discount; reversals of forfeited sales contract receivable; correction of overstatement of accrued interest receivables; and other income and expenses from prior years.

The Board of Directors per Board Resolution Number 2024-060 dated February 23, 2024 unanimously approved the declaration of cash dividend amounting to ₱21,025,000, a dividend of ₱7.25 per share, on all common stock issued and outstanding per Shareholder's Record as of January 31, 2024. The dividend declared were paid on March 10, 2024 subject to compliance with applicable provision of the law.

Note 16
Interest Income

This account consists of:

Years Ended December 31	*Notes*	**2024**	2023
Interest income on loans receivables		**116,173,304**	122,178,260
Service charges and processing fees		**3,114,600**	3,323,722
		119,287,904	125,501,982
Interest income on banks' deposits and investments:			
Bank deposits	*4*	**378,926**	207,011
Investments	*8*	**995**	2,711
		379,921	209,722
Total Interest Income		**119,667,825**	125,711,704

Service charges and processing fees include service income, finance charges, gross receipts taxes, notarial fees and other processing fees passed-on by the Bank to the borrowers relative to loan releases.

Interest rates on loans ranges from 7.5% to 36% per annum. Penalty rate on past due loans is 3% per month.

Note 17
Interest Expense

This account consists of the following:

Years Ended December 31	*Notes*	**2024**	2023
Deposit liabilities	*10*	**9,946,491**	6,788,204
Borrowed funds	*11*	**2,792,489**	4,187,403
		12,738,980	10,975,607

Interest expense from deposit liabilities in 2024, amounting to 4,849,753, was not subject to final withholding tax since such interest was derived from deposits of individuals with a maturity period of more than five years.

Note 18
Other Income

This account consists of the following:

Years Ended December 31	*Notes*	**2024**	2023
Gain on disposal of investment properties	*7*	**21,344,436**	12,455,397
Recovery on charged-off asset		**2,356,702**	4,076,551
Reversal of provision for impairment losses	*9*	**6,191,554**	1,473,328
Loss on disposal of investment properties		**(54,884)**	(18,478)
Others		**5,479,973**	4,474,389
		35,317,781	22,461,187

Others pertain to income on passed-on documentary stamp tax, disposal and rescinded investment properties, passbook replacement and bank certification issuance, charges on closed accounts, overage, certification and penalties.

Note 19
Operating Expenses

This account consists of the following:

Years Ended December 31	*Notes*	**2024**	2023
Compensation and employees' benefits:			
Salaries and wages		**32,726,153**	32,601,120
Directors' fee		**629,000**	774,000
SSS, Philhealth and Pag-ibig contributions		**3,388,570**	3,271,352
Fringe benefits		**1,947,000**	1,863,000
Retirement benefits expense	*12*	**1,937,925**	1,744,245
Medical, Dental & Hospitalization		**724,338**	611,920
Taxes and licenses	*28*	**10,706,973**	9,103,240
Security, messengerial and janitorial services		**8,310,672**	6,983,721
Depreciation and amortization:			
Bank premises, furniture and equipment	*6*	**6,169,622**	6,299,713
Investment properties	*6,7*	**3,728,142**	3,270,709
Right-of-use asset	*6*	**3,582,155**	3,315,817
Insurance	*20*	**3,661,414**	2,945,217
Documentary stamp taxes	*28*	**3,226,083**	3,007,186
Travel and transportation		**3,045,885**	2,815,670
Light, power and water		**2,978,556**	3,646,099
Information technology expense		**2,541,189**	2,417,210
Office supplies		**1,678,386**	1,841,690
Fuel, oil and lubricants		**1,653,574**	1,798,576
Interest expense on finance lease liability	*13*	**1,227,878**	1,015,961
Litigation and assets acquired		**1,180,697**	1,346,873
Communications		**897,974**	899,863
Management and other professional fees		**734,667**	928,671
Rental	*13*	**618,860**	837,573
Fines, penalties and other charges	*21*	**509,662**	197,743
Representation		**477,257**	472,834
Promotions		**445,032**	468,300
Repairs and maintenance		**337,169**	269,647
Banking and supervision fees		**217,835**	198,886
Membership fees and dues		**56,780**	35,980
Donations		**45,716**	66,702
Periodicals		**23,370**	34,286
Others		**1,991,274**	2,451,201
		101,399,808	97,535,005

Security services amount to 6,457,406 of the total 8,310,672 for security, messengerial, and janitorial expenses 5,856,126 of which are for the salaries of the security guard while 601,280 is for the agency fee, which was the only amount subjected to expanded withholding tax.

Others include bank charges, trainings and seminars, and miscellaneous

Rental expense consists of:

Years Ended December 31	**2024**	2023
Building	**618,860**	637,771
Staff house	-	190,602
Others	-	9,200
	618,860	837,573

Other expenses include training expenses, other expenses-VAT and miscellaneous expenses.

Note 20
Details of Insurance Expense

This account consists of the following:

Years Ended December 31	**2024**	2023
Philippine Deposits Insurance Corporation	**1,232,644**	1,085,675
Others	**2,428,770**	1,859,542
	3,661,414	2,945,217

Others pertain to insurance paid on fidelity bonds, motorcycle, building and furniture and fixtures.

Note 21
Income Tax

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or Republic Act (RA) No. 11534 was signed into law on March 26, 2021. The new tax rates applicable to the regular taxable income of the Bank are as follows:

	The higher between the "Regular" or "Minimum Corporate Income Tax (MCIT)" rates			
	Regular		MCIT	
	Rate	Effectivity	Rate	Effectivity
Domestic corporations, in general	25%	July 1, 2020	1%	July 1, 2020 to June 30, 2023
			2%	July 1, 2023
For corporations with net taxable income not exceeding Five Million Pesos (₱5,000,000) AND total assets not exceeding One Hundred Million (₱100,000,000), excluding the land on which the particular business entity's office, plant and equipment are situated	20%	July 1, 2020	1%	July 1, 2020 to June 30, 2023
			2%	July 1, 2023

Provided further, the taxpayer's allowable deduction for interest expense shall be reduced by an amount equivalent to twenty percent (20%) of interest income subjected to final tax. However, if the final withholding tax rate on interest income of 20% will be adjusted in the future, the interest expense reduction rate shall be adjusted accordingly.

Moreover, percentage tax is reduced from three percent (3%) to one percent (1%) effective July 1, 2020 to June 30, 2023 and the imposition of improperly accumulated earnings is repealed.

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

December 31	**2024**	2023
Current tax:		
Normal income tax	**6,143,656**	9,014,475
Final tax at 20%	**75,984**	41,944
Total	**6,219,640**	9,056,419
Deferred tax expense (income) relating to origination and reversal of temporary differences	**2,707,520**	(584,705)
	8,927,160	8,471,714

The current tax expense was derived from the following computations:

	Notes	**2024**	2023
Profit before income tax		**35,198,976**	33,689,112
Non-taxable income:			
Interest income already subjected to final tax	*16*	**(379,921)**	(209,722)
Non-deductible expense:			
Interest expense		**75,984**	41,944
Fines and penalties	*19*	**509,662**	197,743
Financial profit subject to tax		**35,404,701**	33,719,077
Temporary differences:			
Provision for impairment loss	*9*	**5,647,843**	5,973,167
Retirement benefits expense	*12*	**1,937,925**	1,744,245
Lease liability – net	*13*	**426,347**	211,521
Reversal of impairment loss on disposals of ROPA	*9*	**(902,466)**	(1,357,442)
Reversal of provision for impairment losses	*18*	**(6,191,554)**	(1,473,328)
Written off accounts		**(8,988,832)**	-
Amortization of past service liability	*12*	**(2,759,342)**	(2,759,342)
Taxable income		**24,574,622**	36,057,898
Tax rate		**25%**	25%
Normal Income Tax		**6,143,656**	9,014,475
Minimum Corporate Income Tax (MCIT) *(see below)*		**1,898,810**	1,427,531
Normal income tax or MCIT whichever is higher		**6,143,655**	9,014,475
Creditable withholding tax (2307)		**(106,046)**	-
Tax payments from previous quarters		**(5,393,248)**	(7,673,389)
Income tax payable	*14*	**644,361**	1,341,086

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

The deferred tax expense (income) relating to origination and reversal of temporary differences is computed as follows:

Year Ended December 31, 2024	*Notes*	**Tax effect**
Allowance for impairment losses	*8,9*	**2,608,752**
Past service liability	*8,12*	**689,835**
Finance lease liability	*8,13*	**(106,587)**
Post-employment defined benefit obligation	*8,12*	**(484,481)**
		(2,707,519)

The computation of MCIT follows:

Years Ended December 31	*Notes*	**2024**	2023
Gross receipts		**148,469,016**	146,508,319
Less: Allowable deductions			
Compensation and employees' benefits	*19*	**39,415,062**	39,121,392
Interest expense – net	*17*	**12,662,996**	10,933,662
PDIC Insurance	*20*	**1,232,644**	1,085,675
Supervisory fee	*19*	**217,835**	198,886
		53,528,537	51,339,615
Gross Income		**94,940,479**	95,168,704
Tax rate		**2%**	1.50%
Minimum Corporate Income Tax		**1,898,810**	1,427,531

Note 22
Earnings Per Share

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

December 31	*Notes*	**2024**	2023
Net profit		**26,271,816**	25,217,398
Profit attributable to preferred shares		**20,000**	20,000
Net profit attributable to common shares		**26,251,816**	25,197,398
Weighted average number of outstanding common shares	*26*	**2,900,000**	2,900,000
Basic Earnings per Share		**9.05**	8.69

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

Note 23
Related Party Transactions

There were transactions entered by the Bank involving businesses owned by its stockholders. These businesses and the amount of payment are as follows: (a) Davao Superior Security Service Incorporated, 6,457,406 and (b) Malita Central Warehouse Club, Inc. 446,878. Also, the Bank had a lease agreement to one of its stockholder's businesses. All of these dealings are within the so-called arm's length transactions without any special arrangements or accommodations.

Compensation of Key Management Personnel of the Bank

The key management compensation and employees' benefits is as follows:

Years Ended December 31	**2024**	2023
Salaries and wages	**11,966,844**	11,533,285
Benefits and allowances	**5,167,347**	5,375,663
Director remuneration	**629,000**	774,000
Post-employment benefits of officers	**502,674**	-
	18,265,865	17,682,948

Key management personnel compensations are presented as part of compensation and employees' benefits under other operating expenses in the statements of profit or loss (see Note 19). There are no outstanding liabilities related to key management compensation in 2024 and 2023.

Note 24
Risk Management Objectives and Policies

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

The Bank's risk management is coordinated in close cooperation with the BOD, and focuses on actively securing the Bank's short to medium-term cash flows by minimizing the exposure to financial markets.

The Bank does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Bank is exposed to are described below and in the succeeding pages.

The BOD is primarily responsible for approving the credit policies and the overall risk capacity of the Bank. Board Committees have been established by the BOD to oversee the increasingly varied risk management activities of the Bank with the active participation of senior management.

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

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

Market Risk

The Bank is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk
Most of the Bank's transactions are carried out in Philippine pesos, its functional currency. The Bank's exposures to currency exchange rates may arise from deposits with other banks denominated in currencies other than the Philippine peso. As of December 31, 2024, and 2023, the Bank has no significant foreign currency risk exposure as it has no significant foreign currency denominated deposits with other banks.

(b) Interest Rate Risk
The Bank's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. As of December 31, 2024, and 2023, the Bank has no significant exposure to interest rate risk as most of its financial instruments have fixed rates.

Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met by maintaining a balanced loan portfolio. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

The analysis of maturity groupings of financial resources, financial liabilities as at December 31, 2024 are presented below:

	Notes	*One year and below*	*Over one year*	***Total***
Cash and cash equivalents	*4*	339,523,518	-	**339,523,518**
Loans receivable	*5*	11,436,260	577,525,356	**588,961,616**
		350,959,778	577,525,356	**928,485,134**
Deposit liabilities	*10*	530,781,773	148,572,589	**679,354,362**

Minimum Liquidity Ratio is computed as follows:

December 31	**2024**	2023
Stock of liquid assets (a)	**339,584,500**	263,729,401
Qualifying liabilities (b)	**676,235,868**	615,993,636
Minimum liquidity ratio (a/b)	**50.22%**	42.81%

The Bank honors all cash requirements on an ongoing basis. To address the negative gap, the management avoids raising funds above market rates through the forced sale of assets.

Credit Risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by defaulting on an obligation. Significant changes in the economy, or in the prospects of a particular industry segment that may represent a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date.

The Bank has no significant concentrations on credit risk. There are no risks involved on cash, due from BSP and due from other Banks since the counterparties are reputable Banks.

The Bank mitigates its credit risk by requiring security, particularly for loans. The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans are mortgages over real estate properties. In order to minimize credit loss, the Bank seeks additional collateral from the counterparty when impairment indicators are observed for the relevant individual loans.

The Bank's maximum exposure to credit risk before collateral held or other credit enhancement is shown below:

December 31, 2024	*Notes*	*Neither Past Due Nor Impaired*	*Past Due But Not Impaired*	*Total*
Due from other banks and BSP	*4*	303,927,620	-	303,927,620
Loans receivable - gross	*5*	541,653,330	25,288,488	566,941,818
		845,580,950	25,288,488	870,869,438
		97.10%	**2.90%**	**100.00%**

High grade cash and cash equivalents are short-term placements and working cash fund; and special Bank deposit which are placed, invested, or deposited in local Banks belonging to the top ten (10) Banks in the Philippines in terms of resources and profitability. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with propensity of deteriorating to mid-range age brackets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

As part of Bank's policy, deposits with other Banks are only maintained with reputable financial institutions.

In respect for loans and receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans and receivables that are not past due or impaired to be good.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

The Bank's loans are actively monitored to avoid significant concentrations of credit risk in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of persons exceeding 25% of its net worth.

Loans receivable of First Trubank (A Rural Bank), Inc. are summarized as follows:

	Agri/Agra Loan	Small and Medium Entities	Other Purpose Loan
Security of Loans	Real Estate Mortgage / Unsecured	Real Estate Mortgage / Unsecured	Real Estate Mortgage / Unsecured
Term of Loans	1 to 5 years or more	1 to 5 years or more	1 to 5 years or more
Interest Rate	16% to 30% per annum	16% to 30% per annum	16% to 30% per annum
Purpose	Farm Production/ Land Improvement/ Purchase of farming Equipment/ Working Capital for Livestock Production	Additional Working Capital	Additional Working Capital/ Medication/ Personal Use/ Purchase of Vehicles, Lot/ Personal Consumption

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Bank's financial strength and undermine public confidence.

Given the Bank's diverse base of counterparties, mostly various individual buyers of real estates, it is not exposed to large concentration of credit risks.

Impairment assessment

The Bank recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue, if any, beyond a certain threshold. These and other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Bank in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Bank assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Bank when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and, (f) the existing realizable value of collateral, if any. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write off; (b) losses which are likely to occur but has not yet occurred; and, (c) the expected receipts and recoveries once impaired.

The Bank has no contingencies and commitments arising from off-balance sheet items.

Operations Risk

Operations risks are risks arising from the potential inadequate information systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls and fraud or unforeseen catastrophes that may result in unexpected loss. Operations risks include the risk of loss arising from various types of human or technical error, settlement or payment failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Bank has established measures to mitigate the effects of risks related to operations through its senior management. At year-end, the Bank also ensures that disclosures are made in the financial statements for any significant accounts, if any, which may have been affected by such risks.

Legal Risk

Legal risk pertains to the Bank's exposure to losses arising from cases decided not in favor of the Bank where significant legal costs have been already been incurred, or in some instances, where the Bank might be required to pay damages. The Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Bank may incur significant legal expenses as a result of these events, but the Bank may still end up with non-collection or non-enforcement of claims. The Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified advisors, who were endorsed to and carefully approved by senior management. At year-end, the Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have risen from legal proceedings involving the Bank.

Regularities risk refers to the potential risk for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The monitoring of the Bank's compliance with these regulations, as well as the study of the potential impact of new laws and regulations, is the primary responsibility of the Bank's Compliance Officer. The Compliance Office is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Audit Committee and the BOD.

Note 25
Capital Management Objectives, Policies and Procedures

i. Objectives, Policies and Procedures

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

The Bank balances its overall capital structure principally through the payment of interest on capital stock (the Bank may adjust the amounts to be paid as interest on capital stock or increase the amounts allocated for statutory reserves, as needed), campaign for additional deposits and intensify its capital build-up programs.

The Bank's overall strategy remains unchanged for several years. Its reported capital as at December 31, 2024 and 2023 is summarized as follows:

December 31	*Notes*	**2024**	2023
Total shareholders' equity		**402,792,615**	385,742,505
Less cash on hand and other cash items	*4*	**35,595,898**	40,422,288
Capital		**438,388,513**	345,320,217
Total shareholders' equity		**402,792,615**	385,742,505
Borrowings (total liabilities)		**783,359,408**	723,374,674
Overall financing		**1,186,152,023**	1,109,117,179
Capital-to-Overall Financing Rate		**36.96%**	31.13%

ii. Regulatory Capital

The lead regulator of the Bank, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

Under current Banking regulations, the combined capital accounts of each Bank should not be less than an amount equal to ten percent of its risk assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total equity excluding:

a) Un-booked valuation reserves and other capital adjustments as may be required by the BSP;
b) Total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
c) Deferred tax asset or liability;
d) Goodwill;
e) Sinking fund for redemption of redeemable preferred shares; and

f) Other regulatory deductions.

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

The regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital for the following:

a) Investments in equity of unconsolidated subsidiary Banks and other financial allied undertakings, but excluding insurance companies;
b) Investments in debt capital instruments of unconsolidated subsidiary Banks;
c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;
d) Reciprocal investments in equity of other Banks/enterprises; and
e) Reciprocal investments in unsecured subordinated term debt instruments of other Banks/quasi-Banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of: *(i)* an aggregate ceiling of 5% of total Tier 1 capital of the Bank excluding Hybrid Tier 1; or, *(ii)* 10% of the total outstanding unsecured subordinated term debt issuance of the other Bank/quasi-Banks.

Provided that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio. At the end of each reporting period, the Bank has complied with the prescribed ratio of qualifying capital to risk-weighted assets.

The Bank's regulatory capital position as of December 31, 2024 and 2023 follows:

December 31	**2024**	2023
Net Tier 1 Capital	**375,106,075**	353,063,406
Net Tier 2 Capital	**17,965,615**	18,154,177
Total Qualifying Capital	**393,071,690**	371,217,583
Credit Risk-Weighted Assets	**1,163,545,813**	1,077,956,934
Operational Risk-Weighted Assets	**167,089,999**	162,017,366
Total Risk-Weighted Assets	**1,330,635,812**	1,239,974,300
Risk-Based Capital Adequacy Ratio:		
(Total Qualifying Capital divided by Total Risk-Weighted Assets)	**29.54%**	29.94%

Capital position on solo basis of the Bank for the years 2024 and 2023 have been computed as follows:

December 31	**2024**	2023
Tier 1 Capital	**375,106,075**	353,063,406
Common Equity Tier 1 Capital	**375,106,075**	353,063,406
Tier 2 Capital	**17,965,615**	18,154,177
Total Qualifying Capital	**393,071,690**	371,217,583
Total Risk-Weighted Assets	**1,330,635,812**	1,239,974,300
Capital Adequacy Ratio	**29.54:1**	29.94:1
Common Equity Tier 1 Ratio	**28.19:1**	28.47:1
Tier 1 Ratio	**28.19:1**	28.47:1

Note 26
Supplementary Information Required by the Bangko Sentral ng Pilipinas

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

(a.) Selected Financial Performance Indicators

The financial ratios of the Bank for the years 2024 and 2023 have been computed as follows:

December 31	**2024**	2023
Return on average equity *(Net profit / Average total capital accounts)*	**6.66%**	6.71%
Return on average assets *(Net profit / Average total assets)*	**2.29%**	2.25%
Net interest margin *(Net interest income / Average interest earning assets)*	**17.13%**	16.58%
Capital-to-risk assets *(Shareholders' equity / Risk assets)*	**50.86%**	48.40%
Minimum liquidity ratio *(Liquid assets / Qualifying Liabilities)*	**50.22%**	42.81%

(b.) Description of capital instruments issued

The details of the preferred and common shares are as follow:

	Shares		**Amount**	
	2024	2023	**2024**	2023
Common Shares - ₱100 par value				
Authorized	**3,200,000**	2,900,000	**320,000,000**	290,000,000
Issued and outstanding				
Balance at beginning of year	**2,900,000**	2,900,000	**290,000,000**	290,000,000
Issued during the year	**-**	-	**-**	-
Balance at end of year	**2,900,000**	2,900,000	**290,000,000**	290,000,000
Preferred Shares - ₱100 par value				
Private Preferred Stock A				
Authorized	**100,000**	100,000	**10,000,000**	10,000,000
Issued and outstanding				
Less: Redeemable preferred shares reclassified to other liabilities *(Note 14)*	**-**	-	**-**	-
Government Preferred Stock B				
Authorized	**200,000**	200,000	**20,000,000**	20,000,000
	2,900,000	2,900,000	**290,000,000**	290,000,000

The preferred shares have the rights, preferences, conditions and limitations as follows:

a) Preferred shares shall be issued only to qualified private persons, natural or juridical and shall have preference over the common stock as to assets in the event of liquidation.
b) Preferred shares are non-voting except in the instances allowed by the Corporation Code.
c) Preferred shares shall have preferences to dividends only, which shall be cumulative and participating at such rate, as may be set by the Board, which shall not exceed by more than 2.00% of the rate of interest that the Bank grants to long-term time deposits serviced by it, and under such other such features as the BOD may prescribe within the limits,

terms and conditions as maybe set by pertinent BSP Bank regulations. Such features may include all or any of the following:

- No pre-emptive rights;
- Non-convertible; and
- Redeemable within five years at par value from date of issuance within limits set by applicable BSP regulations and provided the stock percentage limitations are not violated.

The Bank has 49 and 52 stockholders owning 100 or more shares each of the Bank's common shares, as of December 31, 2024, and 2023, respectively.

On December 11, 2014, under SEC Reg. No. CS200832437, the Bank adopted the amendments to Article VII of Articles of Incorporation increasing the Authorized Capital Stock from 2,100,000 shares to 2,900,000 shares of common stock with voting rights.

On July 1, 2009, the Bank issued 650,000 common shares and 1,000 preferred shares amounting to ₱65,000,000 and ₱1,000,000, respectively in exchange for the net assets of Tagum Rural Bank, Inc., RB Carmen and RB Malalag. The resulting premium amounting to ₱32,847,526 was recognized and presented as Other Reserves.

On December 31, 2017, ₱20,107,371 out of the resulting premium from the consolidation in the total amount of ₱32,847,526 has been transferred to retained earnings. The remaining ₱12,740,155 has been moved to the appraisal increment reserve account to reflect increase in appraisal value of the bank premises during the consolidation in 2009 as per BSP auditors' recommendation. The appraisal increment reserve is presented as part of the revaluation reserves.

As of December 31, 2024, the balances of the Bank's revaluation reserves comprise of the following:

Years Ended December 31	**2024**	2023
Post-employed defined benefit reserves	**17,262,611**	17,941,802
Appraisal increment reserves	**12,740,155**	12,740,155
	30,002,766	30,681,957

Pursuant to BSP Circular No. 327 issued on April 4, 2002, the Bank appropriated an amount equal to 1,000,000, which is recognized as Surplus Reserves, for the retirement of the redeemable preferred shares. During 2022, the Bank transferred these reserves for Preferred Share Redemption to retained earnings.

(c.) Significant Credit Exposures for Loans

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

December 31	**2024**	%	2023	%
Agricultural, forestry and fishing	**74,571,507**	**12.66**	76,093,300	12.30
Wholesale and retail trade, Repair of Motor Vehicles, Motorcycles	**70,446,636**	**11.96**	98,005,580	15.84
Real Estate Activities	**60,821,405**	**10.33**	32,711,947	5.29
Accommodation and Food Service Activities	**55,264,722**	**9.38**	17,005,027	2.75
Construction	**35,542,104**	**6.03**	31,153,521	5.04
Activities of Household as Employers and Undifferentiated Goods and Services Producing Activities of Household for Own Use	**11,244,670**	**1.91**	15,553,852	2.51
Manufacturing	**7,542,677**	**1.28**	479,963	0.08
Education	**3,804,754**	**0.65**	12,761,336	2.06
Public administration and defense; Compulsory social security	**1,146,126**	**0.19**	3,106,793	0.50
Human Health and Social Work Activities	**639,429**	**0.11**	1,965,615	0.32
Financial and Insurance Activities	**629,522**	**0.11**	934,768	0.15
Electricity, gas, steam and air-conditioning supply	**387,355**	**0.07**	1,212,524	0.20
Administrative and Support Service Activities	**27,827**	**0.00**	169,431	0.03
Transportation and Storage	-	-	3,299,335	0.53
Professional, Scientific and Technical Activities	-	-	664,160	0.11
Mining and quarrying	-	-	233,506	0.04
Information and Communication	-	-	177,892	0.03
Other Service Activities	**266,892,882**	**45.32**	323,061,749	52.23
Total	**588,961,616**	**100.00**	618,590,299	100

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

(d.) Credit Status of Loans

The breakdown of total loans as to status:

December 31, 2024	*Current*	*Past Due Performing Loans*	*Past Due Non-Performing Loans*	***Total***
Agrarian reform	27,101,393	4,506,255	3,571,585	35,179,233
Other agricultural credit	30,335,151	1,237,443	183408	31,756,002
Commercial	276,788,379	7,570,883	7,241,064	291,600,326
Others	207,428,407	11,973,907	11,023,741	230,426,055
Total	**541,653,330**	**25,288,488**	**22,019,798**	**588,961,616**
	91.97%	**4.29%**	**3.74%**	**100.00%**

December 31, 2023	*Current*	*Past Due Performing Loans*	*Past Due Non-Performing Loans*	***Total***
Agrarian reform	27,485,123	2,123,149	2,221,714	**31,829,986**
Other agricultural credit	59,466,719	1,788,946	1,329,645	**62,585,310**
Commercial	253,864,329	24,081,835	11,534,876	**289,481,040**
Others	215,220,756	4,630,364	14,842,843	**234,693,963**
Total	**556,036,927**	**32,624,294**	**29,929,078**	**618,590,299**
	89.89%	**5.27%**	**4.84%**	**100%**

(e.) Analysis of Loan Portfolio as to Type of Security

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

The breakdown of this account classified as to security is as follows:

December 31	**2024**	**%**	2023	%
Secured:				
Real estate and chattel mortgage	**402,613,169**	**68.36**	420,842,633	68.03
Unsecured	**186,348,447**	**31.64**	197,747,666	31.97
Total	**588,961,616**	**100.00**	618,590,299	100.00

(f.) Information on Related Party Loans

In the ordinary course of business, the Bank has loans, deposits and other transactions with its related parties and with certain DOSRI.

i. Loans to related parties

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

The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Bank. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Bank, whichever is lower.

The following are information related to DOSRI:

December 31	**2024**	2023
Total Outstanding DOSRI loans	**2,559,604**	3,842,000
Percent of DOSRI loans to total loans	**0.43%**	0.62%
Percent of unsecured DOSRI loans to total DOSRI loans	**0%**	0%
Percent of past-due DOSRI loans to total DOSRI loans	**0%**	0%
Percent of non-performing DOSRI loans to total DOSRI loans	**0%**	0%

The Bank has complied with the requirements set by BSP with regard to limits on DOSRI loans. Total interest income on DOSRI loans is presented as part of interest income on loans in the statement of profit or loss. The outstanding balance of these loans is presented as part of others under loans and receivables in the statement of financial position (see Note 5).

Deposits received from DOSRI are presented as part of deposit liabilities in the statements of financial position amounting to (see Note 10). Total interest expense on DOSRI deposits is presented as part of interest expense on deposit liabilities in the statements of profit or loss.

The Bank had deposit liabilities from its stockholders as follows:

December 31	**2024**	2023
Savings deposits	**8,337,181**	5,676,492
Demand deposits	**75,605,879**	83,401,463
Time deposits	**123,000,000**	13,000,000
	206,943,060	102,077,955

Time deposits earn interest rate ranging from 2% to 6%, which are the same interest rate given to all depositors of the Bank.

(g.) Secured Liabilities and Assets Pledged as Security

TAs of December 31, 2023, the Bank had secured liabilities consisting of bills payable amounting to 64,144,623. The related assets pledged as security totaled 78,277,700 in 2023. In 2024, the outstanding bills payable were fully settled.

(h.) Contingencies and Commitments Arising from Off-balance Sheet Items

The Bank is a lessee under non-cancelable leases covering offices and certain branches. The leases have terms ranging from one to twenty-five years for the years ended December 31, 2024, with renewal options and include fixed rates and escalation rates ranging from 1.00% to 10% per annum.

There are contingent liabilities such as litigations and claims that arise in the normal course of the Bank's operations which are not reflected in the financial statements. The Bank's management is of the opinion that losses, if any, as of December 31, 2024 from these claims will not have any material effect on the Bank's financial statements.

Note 27
Reclassification

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

Note 28
Supplementary Information Required by BIR

Revenue Regulations (RR) No. 15-2010

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

The following is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

a. Gross receipt tax

In lieu of the value-added tax, the Bank is subject to the gross receipts tax (GRT) imposed on all banks and non-bank financial intermediaries pursuant to Section 121.2 of the Philippine Tax Code. For the years ended December 31, 2024 and 2023, the Bank paid GRT amounting to 7,516,533 and 7,217,377, respectively, which is presented as part of taxes and licenses (see Note 19).

b. Taxes on importation

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

c. Excise tax

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

d. Documentary stamp tax

The Bank remitted documentary stamp tax amounting to 3,226,083 and 3,007,186 for 2024 and 2023, respectively, all of which was shouldered and passed on to the other party.

e. Taxes and licenses

The details of taxes and licenses for the years ended December 31, 2024 and 2023 are as follows:

Years Ended December 31	**2024**	2023
Gross receipt tax	**7,516,533**	7,217,377
Fringe benefit tax	**524,192**	529,308
Others	**2,666,248**	1,356,555
	10,706,973	9,103,240

Others consist of taxes on BSP licenses, car registration, documentary stamp tax and others.

f. Withholding taxes

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

Year Ended December 31, 2024	**Tax base**	**Amount paid**
Salaries and wages	**32,726,153**	**505,173**
Services	**16,839,368**	**336,787**
Goods	**5,101,163**	**51,012**
Deposits	**5,096,739**	**1,019,348**
Rental	**4,689,696**	**234,485**
Professional fees	**1,159,226**	**115,923**
Estate	**930,525**	**55,832**
Director's fee	**629,000**	**62,900**
Medical practitioners'	**296,202**	**29,620**
	67,468,071	**2,411,078**

g. Deficiency tax assessments and tax cases

As of December 31, 2024, the Bank does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR.

Revenue Regulations (RR) No. 34-2020

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

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2024

FIRST TRUBANK (A RURAL BANK), INC.

First TruBank Building, Corner Bonifacio and Rizal Streets, Tagum City, Davao del Norte *Amounts in Philippine Peso*

Unappropriated Retained Earnings, beginning of reporting period			**65,060,548**
Add:	**Category A: Items that are directly credited to Unappropriated Retained Earnings**		
	Reversal of Retained Earnings Appropriation/s		
	Effect of restatements or prior-period adjustments	**12,482,485**	
	Others (describe nature)		**12,482,485**
Less:	**Category B: Items that are directly debited to Unappropriated Retained Earnings**		
	Dividend declaration during the reporting period	**21,025,000**	
	Retained Earnings appropriated during the reporting period		
	Effect of restatements or prior-period adjustments		
	Others (describe nature)		**21,025,000**
Unappropriated Retained Earnings, as adjusted			**56,518,033**
Add/Less: Net Income (loss) for the current year			**26,271,816**
Less:	**Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)**		
	Equity in net income of associate/joint venture, net of dividends declared		
	Unrealized foreign exchange gain, except those attributable to cash and cash equivalents		
	Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		
	Unrealized fair value gain of Investment Property		
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)		
	Sub-total		
Add:	**Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
	Realized foreign exchange gain, except those attributable to cash and cash equivalents		
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		
	Realized fair value gain of Investment Property		
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)		
	Sub-total		
Add:	**Category C.3: Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)**		
	Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents		

	Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		
	Reversal of previously recorded fair value gain of Investment Property		
	Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)		
	Sub-total		
Adjusted Net Income/Loss			**82,789,849**
Add:	**Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
	Depreciation on revaluation increment (after tax)		
	Sub-total		
Add/ Less:	**Category E: Adjustments related to relief granted by the SEC and BSP**		
	Amortization of the effect of reporting relief		
	Total amount of reporting relief granted during the year		
	Others (describe nature)		
	Sub-total		
Add/ Less:	**Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution**		
	Net movement of treasury shares (except for reacquisition of redeemable shares)		
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories		
	Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	**(21,478,204)**	
	Adjustment due to deviation from PFRS/GAAP – gain (loss)		
	Others (describe nature)		
	Sub-total		**(21,478,204)**
TOTAL RETAINED EARNINGS, END OF THE REPORTING PERIOD AVAILABLE FOR DIVIDEND			**₱61,311,645**

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
As of December 31, 2024

FIRST TRUBANK (A RURAL BANK), INC.
First TruBank Building, Corner Bonifacio and Rizal Streets, Tagum City, Davao del Norte
Amounts in Philippine Peso

December 31	**2024**	2023
Total Audit Fees	**550,000**	500,000
Total Non-audit Fees		
Non-audit services fees		
Other assurance services	**-**	-
Tax services	**-**	-
All other services	**-**	-
	-	-
Total Audit and Non-audit Fees	**550,000**	500,000

Audit and non-audit fees of other related entities

December 31	**2024**	2023
Audit fees	**-**	-
Non-audit services fees		
Other assurance services	**-**	-
Tax services	**-**	-
All other services	**-**	-
Total Audit and Non-audit Fees of other related entities	**-**	-