



Rural Bank of Solano (N. V.), Inc.  
Your Hometown Bank



# 53 Years

TOUCHING LIVES

# Annual REPORT 2022



#INSPIRE2023



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corporate  
policy



# about us



Rural Bank of Solano (N.V.) Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 11, 1969 with Registration No. 39997. On February 27, 1970, the Bangko Sentral ng Pilipinas (BSP) granted the Bank its Certificate of Authority to operate as a financial institution. Thereafter, RBS started operations on March 7, 1970.

The Bank's principal office was formed to carry and engage in the business of extending rural credits to small farmers and tenants and to deserving rural industries or enterprises, to have and exercise all authorities and powers, to do and perform all acts, to transact all business which may legally be had or done by rural banks organized under and in accordance with the Rural Bank's Act as it exists or may be amended; and to do all other things incident 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.

The Bank's products and services are traditional deposits such as regular savings deposits and certificate of time deposits. The Bank also offers various types of loans such as agricultural, commercial/industrial, and various consumer loans and microfinance loans.

With the amendment of the company purpose that now include: sell, solicit or market microinsurance products and render services as insurance agent, provided that such products are issued by life and non-life insurance companies authorized by the Insurance Commission, in accordance with the Bangko Sentral ng Pilipinas rules and regulations. (Amended Articles of Incorporation as of May 4, 2013); the bank now cross-sells Micro Insurance. The Bank's registered office address is located at Maharlika Highway, Brgy. Poblacion South, Solano, Nueva Vizcaya. The Bank is domiciled in the Philippines.

## **THE THREE (3) BRANCHES & TWO (2) BLO'S OF THE BANK ARE LOCATED AS FOLLOWS:**

BAGABAG BRANCH	Brgy. San Pedro, Bagabag, Nueva Vizcaya Commencement Date: August 25, 1995
BAMBANG BRANCH	Brgy. Almaguer North, Bambang, Nueva Vizcaya Commencement Date: March 20, 2017
BAYOMBONG BRANCH	Brgy. Don Mariano Perez, Bayombong, Nueva Vizcaya Commencement Date: June 1, 2018
BLO SOLANO	Gaddang St. Cor. Calle Rosa, Brgy. Pob. Sth, Solano, Nueva Vizcaya Commencement Date: July 23, 2018
BLO MADDELA	Brgy. Poblacion Norte, Maddela, Quirino Commencement Date: June 27, 2019



# vision mission core values



## Vision

We provide excellent and efficient banking and value added services, nurture relationships to foster beginnings, build lives and promote countryside development.



## Mission

Promote countryside development by  
**Responding to client's financial needs;**  
**Offering quality service grounded on trust and integrity**  
**Going for growth of individuals, groups and communities;**  
**Respecting every individual;**  
**Enhancing economic activity;**  
**Serving sincerely and;**  
**Staying dependable**



## Core Values

Trust,  
Integrity,  
100% Commitment,  
Unconditional Love



# products & services



## DEPOSITS

- Regular Savings
- Basic Deposit Account
- Kiddie and Teens Savings
- Time Deposit
- Regular Checking Account
- Combo Checking Account
- Micro & Kiddie Time Deposit
- Gift of Time Certificate
- Saveplus (Basic Deposit with Micro Insurance)



## LOANS

- Agricultural Loan
- Commercial/Industrial Loan
- Back to Back Support Loan
- Salary Loan and Other Loan
- TODA Loan
- ISALABAY Loan
- Jewelry Loan
- Yaman sa Kaban Loan
- Pangkabuhayan sa Barrio Loan
- Micro Insurance Loan
- Bahay Loan
- e.Equipment (Gadget) Loan
- Heavy Equipment Loan
- Green Energy Loan
- RECAP Loan
- Salba Bida Loan



## OTHER SERVICES

- Sale of Assets Acquired
- POS Banking
- Micro Insurance
- Alalay sa Buhay Insurance
- Motor Car Insurance
- Fire Insurance (for Buildings)
- DA-ACPC Loan Programs
  - a. PLEA
  - b. SURE
  - c. AFME
  - d. CLEA
  - e. ANYO
  - f. KAYA

# rbsolano business model

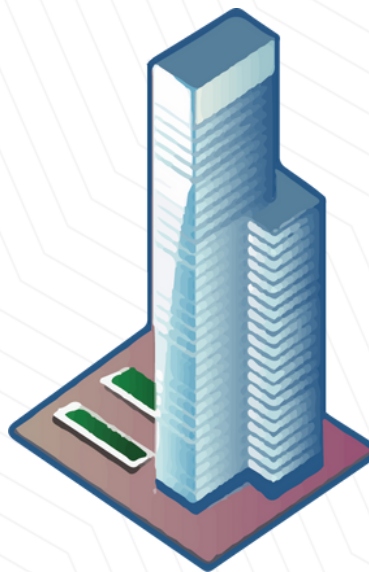
**BRANCH  
LITE  
OFFICE**



**ENTREP  
ESKWELA**



**RURAL  
BANK OF  
SOLANO**





# rbsolano cycle of progress

## PREMIUM RATE DEPOSITS

Regular Savings  
Kiddie and Teens Savings  
Time Deposit  
Regular Checking Account  
Combo Checking Account  
Micro & Kiddie Time Deposit  
Gift of Time Certificate  
Saveplus (Basic Deposit with  
Micro Insurance)



## LOW INTEREST RATE LOANS

Agricultural Loan  
Commercial/Industrial Loan  
Back to Back Support Loan  
Salary Loan and Other Loan  
TODA Loan  
ISALABAY Loan  
Jewelry Loan  
Yaman sa Kaban Loan  
Pangkabuhayan sa Barrio Loan  
Micro Insurance Loan  
Bahay Loan  
e. Quipment (Gadget) Loan  
Heavy Equipment Loan  
Green Energy Loan  
RECAP Loan  
Salba Bida Loan



# rbsolano code of ethics

I commit to something bigger than myself,  
I am 100% committed to a world that works.  
I live and commit to having total responsibility  
to a life of excellence where commitment  
not circumstances dictates the outcome  
I overcome my obstacles and make  
my life balance and working 100%  
I move forward with character and courage  
with God by my side, I win as a teamplayer.



# chairman's message



"We provide excellent and efficient banking and value-added services, nurture relationship to foster beginnings, build lives and promote countryside development." This is the vision of the Rural Bank of Solano (RBS), a prestigious bank for which I have been privileged to serve as Chairman of the Board. This vision was the inspiration then, more so now. Staying true to its vision and mission, RBS sustained its solid footing amidst the pandemic. It is our values of TRUST, INTEGRITY, 100%

COMMITMENT and UNCONDITIONAL LOVE that helped us build our ties with our country folks and pave the way for the PROGRESS we so desire.

The global pandemic has taken a heavy toll on the Philippine economy. Covid-19 placed a considerable strain in the rural communities in the last three years. With businesses closing left and right, loss of income and job opportunities were the biggest challenges faced by our country folks. But then, the pandemic, catastrophic it may have been, brings hope for better, brighter days ahead. It made us fighters, stronger and more strategic with our moves. I am confident that we will be able to rise above it all. As a team, we will be able to forge relationships, nurture it by providing financial inclusion and development opportunities to our less fortunate country folks. Together, we will be able to give another "Juan" a better life.

Our management team, led by the President, Atty. Mary Ann E.M. Tupasi, manifested adaptability and versatility over the past couple of years-from the use of the online platform to planning and the coming up of concrete strategies to cope with the changing and challenging times. The Board of Directors and management were quick to devise a more vigorous "direct to client" marketing strategy and worked out new loan programs. Towards the end of 2022 and the first quarter of this year, we saw a significant increase in the loan portfolio.

It has been a successful year indeed and I am giving full credit to all the members of the board, the management team and all employees for a remarkable performance.

A handwritten signature in black ink, appearing to read 'T. Venturina', written over a white background.

**Teresita G. Venturina**

Chairman, RBS Board of Director



# president's report





Greetings and welcome to the 2022-2023 Annual Stockholder's Meeting!

Our theme this year is "Inspire" wherein we take on a role to be an inspiration or as the illustration depict, to be atop a spire, much like a beacon for others to see. We take it to action, thus, to inspire is to motivate or encourage someone to do something creative or impressive or to evoke a feeling of hope, courage or enthusiasm in someone through words, action or ideas. This is our way forward and our contribution to the industry, as the country begins to opens up after COVID. As we triumphed over the pandemic years, we encourage all, especially the hurt and defeated, to take inspiration with how we rose above circumstances, lifting up not just our own enterprise but all those who took refuge in our institution. We rise[1], we reached out[2] and we inspire!

For the rural banking industry, finding this inspiration also seem to be key. Banks were called "essential" by the IATF but the spate of rural bank closure continued unabated during the pandemic. In 2022 alone, 9 rural banks closed. Barely a moment of relief, that finally the doors have opened and Covid is arrested, but only to find waiting is a new challenge. BSP Circular 1151 or the RBSP sets a new round of capital hike that renders 65% of our industry non-compliant. While we seem unperturbed by this challenge, your humble representation landed at the helm of RBAP[3] as



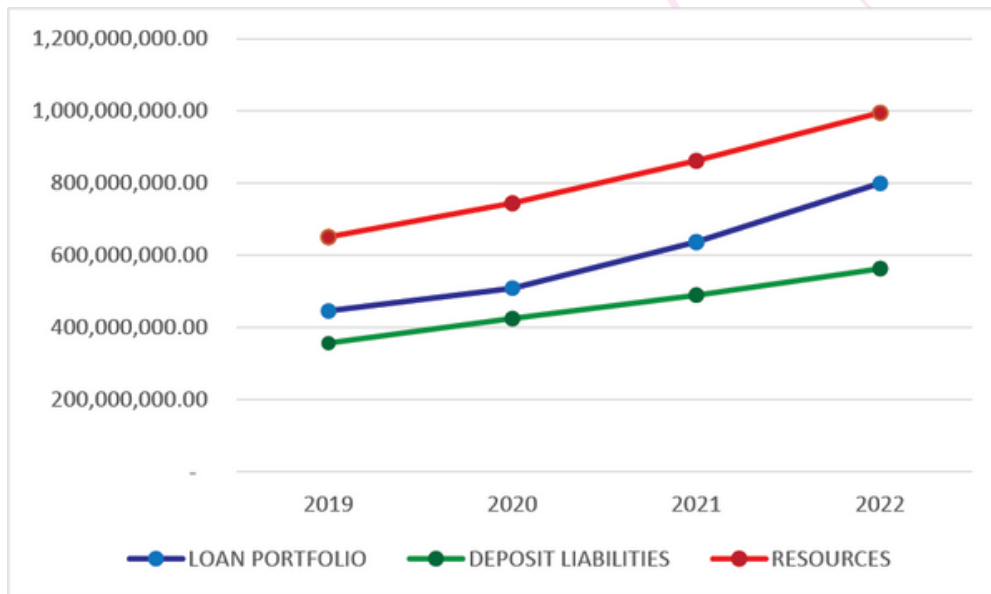
President, to lead its members into navigating through the trying times. Perhaps timely, because had it been a year early, how could one argue against a capital hike that is seemingly carved out of our own Vision 2022[4]. So mixed with awe and wonder, the Lord must have planned to put us there, at this time, to inspire and to show that it can be done!

To effectively inspire, we first have to look at Rural Bank of Solano's claims of success during the pandemic years of 2020-2022. But first, a summary of the challenges that the pandemic brought:

1. Economic Downturn
2. Reduced Mobility and Access
3. Health Risks
4. Lack of government support

1 Rise 2021 - Literally to rise from the destruction of COVID, and for us, to continue our ascent to being #1  
2 Reach 2022 - Reach out and make use of our talents, knowledge and resources in helping others  
3 RBAP - Rural Bankers Association of the Philippines  
4 Vision 2022 - 20 Branches at 10 Million Theoretical Capital or 200M by 2022

While the first year of the pandemic caught us unprepared, the commitment of RBS to its vision, mission and mandate, enabled it to take action, not only quickly but effectively. Hence, over the pandemic years, RBS continued its steady growth, albeit slower and minute



During the pandemic and while seemingly repetitive, we simply remained consistent in improving the processes and policies that are already in place. It was a continuous cycle of perform, evaluate and improve, with the end in view of addressing the present times. By 2022 we came out unscathed, stronger and ready to conquer the opportunities in the new norm:

### 1. Planning and Team Building



Planning is an integral step we take during every year end and into the new year. This sets the direction for the RBS team for the whole year. Our planning is participative and we ensure that it is cascaded all throughout the organization. Through enrollment, employee engagement and ownership, the probability of achieving targets have always been high.



## 2. Vision 2027



As part of planning, we revisited our Vision and Mission[5] and we evaluated our achievements and failures with regard to Vision 2022. Covid has redefined many things, our operations included, hence, Vision 2027.

## 3. Agency Banking and Digital Transformation

In the advent of digitalization plus new regulations on agency banking and our learnings from Covid particularly on limitations to mobility and access, 2022 marked our journey to expanding our network through modes other than actual branching. We started seeking for partners who can fit our requirements of bringing our services beyond remote areas served by our loan rangers



We are developing and pilot testing the digital loan process, in partnership with UBX[6]



5 Mission & Vision - We provide excellent and efficient banking and value added service nurture relationships to foster new beginnings build lives and promote countryside development. Promote countryside development-Responding to client needs-Offering quality service grounded on Trust and Integrity-Going for growth of Individuals, Groups and Communities-Respecting Individual-Enhancing Economic activity- Serving Sincerely, and-Staying Dependable.

6 UBX - leading Open Finance platform, providing access to the widest network of financial institutions and solutions.



#### 4. Loan Rangers



They say that digitalization is not a solution for lack of an ongoing business model and practice. At RBS, our growth can be attributed to our AO or Account Officers who deliver our services. During the pandemic, they have become bankeros (bank heroes) whom we referred to as Loan Rangers

By end of 2022, we had 111 number of employees, 22 are AOs 9 of them are AO Supervisors plus 1 still on training.

#### 5. Virtual Trainings to Polish our Skills

During the pandemic, we took advantage of training[7] programs available online. While polishing skills is a never-ending practice, it has become more urgent given the new norms that pandemic brought.



7 - 1. Managerial Skills for Bank Officers (webinar); 2. Teambuilding - Reach'22; 3. Strategic Marketing and Basic Banking (webinar); 4. General Assembly Induction for Newly Hired Employees; 5. Customer Care Service Seminar - Bagabag Branch Walk Through Session: Generic Manuals; 6. HR Resource and Disaster Management and Business Continuity; 7. OJT Orientation of NVSU; AMLA Briefing; 8. Emergency Meeting; 9. Briefing on Sustainable Finance Framework (BSP Cir. 1085 & 1128); 10. Walkthrough Session 11. Compliance, Audit & MTP Program Manual; 12. Virtual Training on AML Rules and Regulations and Risk and Rating System; 13. Competitive Risk-based Pricing and Loan Restructuring (webinar) 14. Basic Appraisal Principles (webinar); 15. Introduction to IT Auditing; 16. AMLA Training by PetNet; 17. AMLA briefing for Customer Due Diligence; 18. How to Spot Fake Documents, Verify Signature, Detect and Prevent Forgery; 19. Induction for Newly hired Employees; 20. OJT Orientation of SMU and AC; 21. Complaints Management Training (webinar); 22. Managerial Skills for Bank Officers; 23. Strategic Planning; 24. Water.org Technical Assistance Training; 25. Basic Course on Telling; Foundations of Excellence Leadership; Cyber Security - a Alas Oplas; 26. Walk-through Session; 27. Treasury Operations & Liquidity Management confirmation; Fined expo; 28. Regional workshop on risk management of small & medium enterprise lending; 29. Day regional Workshop on Risk Management for MSME; 30. Financial Institution Strategic Transfer

## 6. Continuous Hiring and Holding of MTP Batch 3

To match our expansion plans and in answer to attrition, our doors have always been open to hiring. We participate in OJT program with schools and universities and continue to even hire non college



graduates who possess special qualities such as "sipag at tiyaga", traits that enables us to serve the hard to reach clients. In preparation to the opening of the economy and our own plans of expansion, we also started training potential managers through the MTP Batch 3 attended by 8 employees.



## 7. Continuing the Salary Review and Standardization

We started the salary review and standardization and have implemented adjustments to salaries of managers and rank and file in 2021. In 2022, the corporate governance committee, attended to grant the same to the higher officers of the bank envisioning to provide a competitive rate fitting to the growing size of our institution. The board acknowledges that this is an ongoing concern for dynamic institutions like us and should therefore be done continuously.

## 8. Studying the Options of Mergers and Consolidation (MC)

Despite our organic and steady growth, we are looking into the possibility of mergers and consolidation as means for expansion. For this purpose, the board set up an Adhoc committee[8] whose function is to fully grasp the intention of our regulators in pushing for MC and to define our criteria for choosing potential MC partners in the future.

## 9. Addressing the Business Reversals:

Loan Clean Up, Recovery Loan and Relaxation of foreclosure.

Beyond what the Bayanihan 1 and 2[9] provided, RBS gave relief to clients who have been hit hard by the pandemic. At RBS, we recognized the effects of Covid not only to health but to financial well-being of our economy, our clients included. Leveraging on the strength of our capital, we adopted recovery measures[10] to help our clients bounce back. Our decision to grant the support is rooted not only because we can, but because we have committed to foster beginnings and building lives.

8 - Marie Therese G. Santos, Joseph G. Mercado, Jose Antonio G. Santos

9 - RA 11494 - an act providing for covid-19 response and recovery interventions and providing mechanisms to accelerate the recovery and bolster the resiliency of the Philippine economy, providing funds therefor, and for other purposes



## 10. Offering the Products to Address the Situation:

- Salba-Bida Loan
- Re-cap Loan
- Green Energy Loan
- Government soft loans (ACPC)

## 11. Recognizing the lifting of Emergency Status

Under our Fund Management Policy and Guidelines, we recognized the pandemic as an alarming situation that placed our bank in heightened alert. As a result, the Liquidity Ratio to be maintained was set at 40%. Maintaining the high level of liquidity did not hamper the lending activities of the bank considering the big amount funded by the ACPC. It however, limited the ability of the bank to grant cash dividends despite the earnings that continued to flow-in even during the pandemic years. By 2nd quarter of 2022, after 3 continuing months of AITF declaration of low Covid alarm within the region, we lifted the emergency alarm status and we were able to grant 10% cash dividends in August.

## 12. Responding to the UNDP Sustainable Development Goals

Sustainability is always one of the aims of RBS in any of its programs and policies and perhaps, the main reason for ensuring that we are well capitalized. Even before 2015, our Corporate Social Responsibility programs are already in place giving preference to reforestation, clean water, rivers and stream. Though, short of complete understanding, we have been directing our institution to employ sustainable measures through its many policies and programs. Towards this end, we plan to further our commitment by laying out a plan and collaborating with government agencies and organization who are mandated or committed to achieve the same objectives.

## 13. Entering Into More Partnerships[11] with Suppliers, Farmer Groups and Cooperatives.



10 -March 20, 2020 1. 20-44 Approval of Bank Plan during the COVID-19 enhanced community quarantine period 2. 20-47 Authorizing Management to notify the BSP of the Bank's Intention to avail of the regulatory relief package, granting relief and defining the same pursuant to BSP MEMORANDUM NO. M-2020-008; APRIL 24, 2020 1. 20-59 Approval of Guidelines on Restructuring 2. 20-60 Pursuant to COVID Plan (BR no. 20-43) Ratification on all action plans during the ECO period. a. Work Form Home Guidelines and List of Projects b. Loan Ranger Guidelines c. Skeletal Workforce and Work Detailing d. Week Accomplishment and Endorsement Form e. Proper Attire and PPE of Employees f. Shortened Banking Hours MAY 26, 2020 1. 20-75 Amendment and approval of additional on List of Projects for Work from Home 2. 20-76 Clarification on the Fund Management Guidelines re: computation of liquidity ratio; JUNE 19, 2020 1. 20-101 Authorizing Management to re-apply for Regulatory Relief with BSP on Reserve Requirement; JULY 17, 2020 1. Approval of guidelines on loan work-out 2. 20-114 Amendment on the COVID Committee guidelines; AUGUST 20, 2020 1. 20-140 Amendment on the Business Continuity Plan; SEPTEMBER 18, 2020 1. 20-157 BSP directive to grant 60 days grace period. OCTOBER 16, 2020 1. 20-161 Amendment on BR No. 20-46 & 20-58 re: relief to clients to include all industries. 2. 20-162 Approval of YSK/Pangka Recovery and Loan Work Out Guidelines. 3. 20-163 Approval of MFU Recovery and Loan Work Out Guidelines. 4. 20-163 Proposat Subsidy (Hazard) Pay during MECQ and ECQ (pandemic).

11 Tiblak Langak Farmers Assoc., Kasibu Municipal Irrigators Assoc., Paniki Multi-Purpose Coop., Tinig Haranista Multi-Purpose Coop. Gait Tuding Multi-Purpose Coop

By year end 2022 we served a total of 10,574 loan accounts as compared to 13,490 in 2021 (a decline in agriculture) and savings accounts from 22,813 in 2021 to 24,413 in 2022. Our ranking among rural banks show that we are very competitive and our financial ratios remained positive as can be seen in the following table:

SELECTED FINANCIAL RATIOS AND FIGURES (AFS)								
	2019	2020	2021	2022	RBS GROWTH RATIO	INDUSTRY RATIO	Top 100 Ranking	
							2021	2022
<b>LOAN PORTFOLIO</b>	445,529,096.00	508,119,044.00	636,464,492.00	799,240,267.00	25.57%	30.38%	35	36
<b>DEPOSIT LIABILITIES</b>	356,116,047.00	424,305,934.00	489,029,148.00	562,451,332.00	15.01%	16.53%	70	69
<b>RESOURCES</b>	650,244,890.00	744,276,342.00	861,792,749.00	995,035,105.00	15.46%	19.79%	60	55
<b>MINIMUM LIQUIDITY RATIO</b>	27.60%	41.22%	31.48%	20.32%				
<b>EXPENSE TO INCOME</b>	70.38%	70.64%	71.29%	70.75%		86.02%		
<b>PAST DUE RATIO</b>	12.72%	17.12%	16.73%	14.17%		11.04%		
<b>GROSS INCOME</b>	112,840,093.00	94,667,552.00	101,299,663.00	120,572,674.00	19.03%	23.17%		
<b>CAR</b>	38.98%	35.53%	32.14%	30.12%		20.11%		
<b>ROE</b>	15.70%	11.13%	10.75%	12.33%		10.45%		
<b>ROA</b>	5.47%	3.99%	3.62%	3.80%		1.93%		

### Assets and Liabilities:

The bank's assets and liabilities increased in the year 2022, indicating overall growth for the institution. The bank's total assets were approximately P995M increasing more than P100M in a year.

### Loan Portfolio:

The bank's loan portfolio increased by 25.57% with its net loan portfolio reaching P799Million. The growth in loan portfolio resulted from the bank's increased in lending activities to small and medium sized businesses who needed start-up funds in order to bounce back after the pandemic.

### Capital Adequacy:

The bank's capital adequacy ratio remained healthy and stood at 30.12% in 2022, far exceeding the regulatory requirement of 10% and the average CAR rate of the rural banking industry at 20.11%. When asked about our resilience, we cannot but acknowledge the trust and faith that our partners bestow upon us, coupled with our mutual commitment to make each other's life better. As a rural bank, many of our clients are resilient by necessity. Many of them have to keep moving and striving, to provide for their families' basic needs. They could not afford to lay low and wait out for challenges to pass. On the part of RBS, we leveraged on soundness of our operation and the strength of capital which enabled our institution to innovate, wait out the economic downturn, take calculated risks, navigate the challenges of the current economic environment and continue delivering improved services and value to all stakeholders.

On November 16, 2022, the BSP conducted a general examination covering the period from September 30, 2019 to September 30, 2022. After the General Examination, we have maintained the same high rating. In sum, the BSP had this to say about RBS, "The Overall Supervisory Assessment Composite Rating (SAFr) is "Robust" This indicates that risk emanating from the significant activities are adequately managed and are generally well-supported by strong capital level and acceptable earnings, liquidity and governance. There are no imminent threats to safety and soundness. Overall net risk is moderate as the bank's current business model and significant risk exposure are tempered by acceptable Risk Management System and internal audit function."

We are inspired by our Vision and Purpose!

We are inspired by our RBS team and family!

We are inspired by our clients' courage to move forward and bounce back!

We are inspired by what we have accomplished!

We are inspired of the awards and accolades we have received![12]



And for this inspiration, we thank the following:

The stockholders for your support and trust;

The Board of Director and Management Committee for taking the lead;

The RBS Team for never tiring;

To all our partners, our clients and regulators for demanding no less than the best we can give; and

To God, our main source of inspiration, planner and provider of all and to whom we give all the Glory and Praise!

More power to all of us and to RB of Solano! Let us spread the spirit of inspiration and remember, that the word begins with "I".

Thank you very much!

Very truly yours,

Handwritten signature of Atty. Mary Anne M. Tupasi.

**ATTY. MARY ANNE M. TUPASI**

President/CEO

-12 BIR - Top 1 Tax Payer under the private sector for the year 2021

PCIC - Outstanding Performance in Terms of Agricultural Insurance Production and for efficiently following the Insurance Underwriting Procedures.



# report on deposit liabilities and liquidity

The RBS Cash Department is primarily responsible for ensuring sufficient funds are available at a reasonable cost in order to meet potential demands from both depositors and borrowers. It handles the daily management of cash inflows and outflows of the bank. Thus, it mainly serves as the central point of fund generation and sourcing.

Despite the adverse global economic impact of the pandemic, the bank has maintained its good performance when it comes to fund generation and management. As a matter of fact, the bank generated a total deposit of P 562,451,332—a significant increase of 13.01% as compared to the previous year's total deposit of P 489,029,148 and exceeded the annual target for the year of P560M. In effect, this maintained a liquidity ratio of 20.27% at year end, which is compliant with the BSP's Minimum Liquidity Ratio (MLR) requirement of 16%.

One of the major action plans for the year to achieve its' deposit target is the bank's application to the Bangko Sentral ng Pilipinas to be an Accredited Rural Financial Institution (ARFI) to accept deposit for alternative agri-agra compliance. This enabled the bank to generate deposit amounting to P40,200,000.00 (10 accounts).

Indeed, the trust and confidence of the banking public remains one of the most valuable assets of the bank despite the increasing number of competitions. Amidst the challenges from the pandemic, the cash department aims to further innovate fund generation and management in order to sustain its objective of maintaining an optimum level of liquidity.

# loans performance report

Total Loan Portfolio	Target	Actual
Annual Target	P657,000,000	P710,191,891
New Loans	P253,500,000	P326,985,019

The local economy has shown strong growth momentum during 2022 after the pandemic-induced recession the global economy has experienced during the past two years (2020-2021). The easing of domestic restrictions has allowed the rebound of household consumption spending which helped to drive strong economic growth. This led to economic recovery which subsequently revived the credit market and increased the demand for financing services.

Due to this economic resurgence, the Loans Department and loan operations in the branches achieved their targets and even managed to exceed them. The targeted total loan portfolio of P657 million was surpassed by as much as 8% (P53.19M). New loans reached P326.98M, 28.99% more than the projected annual target of P253.5M.

To help spur the recovery of businesses, the bank participated with the MSME Recovery Program of the Development Bank of the Philippines and created Salba BIDA Loan to be able to provide low interest financing to encourage businesses to resume or sustain operations. Furthermore, the Solar Energy Loan was given focus in support of the Sustainable Finance initiatives of the Bangko Sentral ng Pilipinas and promote environment protection as well. And despite the challenges we encountered particularly in the YSK and PSB loan program, we continued to provide financial assistance to our local agriculture industry to help farmers in financing their agricultural needs and expansion of their farms. Combined with the financing we obtained as conduit institution of the Department of Agriculture – Agricultural Credit Policy Council (DA-ACPC), we were able to provide our farmer clients with low-cost financial services.

Truly, Lending operations has weathered the pandemic, remained dynamic and steadfast in its full embodiment of the bank’s vision of “Promoting country side development”.



# report on past due

YEAR	2021	2022
Portfolio	636,465,168.62	799,240,299.51
Past Due Amount	106,483,966.28	113,213,986.61
PDR	16.73%	14.17%
PD Actual Amount Net of AGFP	55,842,744.39	63,809,755.36
PDR Net of AGFP	11.42%	7.98%

As we navigate the post pandemic era, the economy is on its way and geared towards a more productive and promising business outlook. However, many are still in a recovery phase to start new beginnings and settling of obligations for those who are greatly affected by the pandemic has become quite challenging. This is true, like in the case of one of our clients which has been a long-time valued client of the bank. She was not yet able to resume her business, hence, her account remains past due in our books. Still, we have extended to the client due leniency for her to be able to settle her obligations because she has good credit history with us prior to the pandemic.

As shown in the table, there is an increase in the actual Past Due amount from P106,483,966.28 to P113,213,986.61 from 2021 to 2022 respectively. On the other side, as to Past Due Ratio (PDR), there is a decrease in its figure from 16.73% to 14.17%, this is attributed to the effect of the increase in loan releases on the said year.

To beef up bank collections, the Board of Directors approved a clean-up/amnesty program that aimed to intensify collection on Yaman sa Kaban and Pangkabuhayan sa Barrio loan past due accounts aged 2 years and above. Through the clean-up drive, the bank was able to collect and close a total of 87 accounts with an outstanding principal balance of P 1,960,482.56 and generate income amounting to P 965,679.95. This program helped qualified farmers to settle their obligation and clean-up their records by giving them substantial discounts.

More significantly, after long period of delays, the improvement of Agricultural Guarantee Fund Pool (AGFP) payment/collection also helped to decrease the amount of our past due agricultural loans. We were able to collect P35,652,742.62 and remit P7,522,381.52 recoveries to the AGFP for the year. Furthermore, the AMAC Department was also able to achieve its goal in the disposal of ROPA by generating P3.2M in sales for 2022.



# acpc programs

The Technical Assistance and Other Services (TAOS) Department is in charge with providing training, capacity-building and all other products and services not primarily ours, that carries out intended additional assistance to our clients and to the community in general. TAOS takes lead in rolling-out our in-house training and capacity building programs and activities that may be organized and held in the Level-Up office.

It facilitates linkage with other institutions such as the Department of Agriculture (DA), Department of Trade and Industry (DTI), the Local Government Units (LGUs), Schools and Universities and even private organizations or individuals for programs to achieve the mission of “Promoting Progress”. TAOS Department has two (2) major functions:

1. **Technical Support for our Internal and External Clients** - The internal client pertains to the employees of RBS. They shall undergo trainings, so that each employee will be equipped with the skills and techniques to deliver the bank products and services effectively. On the other hand, the external clients refer to our borrowers and partners. They are offered Capacity-building seminars to gain knowledge and skills on bookkeeping, financial literacy and other trainings and development that may help them in their ventures and decision- making.
2. **Other support** - This refers to the other products and services that the bank may deliver to its clients for their growth, sustainability and general welfare.

As a lending conduit of DA-ACPC, our main objective is to provide easy access to credit programs by the government to help Small Marginal Farmers and Fisher folks (SMFF) easily barrow money through our bank. In 2022, the Department of Agriculture thru the ACPC launch their new product, the KAYA or Kapital Access for Young Agri-preneurs. This product encourages young individual ages 18 to 30 years old to engage in agricultural activities and encourage them to become agricultural entrepreneurs. While ANYO, or Agri-Negosyo loan Program product, is intended primarily for RSBSA Registered Agri-fishery-based micro and small enterprises (MSEs), Farmers and Fisherfolk, Organization/Association and Individual Small farmers and Fisherfolk (SFF). This year we were given P40Million to roll out for this product and our releases were as follows:

ANYO	Number of Clients	Amount
Small Farmers & Fisherfolks Beneficiaries	361	P18,500,000.00
Micro & Small Enterprises Beneficiaries	3	4,000,000.00
Farmer Association	1	4,000,000.00
Cooperative	1	2,500,000.00

# acpc programs

At year end, ACPC loan products posted a total portfolio of P89,048,409.68.

In spite of the pandemic, TAOS and loans operations remains steadfast in reaching out to our farmer and fisher folks clients as part of our value-added services. This year, the Rural Bank of Solano is recognized and awarded as Outstanding Lending Conduit of the DA-ACPC and it was received by our President/CEO, Atty. Mary ann E.M. Tupasi-Saddul last April 2022 at Manila Philippines.



# financial section



# COMPARATIVE STATEMENT OF CONDITION

RURAL BANK OF SOLANO (N.V.), INC.  
As of years ended December 31, 2022 and 2021

ASSETS	31/12/2022	31/12/2021	Increase(Decrease)	
			Amount	%
Cash on Hand	3,444,900.00	2,799,138.00	645,762.00	23.07%
Check and Other Cash Items	6,694,246.00	385,141.00	6,309,105.00	1638.13%
Due from BSP	11,260,872.00	5,949,184.00	5,311,688.00	89.28%
Due from Other Banks	80,272,787.00	123,069,127.00	(42,796,340.00)	-34.77%
Total Cash and Due from Banks	101,672,805.00	132,202,590.00	(30,529,785.00)	-23.09%
Held-To-Maturity Financial Assets	29,000,000.00	24,000,000.00	5,000,000.00	20.83%
Loans and Receivables-Current	686,026,313.00	529,980,672.00	156,045,641.00	29.44%
Loans and Receivables-Past Due/Items in Litigation	113,213,987.00	106,484,496.00	6,729,491.00	6.32%
Unamortized Discounts	(33.00)	(676.00)	643.00	-95.12%
Loans and Receivable, Gross	799,240,267.00	636,464,492.00	162,775,775.00	25.57%
Less: Allowance for Credit Losses	37,829,546.00	26,847,827.00	10,981,719.00	40.90%
Net Loan Portfolio	761,410,721.00	609,616,665.00	151,794,056.00	24.90%
Sales Contract Receivable, Net	9,881,193.00	12,318,128.00	(2,436,935.00)	-19.78%
Accrued Interest Receivables	18,379,138.00	14,362,493.00	4,016,645.00	27.97%
Bank Premises, Furniture, Fixtures & Equipment, Net	45,403,556.00	44,501,055.00	902,501.00	2.03%
Real and Other Properties Acquired, Net	17,798,774.00	15,871,347.00	1,927,427.00	12.14%
Deferred Tax Assets	10,009,656.00	8,083,312.00	1,926,344.00	23.83%
Other Assets	1,479,262.00	837,159.00	642,103.00	76.70%
TOTAL ASSETS	995,035,105.00	861,792,749.00	133,242,356.00	15.46%
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITY ACCOUNTS</b>				
Demand Deposit	38,857,045.00	36,764,095.00	2,092,950.00	5.69%
Savings Deposit	337,856,270.00	320,806,121.00	17,050,149.00	5.31%
Time Deposit	185,738,017.00	131,458,932.00	54,279,085.00	41.29%
Total Deposit Liabilities	562,451,332.00	489,029,148.00	73,422,184.00	15.01%
Bills Payable	19,400,000.00		19,400,000.00	
Accrued Interest Expense	1,246,224.00	1,590,966.00	(344,742.00)	-21.67%
Income Tax Payable	6,941,885.00	4,260,332.00	2,681,553.00	62.94%
Other Liabilities	110,725,828.00	89,239,483.00	21,486,345.00	24.08%
TOTAL LIABILITIES	700,765,269.00	584,119,929.00	116,645,340.00	19.97%
<b>EQUITY ACCOUNTS</b>				
Common Stock	182,558,600.00	165,965,400.00	16,593,200.00	10.00%
Retained Earnings Free	76,282,424.00	82,462,430.00	(6,180,006.00)	-7.49%
Retained Earnings - Reserves	157,867.00	157,867.00	-	0.00%
Undivided Profit	35,270,945.00	29,087,123.00	6,183,822.00	21.26%
TOTAL EQUITY	294,269,836.00	277,672,820.00	16,597,016.00	5.98%
TOTAL LIABILITIES AND EQUITY	995,035,105.00	861,792,749.00	133,242,356.00	15.46%

# COMPARATIVE STATEMENT OF INCOME AND EXPENSES

RURAL BANK OF SOLANO (N.V.), INC.  
As of years ended December 31, 2022 and 2021

INCOME	31/12/2022	31/12/2021	Increase (Decrease)	
			Amount	%
Interest Income				
Loans and Receivables	88,330,696.00	73,843,830.00	14,486,866.00	19.62%
Held-to-Maturity Financial Assets	1,129,303.00	811,017.00	318,286.00	39.25%
Due from Other Banks	371,852.00	512,139.00	(140,287.00)	-27.39%
Total Interest Income	89,831,851.00	75,166,986.00	14,664,865.00	19.51%
Interest Expense				
Deposit Liabilities	6,518,871.00	5,984,259.00	534,612.00	8.93%
Borrowed Funds	107,278.00	-	107,278.00	
Total Interest Expense	6,626,149.00	5,984,259.00	641,890.00	10.73%
NET INTEREST INCOME	83,205,702.00	69,182,727.00	14,022,975.00	20.27%
PROVISION FOR CREDIT LOSSES	12,721,631.00	8,648,456.00	4,073,175.00	47.10%
NET INTEREST INCOME AFTER PROVISIONS	70,484,071.00	60,534,271.00	9,949,800.00	16.44%
Other Operating Income				
Gain/(Losses) from Sale/Derecognition of Non Financial Assets				
Real and Other Properties Acquired	5,426,859.00	7,195,721.00	(1,768,862.00)	-24.58%
Fees and Commissions Income	4,348,919.00	3,524,260.00	824,659.00	23.40%
Rent Income	820,633.00	594,820.00	225,813.00	37.96%
Recovery on Charged-Off Assets	251,239.00	60,328.00	190,911.00	316.46%
Miscellaneous Income	19,893,173.00	14,757,548.00	5,135,625.00	34.80%
NET INCOME BEFORE OPERATING EXPENSES	101,224,894.00	86,666,948.00	14,557,946.00	16.80%
Other Operating Expenses				
Compensation and Fringe Benefits	27,382,069.00	23,573,088.00	3,808,981.00	16.16%
Taxes and Licenses	7,076,739.00	5,927,351.00	1,149,388.00	19.39%
Depreciation Expense	4,641,827.00	5,276,507.00	(634,680.00)	-12.03%
Security, Clerical, Messengerial and Janitorial Services	2,145,150.00	1,867,880.00	277,270.00	14.84%
Communication, Light and Water	1,172,265.00	1,416,003.00	(243,738.00)	-17.21%
Insurance	1,609,508.00	1,701,490.00	(91,982.00)	-5.41%
Fuel and Lubricants	2,171,372.00	1,655,524.00	515,848.00	31.16%
Repairs and Maintenance	873,302.00	830,166.00	43,136.00	5.20%
Representation and Entertainment	296,922.00	168,030.00	128,892.00	76.71%
Rent	68,350.00	128,500.00	(60,150.00)	-46.81%
Advertising and Publicity	26,337.00	14,604.00	11,733.00	80.34%
Supervision Fees	171,212.00	143,700.00	27,512.00	19.15%
Litigation Expenses	7,460.00	88,475.00	(81,015.00)	-91.57%
Donation and Charitable Contributions	25,020.00	17,585.00	7,435.00	42.28%
Others	6,904,723.00	4,730,509.00	2,174,214.00	45.96%
TOTAL OTHER OPERATING EXPENSES	54,572,256.00	47,539,412.00	7,032,844.00	14.79%
NET INCOME BEFORE TAX	46,652,638.00	39,127,536.00	7,525,102.00	19.23%
Income Tax Expense	11,381,693.00	10,040,413.00	1,341,280.00	13.36%
NET INCOME AFTER TAX	35,270,945.00	29,087,123.00	6,183,822.00	21.26%

# FINANCIAL HIGHLIGHTS

I. BALANCE SHEET STRUCTURE	December 31, 2022	December 31, 2021	Increase (Decrease)	Industry Ratio
<b>A. ASSETS</b>				
Cash & Due from Banks	10.22%	15.34%	-5.12%	22.03%
Loans & Receivables, Net	76.52%	70.74%	5.78%	52.99%
Accrued Interest Receivable	1.85%	1.67%	0.18%	
Investments	2.91%	2.78%	0.13%	16.18%
Bank Premises, FFE, Transp. Equipment, Net	4.56%	5.16%	-0.60%	
ROPA, Net	2.78%	3.27%	-0.49%	2.60%
Deferred Tax Asset	1.01%	0.94%	0.07%	
Others	0.15%	0.10%	0.05%	6.20%
<b>TOTAL ASSETS</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>100.00%</b>
<b>B. LIABILITIES</b>				
Deposits	56.53%	56.75%	-0.22%	73.17%
Bills Payable	1.95%	0.00%	1.95%	4.06%
Other Liabilities	11.95%	11.03%	0.92%	4.01%
<b>TOTAL LIABILITIES</b>	<b>70.43%</b>	<b>67.78%</b>	<b>2.65%</b>	<b>81.24%</b>
<b>C. CAPITAL ACCOUNTS</b>				
Capital Stock	18.35%	19.26%	-0.91%	12.87%
Retained Earnings-Free/Reserves	11.23%	12.96%	-1.74%	5.89%
<b>TOTAL CAPITAL ACCOUNTS</b>	<b>29.57%</b>	<b>32.22%</b>	<b>-2.65%</b>	<b>18.76%</b>
<b>TOTAL LIABILITIES &amp; CAPITAL ACCOUNTS</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>100.00%</b>
<b>II. ACCOUNT LEVELS &amp; KEY RATIOS</b>				
NET INTEREST INCOME	83,205,702	69,182,727	14,022,975	
OTHER INCOME	30,740,823	26,132,677	4,608,146	
OPERATING EXPENSES	54,572,256	47,539,412	7,032,844	
PROVISION FOR CREDIT LOSSES	12,721,631	8,648,456	4,073,175	
TOTAL INCOME	120,572,674	101,299,663	19,273,011	
TOTAL EXPENSES	85,301,729	72,212,540	13,089,189	
NET INCOME	35,270,945	29,087,123	6,183,822	
TOTAL EXPENSES TO TOTAL INCOME	70.75%	71.29%	-0.54%	
NET INCOME TO TOTAL INCOME	29.25%	28.71%	0.54%	
RETURN ON AVERAGE EQUITY	12.32%	10.75%	1.58%	10.45%
RETURN ON AVERAGE ASSETS	3.80%	3.62%	0.18%	1.93%
NET INTEREST MARGIN	8.96%	8.62%	0.34%	10.21%



# FINANCIAL HIGHLIGHTS

	December 31, 2022	December 31, 2021	Increase (Decrease)	Industry Ratio
Liquid Assets	101,672,805.00	132,202,590.00	(30,529,785.00)	
Total Assets/Resources	995,035,105.00	861,792,749.00	133,242,356.00	
Capital Accounts	294,269,836.00	277,672,820.00	16,597,016.00	
Capital Stock	182,558,600.00	165,965,400.00	16,593,200.00	
Retained Earnings	111,711,236.00	111,707,420.00	3,816.00	
Capital Accounts to Total Assets	<b>29.57%</b>	<b>32.22%</b>	<b>-2.65%</b>	<b>18.82%</b>
Risk Based Capital Adequacy Ratio	<b>30.12%</b>	<b>32.14%</b>	<b>-2.02%</b>	<b>20.11%</b>
Net Earnings per share of common stock	<b>19.32</b>	<b>17.53</b>	<b>1.79</b>	
Book Value per share of common stock	<b>161.19</b>	<b>167.31</b>	<b>(6.12)</b>	
Liquid Assets to Deposits Ratio	<b>18.08%</b>	<b>27.03%</b>	<b>-8.96%</b>	<b>51.96%</b>
Total Loans	799,240,267.00	636,464,492.00	162,775,775.00	
Past Due Loans	113,213,987.00	106,484,496.00	6,729,491.00	
Past Due Ratio	<b>14.17%</b>	<b>16.73%</b>	<b>-2.57%</b>	<b>11.04%</b>
Non Performing Loans to Total Loans	<b>12.96%</b>	<b>13.01%</b>	<b>-0.05%</b>	<b>8.47%</b>
Total Deposits	562,451,332.00	489,029,148.00	73,422,184.00	
Total Loans to Total Deposits	<b>142.10%</b>	<b>130.15%</b>	<b>11.95%</b>	<b>77.64%</b>

# FINANCIAL REVIEW

## A. TOTAL RESOURCES

The total resources as of year-end was posted at P995.03M, showing an increase amounting to P133.24M or 15.46% from prior year's P861.79M.

The bulk of the bank's assets are on loans and receivables amounting to 761.41M which is 76.52%.

## B. LOAN PORTFOLIO

The bank's loan portfolio at year-end was P799.24M, exhibiting a rise of P162.78M or 25.57% compared to last year's P636.46M.

Past due loans increased by P6.73M resulting to a past due ratio of 14.17%.

ACPC Loans amount to 65.29M in 2021 and 89.05M in 2022

## C. DEPOSIT LIABILITIES

Deposit liabilities at year-end was reported at P562.45M. There was an increase of P73.42M or 15.01% compared to prior year's P489.03M.

## D. STOCKHOLDER'S EQUITY

Stockholder's equity as of year-end was P294.27M, showing an increase of P16.60M compared to prior year's P277.67M.

During the year, the bank declared 10% stock dividends amounting to P16,596,540.00 and 10% cash dividends amounting to P16,596,540.00

Book value per share of common stock as of year-end is P161.19

## E. INCOME AND EXPENSES

The bank was able to generate a net income after tax of P35.27M for the year 2022 showing an increase of P6.18M compared to prior year's P29.09M.



# risk management



## RISK MANAGEMENT

The Board of Directors of Rural Bank of Solano (N.V.) Inc. leads in establishing a robust risk management culture across the organization. They are responsible in the formulation of risk managements policies, systems and strategies that will guide in the decision making and review of mitigating measures. The Board fulfills its role in risk oversight by taking steps to strengthen risk awareness in the bank. They continually develop risk management policies and procedures to prepare the bank for any unexpected business risks.

In order for the Board to have deeper focus in managing risk, the Board has created the Risk Management Committee (RMC), sub-committee of the Board to oversee the risk management framework of the bank. The RM Committee is composed of three members of the Board and meet on a regularly-scheduled basis at least four times a year or more frequently as circumstances dictate. The core responsibility of the committee includes the identification and evaluation of risk exposures, development of risk management strategies, overseeing the implementation of risk management plans as well as evaluation of the plans to ensure its continued applicability, soundness and effectiveness. They are responsible in overseeing and monitoring different identified financial risks such as:

- **Credit Risk** - The risk from a borrower or counter-party failing to meet contractual obligations to the bank or to perform as agreed.
- **Liquidity Risk** - The risk from the bank's inability to meet matured and maturing obligations when they become due without incurring unacceptable losses because of an inability to liquidate assets or to obtain adequate funding.
- **Market Risk**
  - **Funding Risk**- The risk of over-reliance on a particular funding source, the volatility of funding cost or availability of funding
  - **Interest Rate Risk**- The risk from movements in interest rates and the impact on pricing relationships between assets and liability products of a retail or wholesale nature.
  - The risk to earnings from fluctuations in exchange rates and market volatility
  - The risk from changes in the value of portfolios of financial instruments; and
  - The risk from material changes on global and domestic economic conditions generally.
- **Operational Risk** - Risk that arises out of day-to-day operations and business activities due to various work-related hazards and uncertain conditions, which includes;
  - **Information Technology (IT) Risk** – risks associated with technology-based operations;
  - **Human Resource-related Risk** – or “people risk” which is one of the major operational risks;
  - **Legal Risk** – legal risks related to business line functions as well as product and services offered.
- **Strategic Risk** – is the current and progressive impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.
- **Reputational Risk** – the risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding.

The Bank's Credit Policy Manual covers credit risk management strategy, standards for segregation of duties and responsibilities, organizational structure as well as credit process framework from credit initiation, evaluation, monitoring, administration, collection and remedial managements with the proper controls embedded therein. Materiality threshold and lending caps or limits are established per industry sector, either as a percentage (%) of total loan portfolio or absolute amount per sector. The internal limits are strictly observed, along with regulatory industry limits. Credit exposure limits are continuously monitored, reviewed and approved by the risk management committee.

The Bank manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. As to operational risk, the development and implementation of controls to address operational risk is assigned to senior management.

The sub-committees of the Risk Management Committee includes the Credit Committee(CreCom) and Committee on Banking Operations. The function of the Credit Committee is to formulate, adopt and maintain adequate lending and investment policies, guidelines and procedures relating to the management of credit risk while the Committee on Banking Operations (CBO) formulates, adopts and maintain adequate policies, guidelines and procedures on finance and fund generation in relation to the management of liquidity and interest rate risks.

During the year, several policies and guidelines were revisited and polished to ensure that these are consistent with the industry's best practices and to keep the bank up-to-date with the latest regulation and technology. Some of these includes IT Risk Management Program, Credit Policy Manual, Cash Operations Manual, Guidelines on Investment, Business Continuity Plan and Outsourcing Guidelines.

The active involvement of the Management Committee (ManCom) also helps the Board and Risk Management Committee in fulfilling their risk management responsibilities. They have been tasked to oversee the day-to-day activities of the bank and ensure they are consistent with the bank's risk strategy. The ManCom also assist in revisiting and enhancing risk management policies to help the organization minimize risks and increase operational excellence. Furthermore, they ensure that the changes and enhancement to risk management policies, guidelines and process are cascaded throughout the organization.

To better achieve an effective risk management, the position of Risk Officer (RO) has been created by virtue of BR No. 22-15. The duty of the Risk Officer is to monitor and assess the bank's risk exposures and shall support the Risk Management Committee and the Board in overseeing the risk management of the bank. Moreover, all units of the Bank are required to identify specific inherent risks affecting the bank operations to determine what control measures are required.

### **INTEREST RATE RISK IN BANKING BOOK**

Interest rate risk is the risk that changes in market interest rates will reduce current or future earnings and/or the economic value of a financial institution. Accepting interest rate risk is a normal part of financial intermediation and is a major source of profitability and shareholder value. Excessive or inadequately understood and controlled interest rate risk, however, can pose a significant threat to the bank's earnings and capital. Thus, it is essential to have an effective risk management process that maintains interest rate risk within prudent levels to safeguard the safety and soundness of the bank.

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value. Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income. Excessive IRRBB can pose a significant threat to a bank's current capital base and/or future earnings if not managed appropriately.

Management of Interest Rate Risk in the Banking Book (IRRBB) is part of the overall Risk Management System of the bank. Its objective is to maintain the level of interest rate risk within the set limits over a range of possible changes in interest rates. Since the Bank does not engage in complex financial transactions but more on traditional products of savings deposit and loans, exposure to interest rate risk is being managed prudently.

Pricing of deposit and loan products are being established during the preparation of annual bank plan and budget. The budget for both deposit and loan products are distributed to come up with the desired spread and nominal loan interest rate target. Deposit and loans are priced commensurate to the risk involved without compromising competitiveness in the market. The bank also adopted the repricing policy on loans as embodied in the promissory note particularly on long term loans to protect the bank against exposure to future fluctuations in interest rates. In case there is a plan to adjust interest rates both in savings and loan products, a stress test is conducted initially to test its impact on earnings and capital. Furthermore, the bank conducts quarterly Maturity Matching review to monitor interest-sensitive assets and liabilities. This will enable management to make informed and timely decision in addition to monitoring liquidity risk indicators.

### **ANTI-MONEY LAUNDERING**

The Rural Bank of Solano (N.V.), Inc. strictly implements the Anti -Money Laundering (AML) and Terrorist Financing (TF) rules and regulations. It has an approved Money Laundering and Terrorist Financing Prevention Program (MTPP) to protect the institution from money laundering and terrorist financing activities. The program adequately covers pertinent policies and procedures on customer identification, acceptance and monitoring, covered and suspicious transaction reporting, training programs, record keeping and self-assessment systems.

The bank's wide drive to combat money laundering include the following basic principles:

#### **1. Know Your Customer (KYC) All times**

The Know Your Client (KYC) rule supports the Bank in preventing money laundering, terrorism financing, financial fraud and other financial crimes by obtaining competent evidence of the customers to establish their identity and identity risk factors. KYC process includes ID card verification, face verification as well as document verification. The rule on K is always coupled with the responsibility to know and understand the customer's business by determining the true identity of all customers seeking to conduct significant business transaction with the Bank, identifying the true owners when opening new accounts and predicting with relative certainty the types of transactions in which a customer is likely to be engaged. It also includes determination of any unusual transaction activity or activity that is disproportionate to the customer's known businesses and the preventing the creation of fictitious accounts.

#### **2. Know Your Customer Business**

Rural Bank of Solano (N.V.) Inc. ensures the legal existence of its customers that are corporations or other business entities. Prior to establishing business relationships, the bank endeavors to ensure that corporate customers or juridical entity has not been or is not in the process of being dissolved, wound up or voided, or that its business or operations has not been or is not in the process of being closed, shut down, phased out, or terminated. In case of doubt as to the veracity of the corporation or identity of the directors and or officers or of the business of the partners, a search or inquiry with SEC or other relevant regulatory agency shall be made.



### **3. Digitization of Customer Records**

The Bank complies with the DIGICUR Guidelines of the AMLC to digitize customer records. Database of digitized records is maintained to be able to promptly provide AMLC customer records in case of inquiry and investigation.

### **4. Compliance With laws**

The Bank ensures that rules and existing laws aimed at combating money laundering and terrorist financing are fully complied with by ensuring that its officers and employees are aware of their responsibilities, carrying them out in accordance with superior and principled culture of compliance and that service is not provided where there is good reason to believe that transactions are associated with money laundering activities. Moreover, the Bank ensures that business is operated in accordance with high ethical standards to protect the safety and soundness as well as the integrity of the national banking and financial system.

### **5. Cooperation with the Anti-Money Laundering Council (AMLC)**

For the effective implementation and enforcement of the Anti-Money Laundering Act, as amended, and its IRR, the Bank fully cooperates with the Anti-Money Laundering Council (AMLC) and Bangko Sentral ng Pilipinas. The Bank takes appropriate measures permitted by law if there are reasonable grounds for suspecting money laundering. Disclosure of information for the purposes of the Act regarding covered transactions and suspicious transactions shall be made to the Anti-Money Laundering Council.

## **INTERNAL AUDIT**

The Internal Audit Function associated with money laundering and terrorist financing is being initiated by the Internal Auditor of the bank who is independent of the office being audited and has a direct reporting line to the Board through the Audit and Compliance Committee.

The result of the internal audit is timely communicated to the Board of Directors and shall be open for scrutiny by BSP examiners in the course of the regular or special examination without prejudice to the conduct of its own evaluation whenever necessary. Results of the audit are likewise communicated to the Compliance Office for its appropriate corrective action. The Compliance Office shall regularly submit reports to the BOD to inform them of management's action to address deficiencies noted in the audit.

## **COMPLIANCE**

The Compliance Officer oversees the implementation of the bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) and to ensure compliance with regulations. In addition to that, the Compliance Officer ensures that the bank keeps and maintains all records required by the AMLC. She reports directly to the Board of Directors or board-level committee on all matters related to AML and TF compliance and its risk management.

During the year, the Institutional Risk Assessment has been conducted in compliance with BSP Memo No. 2022-030. The Compliance Officer leads in the conduct of Institutional Risk Assessment

(IRA). The IRA is the foundation of risk-based approach to money laundering, terrorist financing, proliferation financing and sanctions risks prevention and mitigation. It is a process using appropriate methodology to identify, analyze and understand the Money Laundering/Terrorist Financing/Proliferation Financing risks arising from the BSP-supervised financial institution's business activities and relationships.

### **TRAINING**

To fully comply with all the requirements of the Anti-Money Laundering Law, several on-line webinars were attended by some officers and employees in order to be aware of their respective responsibilities and to carry them out in accordance with the law. The bank's MTPP shall be reviewed and updated once every two (2) years to incorporate the latest trends in anti-money laundering and terrorist financing typologies and latest Bangko Sentral issuances.



corporate  
governance



## CORPORATE GOVERNANCE

An effective Corporate Governance is one of the key facets advocated by the Bangko Sentral ng Pilipinas to promote public confidence and uphold the safety and soundness of the banking system. It is the combination of processes established and executed by the board of directors that are reflected in the organization's structure and how these are managed leading towards achieving goals and objectives. It is the overall management approach of senior executives in giving direction and controlling the entire organization, governance activities, ensure that critical management information reaching the executive team is sufficiently complete, accurate and timely to enable appropriate management decision making, and provide the control mechanisms, thus, ensure that strategies, directions and instructions from management are carried out systematically and effectively.

The Monetary Board has approved in 2017 the amendments to the corporate governance guidelines for BSP supervised financial institutions (BSFIs). Such amendment is aimed at ensuring that the board of directors is composed of a collective mix of individuals who possess the competence and expertise to be able to effectively manage the financial institution, promoting an environment that fosters the critical exchange of views and exercise of objective judgment, and promoting prudence and greater accountability in line with the implementation of continuing reforms in the financial sector. The duties and responsibilities of the board of directors were streamlined highlighting accountabilities in the following areas, to wit:

- Shaping the corporate culture and values;
- Setting out objectives and strategies and oversight on Management's implementation thereof;
- Appointing key members of senior management and control functions;
- Overseeing the corporate governance framework; and
- Adopting a robust risk governance framework.

The Bank subscribes to the philosophy of integrity, accountability, and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, the communities affected by its environmental/social activities and the various public; professionalism among its Board of Directors, executives and employees in managing the bank and respect for the laws and regulations of the country affecting its business. Internally, it follows a philosophy of rational checks and balances as well as a structured approach to its business operations. The Board and Management believe that corporate governance is a critical component of sound strategic business management. Furthermore, the Board and the committees continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework of the Bank.

The year 2022 was a very productive year. The highlight actions from the corporate governance committee are the following:

1. Amendment of the Duties and Responsibilities of the Corporate Secretary as well as it's qualification.
2. Amendment of RBS Code of Discipline.
3. Salary adjustment (DOLE wage order)
4. Amendment of the Duties and Responsibilities of the cashier.

And for our response to BSP's examination (ROE) held last year:

1. Amendment of the Duties and Responsibilities of Account Officers.
2. Approval of Committee and self evaluation of Committee members.

## SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

### I. BOARD OF DIRECTORS

Prior to election, the candidates are subjected to the fit and proper assessment to ensure their integrity/probity, education/training, knowledge and experience, skills, and diligence. Below is the nomination process for the selection of Board of Directors:

The Nomination Committee shall identify the number of board seats each year and the necessary criteria to fill those seats. They shall pre-screen and shortlist all candidates nominated to become a member of the board in accordance with the minimum qualifications and none of the disqualifications for independent and regular directors. A call for nomination will be made and interested parties will be encouraged to submit applications at least thirty (30) days before the annual stockholders meeting. The application should indicate if the nominee is vying for an independent director or regular director. Applications will be submitted to the Chairman of the committee and to be reviewed by the committee at least fifteen (15) days prior to the annual stockholders' meeting. The election for Board of Directors of the Bank has two-parts. Part 1 consists of the election of independent directors and Part 2 for the election of regular directors. For Independent Directors, the number of seats shall be based on the minimum required under a three (3) board-level committee structure, as follows:

- Audit & Compliance Committee
- Risk Management Committee
- Corporate Governance Committee

Only the nominees approved by the committee through the nomination process set out in the bank's Nomination and Election Committee charter shall be eligible for the election of independent directors. The Chairman of the committee shall inform the stockholders of the mandatory requirements of electing independent directors. He shall ensure that independent directors are elected during the Annual Stockholder's Meeting. The voting for the election of independent directors shall be by secret ballot. As such, ballots shall be prepared by the committee and shall be pre-signed by the Chairman of the committee. The committee shall immediately conduct the counting of the votes after the close of the voting. After the completion of the counting of the votes, the committee shall declare the elected independent directors. Any losing candidate for Independent Director may opt to run as a Regular Director. The election for regular directors has the same process as the election for independent directors. Only the nominees approved by the committee through the nomination process set out in the bank's nomination and election committee shall be eligible for the election of regular directors. The committee shall declare the elected regular directors after the completion of the counting of votes.

Upon election of the Board, the organizational meeting is held to appoint the Executive Officers and Board level- committees. The qualification of the Chairman of the Board and Vice-Chairman as set out in the succession plan are as follows:

#### A. Chairman

1. Attended seminars required for BOD and in addition a seminar on how to handle board meetings
2. With good reputation in the community

## **B. VICE-CHAIRMAN**

1. Attended seminars required for BOD and in addition a seminar on how to handle board meetings
2. With good reputation in the community

## **INDUCTION AND TRAINING FOR THE BOARD OF DIRECTORS**

The new directors will receive an induction which includes a detailed briefing of the Board's and individual director's duties and responsibilities, review of various committee charters, Bank performance vis-a vis bank plan, strategic plan and general direction of the Bank. The Bank also ensures that all of its new directors have undergone training on corporate governance, risk management, compliance system and internal control and other related training programs.

## **II. SENIOR MANAGEMENT**

The Bank abides by its policy in the screening and selection of its Senior Management. Prior to selection, the candidates are subjected to fit and proper assessment based on the qualifications set out in the succession plan. Any interested applicant shall submit a Letter of Intent (LOI) to the Human Resources Department which shall be submitted to the Corporate Governance Committee for proper evaluation to determine if the applicant is fit and proper for the position before it is presented to the Board for approval.

## **PRESIDENT & OTHER KEY OFFICERS**

The President and Vice-President should be at least an MBA or with any post-graduate equivalent and must undertake post-graduate programs or studies related to banking operations. He/ She must have good leadership capabilities, with good moral and ethical background, and not be involved in any controversy or pending cases except where he is the plaintiff. He/ She must be a good corporate citizen with a well-established social network and an active member of any social civic organization. Must undergo a continuous learning program from respectable providers and more specifically in aid of governance, risk, and audit management.

To qualify for the other key positions of the bank namely: CEHAC, AVP-General Services, AVP-Loans, AVP- Operations and Compliance Officer, the bank considers integrity/probity, education/training, knowledge and experience, skills, and diligence.

## **BOARD'S OVERALL RESPONSIBILITY**

The Board of Directors of Rural Bank of Solano (N.V.), Inc. acts in a manner that is consistent with their oversight functions and ensures the success of the bank by directing bank affairs and at the same time meeting the appropriate interest of its shareholders. The board is responsible for providing effective leadership and set the overall direction to promote good corporate governance by strong adherence to ethical standards and compliance with regulatory requirements.

The RBS Board is as well responsible for defining the bank's corporate culture and values, approving the bank's objectives and strategies, and overseeing its implementation. They are also responsible for the appointment or selection of key members of senior management including the heads of units that exercise control functions as well as the approval of remuneration and other incentive policies for personnel.



Finally, included in the board's responsibility is the approval and oversight on the implementation of the bank's corporate and risk governance framework.

**ALL MEMBERS OF THE RBS BOARD ARE REGARDED AS LIKELY TO ABIDE BY THE FOLLOWING:**

- Remain fit and proper for the position for the duration of his term.
- Conduct fair business transactions with the bank and ensure that personal interest does not bias Board decisions.
- Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as depositors, investors, borrowers, other clients, and the general public.
- Devote time and attention necessary to properly discharge their duties and responsibilities.
- Act Judiciously.
- Contribute significantly to the decision-making process of the board.
- Exercise independent judgment.
- Have a working knowledge of the statutory and regulatory requirements affecting the institution, the requirements of the Bangko Sentral ng Pilipinas, and the requirements of other regulatory agencies.
- Observe confidentiality
- Attend orientation and training.

**DESCRIPTION OF THE ROLE AND CONTRIBUTION OF THE LEAD INDEPENDENT DIRECTOR AND OF THE CHAIRMAN OF THE BOARD**

**LEAD INDEPENDENT DIRECTOR**

The Lead Independent Director shall perform a more enhanced function over the other independent directors which includes the following:

- Approve any change of dates of meetings. Moreover, no meetings where policies are taken up shall be held where the independent directors are not present;
- Call for audit and special meetings with External Auditors and Internal Audit and Compliance Department or with any officer and employee of the bank;
- Make any direct representation to the BSP, PDIC, and other regulatory bodies as to any matter pertaining to the business.
- Presides at all meetings of the independent directors and any Board meeting when the Chairman and Chief Executive Officer ("CEO") is not present, including executive sessions of the independent directors and/or non-executive directors;
- Provides feedback from executive sessions of the independent directors and/or non-executive directors to the Board Chairman and CEO and other senior management;
- Approves and advises the Chairman and CEO as to the quality, quantity, and timeliness of information sent to the Board;
- Reviews and approves with the Chairman/CEO, agenda items for Board and Board Committee meetings, advises on the sufficiency of time for discussion of agenda items, and has the authority to add agenda items at his discretion;
- Has the authority to call meetings of the independent directors and serves as the principal liaison and facilitator between the independent directors and the Chairman/CEO;
- Serves a key role in the Board evaluation processes and in the evaluation of the CEO;

- Has the power to initiate the suspension of the CEO up to fifteen (15) days if warranted and cause investigation by an independent body;
- Responds directly to shareholder and other stakeholder questions and comments that are directed to the Lead Independent Director or to the independent directors as a group, when appropriate;
- Performs such other duties as the Board may delegate from time to time.

### **CHAIRMAN OF THE BOARD OF DIRECTORS**

The Chairperson of the Board provides leadership in the board of directors; He ensures a sound decision-making process; He encourages and promotes critical discussions; He ensures that members of the board receive accurate, timely, and relevant information; He ensures the conduct of proper orientation for first-time directors and provides training opportunities for all directors; and He ensures the conduct of performance evaluation of the board of directors at least once a year.

## THE BOARD OF DIRECTORS



### **TERESITA GARINGAN VENTURINA**

Ms. Teresita Garingan Venturina is the Chairman of the Board of Directors of the bank. She has been a director since 2012 and has been a member of various board committees such as the Credit and Collection Committee and Audit & Compliance Committee. Back in 1984, she held the position of Loans Clerk at Rural Bank of Solano. She also worked at Cordillera Savings Bank, Inc. as a Branch Manager for seven years (1995-2002), Cashier from 1990 to 1995 and Teller for eleven years from 1989 to 1978. She holds a degree in Bachelor of Science in Commerce – Major in Banking and Finance from the University of Santo Tomas. She owns 7,245 shares of common stocks or .40% stockholdings of the banks.



### **HECTOR VICENTE MERCADO TUPASI**

Mr. Hector Vicente M. Tupasi is the Vice-Chairman of the Board of Directors. He is an entrepreneur engaged in business, owner/manager of HMT Commercial Stalls and a Managing Director of JZJ Food Corporation, franchisee of Mang Inasal Solano and Bambang branch since 2012. He has been a Director of the bank since May 2019 and is a member of Credit Committee. He is a graduate of Saint Mary's College with a degree of Bachelor of Science in Commerce Major in Business Management. He owns 177,629 shares of common stocks or 9.73% stockholdings of the bank



### **MARY ANN E. M. TUPASI - SADDUL**

Atty. Mary Ann Elizabeth Mercado Tupasi – Saddul is also the President/CEO of the bank for twenty three years now. She has been a director of the bank since the year 2000 and the Chairman of the Management Committee of the bank. Back in 1997, she assumed as the Vice-President of the bank up until 2000. She also served as a Director and the current President of the Rural Bankers Association of the Philippines (RBAP). She was also a Director of the Agricultural Guarantee Fund Pool (AGFP) from 2017 to 2019. She holds a degree in Bachelor of Science in Hotel and Restaurant Management from the University of the Philippines and finished her Juris Doctor at Ateneo de Manila University in 1995. For eighteen years, she also served as a Director of Cordillera Savings Bank, Incorporated. She owns 388,428 shares of common stocks or 21.28% stockholdings of the bank.





### **LOUIE GUILLERMO TIONGSON**

Mr. Louie Guillermo Tiongson is the Treasurer of the corporation. He is also a member of the Corporate Governance Committee and the Chairman of the Credit Committee. He holds a degree in Computer Systems Design and Programming from AMA Computer School at Bayombong, Nueva Vizcaya. He is also the owner of various enterprises such as the LGT Trading, Farmacia Ibung, and Ibung Computer Center. He's been a Director of the Bank since 2014. He owns 4,736 shares of common stocks or .26% stockholdings of the bank.



### **SYLVIA DORETA JACQUELINE TUPASI-GOMEZ**

Ms. Sylvia Doreta Jacqueline Tupasi-Gomez has been a Director of the bank since 2013 and a member of the Committee on Banking Operations and Audit and Compliance Committee. At the same time, she is also a Director of Corporate Int'l Travel and Tours. From 2012 to 2017, and FY2022-2023, she served as a Director of Cordillera Savings Bank, Inc. . She holds a degree in Bachelor of Science in Business Administration from University of the Philippines Diliman. She owns 131,512 shares of common stock or 7.20 % stockholdings of the bank.



### **ROQUE FELIPE MERCADO GRANADA**

Mr. Roque Felipe Mercado Granada has been a director of the bank since 2012. He is also a member of the Corporate Governance Committee and Credit and Collection Committee. He is currently the General Manager of DM Consunji Training Center, Inc. since January 2019. He also worked as President/CEO of Pre-Size Consultancy from 2017-2019, Senior Vice President in Sales/Marketing for Automated Technologies Incorporated from 2012-2017, PSI Technologies Inc. from 2008- 2012 and Edge Worth Corporation in 2007. He finished his Mini Masters in Business Administration at Digital Marketing Compass in 2014 and his Bachelor of Science in Industrial Engineering at the University of the Philippines back in 1981. He owns 36,184 shares of common stocks or 1.98% stockholdings of the bank.

## THE INDEPENDENT BOARD OF DIRECTORS



### **MARIE THERESE GOMEZ TIONGSON**

Director Marie Therese G. Santos is an Independent Director of the bank. She is the Chairman of Audit and Compliance Committee and Vice-Chairman of the Corporate Governance Committee. She holds a degree of Bachelor of Science in Chemical Engineering from the University of the Philippines. She is also a director of Gravitax Prime, Inc., Abacus Holdings and Crown Asia Chemical Corporation and Cordillera Savings Bank, Inc.. She owns 7,579 shares of common stock or .42% stockholdings of the bank.



### **PATRICIA ANNE TIONGSON SEVILLA**

Ms. Patricia Anne Tiongson Sevilla is an Independent Director of the bank. She is the Chairman of Risk Management Committee and the Vice Chairman of Audit and Compliance Committee. She has been a director of the bank since April 2017 and holds a degree of Bachelor of Science in Nutrition and Dietetics from the University of Santo Tomas. She is the Manager and owner of Taycan Marketing and the Operations Manager of Shoppers General Merchandise. At the same time, she supervises the Bascaran Family Resort. In 2013, she served as a Merchandising Supervisor at Supervalu Incorporated up until 2014. Also, she was associated with St. Luke's Medical Center Global City as a Therapeutic Dietitian for more than a year. She owns 350 shares of common stocks or 0.02% stockholdings



### **MARK STEPHEN TIONGSON MEJIA**

Mr. Mark Stephen T. Mejia is an Independent Director of the bank since May 2019. He is the Chairman of the Corporate Governance Committee and a member of the Risk Management Committee. He is a graduate of the University of Santo Tomas with a degree in BS Pharmacy in 2009. He is a young entrepreneur engaged in various businesses. He has been a manager of their family-owned Tiongson Drugstore from 2010 until 2012. Currently, he is managing their businesses namely Tiongson Farm Supply since 2012 and Better Health Pharmacy since 2019. He owns 279 shares of common stocks or 0.02% stockholdings.

## BOARD QUALIFICATION

1. He/she shall be college graduate or with at least five (5) years' experience in business.
2. He/she shall be a shareholder of at least 1 share of stock.
3. He/she must be mentally and physically fit and proper to attend to the rigors of the job of a director and must not be more than 80 years old for Directors, except for grant of emeritus status\* for Chairman.
4. He/she filed a nomination form one month prior to the Annual Stockholder's Meeting and shall be duly elected.
5. He/she must have attended the following seminars:

## BOARD IN GENERAL

- A. Orientation seminars(budget /operations)** - To be done prior to the first BOD meeting facilitated by the MANCOM
- B. Corporate Governance** - Within the first three (3) months. A repeat BOD must take refresher course every three (3) years.
- C. Accounting for Non-Accountants** - From organizational meeting or at least twelve (12) units of accounting.

### ADDITIONAL SEMINARS TO BE ATTENDED BY THE FOLLOWING COMMITTEE CHAIRMAN

COMMITTEE	SEMINARS
Committee on Banking Operation	Strategic Planning, MTP and TOL
Risk Management	Risk Management & Internal Audit
Corporate Governance Committee	Risk Management, Internal Audit & TOL
Credit Committee	Cash Flow and Property Appraisal
Audit & Compliance Committee	Risk Management & Internal Audit

He must be fit and proper to attend to the rigors of the job of a director.

An Independent Director (Under Sec 132 of MORB) shall mean a person who:

- Is not or has not been an officer or employee of the bank (Under Article V Sec 1 of the Corporate By-laws, to wit "The Officers of the Corporation shall be a Chairman of the Board of Directors, Vice-Chairman, a President, one or more Vice-Presidents, a Treasurer, a Secretary, and a Comptroller, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint such officers as they shall deem it necessary, proper or convenient who shall have such authority and perform such duties as from time-to time as may be prescribed by the Board One person may hold more than one office, except when the offices are incompatible with each other", its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;



- Is not a director or officer of the related companies of the institution's majority stockholder;
- Is not a majority stockholder of the institution, any of its related companies or of its majority shareholders;
- Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority, shareholder of the bank or any of its related companies;
- Is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders, and;
- Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm, is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.

### **POLICY ON INTERLOCKING POSITIONS**

On January 28, 2022, the bank has adopted policies and guidelines on interlocking directorship and/or officer ship in compliance with BSP Circular No. 1129 amending Manual of Regulations for Banks (MORB) Section 131 on the guidelines on corporate governance for BSP supervised BSFIs.

The approval of interlocking directorships and officer ships shall be the responsibility of the board of directors in conformity with the conditions set forth by the MORB. It shall be the duty of the Board to ensure that effective governance processes are in place to:

1. Ensure that the benefits of having director and officers with interlocking positions in other entities are optimized;
2. Make sure that the concerned directors or officers devote sufficient time and attention necessary to effectively carry out their duties and responsibilities; and
3. That excessive concentration of economic power, unfair competitive advantage, abusive practices and conflict of interest situations are prevented.

### **BOARD COMMITTEES**

To guide the management in implementing sound corporate governance, the Board has created several committees which regularly hold meetings as mandated in their respective Charters.

#### **A. AUDIT AND COMPLIANCE COMMITTEE**

- Monitor and evaluate adequacy and effectiveness of internal control system;
- Appoint internal and external auditors; Coordinate, monitor and facilitate compliance with all existing laws, rules and regulations with all regulatory agencies directly involved;
- Establish and ensure compliance with sound written internal policies and procedures in relation to the management of compliance risk;
- Formulate the compliance program; Initiate and direct audit in matters not included or included or covered in the audit plan;
- Recommend policies to ensure adequacy and effectiveness of internal control and compliance.

## **B. COMMITTEE ON CORPORATE GOVERNANCE**

- Formulate policies on employees as embodied in the personnel manual;
- Establish compensation package and fringe benefits;
- Select and appoint key personnel and staff;
- Prepare program for development of human resources;
- Monitor and assess performance of management in line with corporate values and codes of conduct and behavior.

## **C. COMMITTEE ON RISK MANAGEMENT**

- Establish bank policies on investments and loans, assets and liability management;
- Formulate business strategies for planning and budgeting;
- Review regularly the performance of management against the business plans and strategies;
- To take actions to ensure that the business strategies are achieved;
- Established policies to limit, or mitigate risk exposures;
- Periodically review risk exposures of the bank.

## **D. COMMITTEE ON BANKING OPERATIONS**

- Formulate, adopt and maintain adequate policies, guidelines and procedures on finance and fund generation in relation to the management of liquidity and interest rate risks;
- Set pricing on Deposit Liabilities to match with investment and loans;
- Monitoring body for pricing of loans, interest rates on deposits and proper management of all funds of the bank;
- Study and recommend allowance investment plans and allied undertakings;
- Approve fund management plan and periodically review bank cash flow.

## **E. COMMITTEE ON CREDIT AND COLLECTION**

- Formulate, adopt and maintain adequate lending and investment policies, guidelines and procedures relating to the management of credit risk;
- Evaluate and recommend loans for board approval;
- Review credit and all loan product manuals;
- Pass upon and evaluate markets surveys and establish necessary policies in creation of new loan product and service areas;
- Monitoring body for the proper administration of ROPA.

**RURAL BANK OF SOLANO (N.V.), INC.  
BOARD WORKING COMMITTEES  
2022-2023**

Approved by BR No. 22-120, June 18 ,2022

**1. RISK MANAGEMENT COMMITTEE**

Chairman	---	PATRICIA ANNE T. SEVILLA
Vice-Chairman	---	MARY ANN E. M. TUPASI
Member	---	MARK STEPHEN T. MEJIA ROQUE FELIPE M. GRANADA (Alternate of Atty. M. TUPASI)
Staff & Advisory	--	CATHERINE F. TUPASI

**Sub-Committees:**

**a. Committee on Banking Operations (CBO)**

**Members:**

1. MARY ANN E. M. TUPASI
2. PATRICIA ANNE T. SEVILLA
3. TERESITA G. VENTURINA  
SYLVIA DORETA JACQUELINE T. GOMEZ (Alternate)  
Staff and Advisory – CATHERINE F. TUPASI

**b. Credit Committee (CRECOM)**

**Members:**

1. LOUIE G. TIONGSON
2. HECTOR VICENTE M. TUPASI
3. ROQUE FELIPE M. GRANADA  
Staff & Advisory --- JAYSON B. ACOSTA

**2. AUDIT AND COMPLIANCE COMMITTEE**

Chairman	---	MARIE THERESE G. SANTOS
Vice-Chairman	---	PATRICIA ANNE T. SEVILLA
Member	---	SYLVIA DORETA JACQUELINE T. GOMEZ
Ex-Officio	---	EVELYN C. GARCIA
Staff & Advisory	---	MA. CHERIL C. DEL ROSARIO

**3. CORPORATE GOVERNANCE COMMITTEE**

Chairman	---	MARK STEPHEN T. MEJIA
Vice-Chairman	---	MARIE THERESE G. SANTOS
Members	---	LOUIE G. TIONGSON SYLVIA D.J.T. GOMEZ (Alternate of L.G. TIONGSON)
Staff & Advisory	---	ELOISA A. ATENCIO



## BOARD ATTENDANCE

### July 2022 - June 2023

Name of Director	Board Meetings		Risk Management Committee		Credit Committee Meetings		Committee on Banking Operations		Audit and Compliance Committee		Corporate Governance Committee	
	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%
Atty. Mary Ann E.M. Tupasi-Saddul	12	100%	4	80.00%	-	-	1	100%	-	-	-	-
Roque Felipe M. Granada	12	100%	4	80%	10	83%	-	-	-	-	-	-
Marie Therese G. Santos	9	75%	-	-	-	-	-	-	8	89%	8	73%
Patricia Anne T. Sevilla	11	92%	5	100%	-	-	1	100%	9	100%	-	-
Teresita G. Venturina	12	100%	-	-	-	-	1	100%	-	-	-	-
Mark Stephen T. Mejia	12	100%	4	80%	-	-	-	-	-	-	11	100%
Hector Vicente M. Tupasi	12	100%	-	-	12	100%	-	-	-	-	-	-
Sylvia Doreta Jacqueline M. Tupasi-Gomez	12	100%	-	-	-	-	1	100%	9	100%	11	100%
Louie G. Tiongson	11	92%	-	-	11	92%	-	-	-	-	8	73%
<b>Total Number of Meetin Held During the Year</b>	<b>12</b>		<b>5</b>		<b>12</b>		<b>1</b>		<b>9</b>		<b>11</b>	

## **AUDIT AND COMPLIANCE COMMITTEE**

The Audit and Compliance Committee (ACC) of the Rural Bank of Solano is composed of three members of the board of directors who are all non-executive directors. It is chaired by Independent Director MarieTherese G. Santos. The other members are Independent Director Patricia Anne T. Sevilla and Director Sylvia Doreta J.T. Gomez. All of them have concurrent roles in the bank, as follows: Dir. Marie Therese G.Santos as Vice-Chairman of the Corporate Governance Committee; Dir. Patricia Anne T. Sevilla as Chairman of the Risk Management Committee and member of its sub-committee, Committee on Banking Operations; and Dir. Sylvia Doreta J.T. Gomez as alternate member of two (2) committees: Committee on Banking Operations and Corporate Governance Committee. The ACC members also hold directorships in other private institutions, making them knowledgeable in corporate governance. In the discharge of their duties and responsibilities, they have with them in the committee two (2) senior officers, CEHAC Evelyn C. Garcia and Compliance Officer Cheril C. Del Rosario.

The Bank's Audit and Compliance Committee provides assistance to the Board of Directors in fulfilling its oversight responsibilities specifically on financial reporting framework, internal control system, internal audit function, external audit function, compliance function, implementation of corrective action, and investigation of significant issues within its terms of reference.

During the year, the ACC approved the internal audit and compliance plans. It also approved the updates on the bank's Money Laundering and Terrorist Financing Prevention Program Manual which addresses the Anti-Money Laundering efforts of the government. In connection with this, an Institutional Risk Assessment was conducted and it was concluded that the overall money laundering and terrorist financing risk rating of the bank is LOW.

The Committee's focus for the year were as follows:

1. Addressing Covid-related concerns
2. Monitoring the regular and special reports to government agencies especially the BSP, and
3. Continued audit and improvement of the bank's processes and procedures.

## **INTERNAL AUDIT FUNCTION**

Internal audit (IA) is under the direct supervision of the Audit and Compliance Committee. The IA function is responsible for risk management and internal control examination. The process of internal audit activity goes beyond examining accounting controls, records, financial statements and reports. Its role is to evaluate the efficiency and adequacy of the internal control systems as well as to test the continuing effectiveness and maintenance of controls. IA helps formulate and revise policies and procedures so that safeguards and controls are in place, like ensuring appropriate evidence and audit trails. IA also evaluates compliance with laws, rules and regulations including internal policies.

The IA function actively and flexibly responded to evolving risks and ongoing regulatory requirements. The internal audit responded to immediate needs and concerns. It assisted the bank in the management of its risk environment but without compromising its independence. The bank's IA team performed their job independently. They acted with integrity and showed respect on the confidentiality of information acquired in the course of the performance of their duties. They complied with all applicable professional standards and code of ethics and the relevant requirements of the Bangko Sentral ng Pilipinas.

The CEHAC sees to it that the team possess the experience, education, training, and skills necessary to properly conduct assigned activities. After onboarding, new hires were provided with continuous education and development through participation with the bank's in-house trainings like the Account Officers Training Course and Briefings on the Bank's Processes. They also attended on-line seminars on AMLA, Internal Auditing and the Compliance Management Framework.

During the year, IA reviewed top borrowers' accounts. Loan procedures were scrutinized to ensure that borrowers were credit worthy. Discrepancies and deviations identified were promptly reported. Accordingly, these were corrected/addressed by Management in order to avoid possible credit risks. Other areas of operations were also audited as planned. Recommendations on identified lapses and weaknesses in operations were forwarded to the Board for proper approval and implementation.

activities for the compliance officer and compliance staff such as risk-based compliance testing, risk-exposure monitoring, dissemination, training and independent reporting to Audit and Compliance Committee or to the Board. Other tasks performed by the Compliance Officer includes the submission of reports to BSP, SEC and reports to other regulatory agencies when required.

To ensure compliance with the latest Anti-Money Laundering (AML) Law, the Compliance Office constantly updates the Money Laundering and Terrorist Financing Program (MTPP) of the bank and cascaded as well to all employees. On the other hand, the Institutional Risk Assessment was also conducted during the year to assess the money laundering, terrorist financing and proliferation financing risk arising from the business operations. In the last regular BSP examination, BSP concluded that the risk of the Bank being used as a money laundering conduit for the proceeds of unlawful activities remains low.

To gain exposure to various compliance best practices and to keep abreast of the new laws and constant evolving regulatory environment, the Compliance Officer always keeps an eye on the issued advisories and announcement of the Compliance Officer and Internal Audit Group of the RBAP. On the other hand, she also joins Association of Compliance Officer of the CCVRB.

## **COMPLIANCE FUNCTION**

The primary function of the Compliance Officer is to ensure that the bank is adhering to governmental regulations and laws. The Compliance Officer works closely with upper management and banking staff to ensure that the bank is conducting its business in full compliance with existing laws, rules and regulations.

The Compliance Office is manned by three (3) personnel, the Compliance Officer, Senior Compliance Clerk and Compliance Clerk. The typical responsibility of the Compliance Officer is to build up a library of all relevant laws, rules and regulations issued by regulatory bodies. She ensures that copies of the new laws and regulatory issuances, interpretations and amendments thereto are on file with the Bank and properly disseminated to officers and employees.

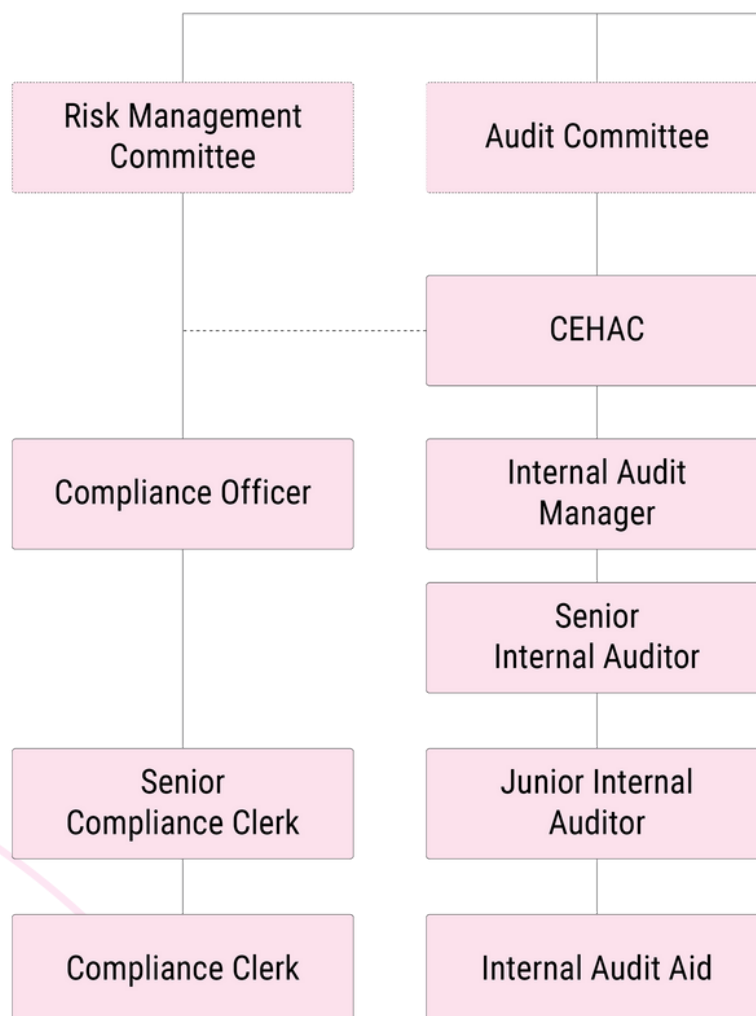
As a Senior Management Officer, the Compliance Officer oversees the design of an appropriate compliance system, promote its effective implementation and addresses breaches that may arise. She ensures that the company functions in a legal and reputable manner at the same time meeting its business goal. Every year, the Compliance Officer ensures that the compliance program is updated to incorporate the latest directives from regulators. This program includes the plan of activities for the compliance officer and compliance staff such as risk-based compliance testing, risk-exposure monitoring, dissemination, training and independent reporting to Audit and Compliance Committee or to the Board. Other tasks performed by the Compliance Officer includes the submission of reports to BSP, SEC and reports to other regulatory agencies when required.



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## AUDIT AND COMPLIANCE COMMITTEE STRUCTURE



## LIST OF EXECUTIVE OFFICERS / SENIOR MANAGEMENT / KEY OFFICERS

### NAME

**ATTY. MARY ANN E. M. TUPASI**  
PRESIDENT/CEO  
56 years old

**EVELYN C. GARCIA**  
Chief Executive Head of Audit and  
Compliance(CEHAC)  
59 years old

**CATHERINE F. TUPASI**  
AVP-Operations  
49 years old

**JAYSON B. ACOSTA**  
AVP-Loans  
42 years old

**MA. CHERIL C. DEL ROSARIO**  
Compliance Officer  
54 years old

### RELEVANT QUALIFICATION

**EDUCATIONAL BACKGROUND**  
BS HRM; Juris Doctor Bachelor of Law

**EDUCATIONAL BACKGROUND**  
BSC-Accounting; CPA; Masters in Business  
Administration

### PAST POSITION IN THIS INSTITUTION AND WORK EXPERIENCE

RBS- EVP/General Manager  
RBS- AVP-Accounting/Gen. Services  
RBS- AVP-Internal Auditor/Compliance Officer  
RBS- AVP-Accounting/General Services  
RBS-Internal Auditor /Compliance Officer  
RBS- General Bookkeeper/Accountant  
RBS- Assistant Internal Auditor

### EDUCATIONAL BACKGROUND

BSC-Accounting

### PAST POSITION IN THIS INSTITUTION AND WORK EXPERIENCE

RBS- AVP- Loans  
RBS - AVP-General Services  
RBS - AVP-BCOO  
RBS.- Loan Manager  
RBS.-Mgt. Trainee-Loans/Branch OIC  
RBS- Savings Bookkeeper  
RBS- Audit Aide

### EDUCATIONAL BACKGROUND

BSC-Accounting

### PAST POSITIONS IN THIS INSTITUTION/WORK EXPERIENCE

RBS-Branch Manager  
RBS-Loan Manager  
RBS-Microfinance Unit Supervisor  
RBS-Account Officer Supervisor  
RBS-Loans Account Officer  
RBS-Teller/Solicitor

### EDUCATIONAL BACKGROUND

BSC- Accounting

### PAST POSITION IN THIS INSTITUTION AND WORK EXPERIENCE

RBS-Internal Auditor/Compliance Officer  
RBS- General Bookkeeper  
RBS-Branch Cluster/Manager  
RBS -Customer Care Manager  
RBS-Subsidiary Loan Bookkeeper  
RBS- Accounting Clerk

## **PERFORMANCE ASSESSMENT PROGRAM**

The adopted Guidelines on Board Assessment and Self-evaluation of the bank helps the board understand how they carry out their duties and responsibilities in fulfilling the bank's mission and vision. Taking an annual self- assessment of their performances is a vital process to look for opportunities to improve. Board evaluation is be done preferably before the annual stockholders' meeting and the results shall establish the continuing improvement efforts of the board of directors.

With regard to the officers and employees, the Human Resource Department (HRD) conducts the performance evaluation by distributing the questionnaire among the officers and employees. The Internal Audit Department will compute, compile and summarize then the HR Department will report the results.

Aside from the self-evaluation questionnaire, the following factual information shall also be considered as the basis in the performance evaluation, as follows:

### **A. BOD/Committees**

1. Regularity of meetings
2. Attendance – measured as body per month then per year.
3. Performance in Planning, Setting Objectives and Evaluation/Performance Review)
4. Resolutions proposed
  - a. Planning
  - b. Setting objectives
  - c. Evaluation/Performance Review-self

### **B. INDIVIDUAL DIRECTOR**

1. Membership in committee
2. Attendance
3. Resolutions proposed

### **C. MANAGEMENT COMMITTEE**

1. Frequency of MANCOM Meetings
2. Attendance
3. Performance

The Corporate Secretary will present the summary of the overall rating/performances of the Board of Directors to stockholders during the Annual Stockholder's Meeting.

## **ORIENTATION AND EDUCATION PROGRAM**

As modern technology and the improvement strategies in the workplace arises, these scenarios call for the need for employers and employees to meet the changes and align their knowledge and skills through training programs.

Rural Bank of Solano is committed to providing a strong learning and development platform across the organization. The Human Resource Department, in particular, facilitates various capacity training programs and seminars among all bank personnel. As a result, the human resource which includes the unbanked and underserved clients, the department and branch managers, Accounts Officers, and support staff, will effectively and efficiently perform their basic functions and responsibilities.

For the entry-level and newly hired employees, an INDUCTION PROGRAM is conducted in order for them to have a grasp about the company as a whole, particularly on how it started and an overview of each department's function and operation. As part of the readiness training for managers and supervisors, a MANAGEMENT TRAINING PROGRAM was developed and implemented. For Account Officers, enhanced MABSTER training was provided. The Board of Directors and management officers are sent to attend training or seminars conducted by the Bangko Sentral ng Pilipinas and/or the Rural Bankers' Association of the Philippines.

The Compliance Officer also initiates an annual AML training to provide officers and personnel with an efficient, adequate, and continuous education program to enable them to fully and consistently comply with all their obligations under the AMLA.

## **MANAGEMENT TRAINING PROGRAM**

Rural Bank of Solano (N.V.), Inc. offers Management Training Program (MTP) to ensure that employees are equipped with information and skills to continue the business and banking operations that will cater the needs of its clientele.

The Management Training Program (MTP) of RBS is designed to create an effective series of trainings that help the company identify potential candidates for the available key positions.

All interested employees must take and pass the pre-qualifying examination. They are required to sign a Memorandum of Undertaking to take an eight (8) week Management Training Program (MTP). Upon completing it, they will undergo an immersion program in other areas of operation for at least ten (10) days with a minimum of three (3) in any given departments in a year. All Trainees will complete the Management Training Program and immersions for six (6) months. The Trainees shall take further qualifying (written and oral) tests and pass to qualify for position.

Rural Bank of Solano (N.V.), Inc. incorporates learning in different ways, including but not limited to mentoring, cross-training, job enlargement or enrichment, job shadowing, job rotation, training, and seminars as sources for enhancing employee skill sets. This ensures that employees continuously possess the qualifications needed for their respective positions and are updated with the latest practices in the banking industry.

The Management assesses the progress and skills of employees through an individual performance evaluation. This evaluation helps the management to recognize the employees' competencies and identifies the skills and the training they need to undergo.



## **SUCCESSION PLAN**

The succession plan of Rural Bank of Solano (N.V.), Inc. establishes the competencies for specific position in the bank. It covers the qualification of the Board of Directors, Independent Director, Executive Officers and Senior Management positions. It includes performance evaluation of the members of the Board of Directors, Individual Directors as well as Management Committee that is based on the board and committee meetings, attendances and performances. It also covers activities and processes such as filing of nomination form one month prior to the annual stockholder's meeting and seminars required for directors.

To qualify as director of the Bank, he/she must be a college graduate or with at least five (5) years' experience in business, must be a shareholder of at least one (1) share, mentally and physically fit and must not be more than 80 years old for Directors, except for grant of emeritus status\* for Chairman.

Under the Bank's By-Laws, the regular term of a director shall be from the date of his election to the regular annual meeting of the stockholders of the bank or until his successor shall have been elected and qualified to take his place at said annual meeting. Unless a director shall sooner resign, be removed from office, or becomes unable to act by reason of death, disqualification, or otherwise he shall hold office during the term for which elected and until his successor is elected and qualified. Any director who ceases to be the owner of at least one share of the capital stock of the bank of which is a director shall thereby cease to be a director.

Qualifications for the various key positions such as the President/CEO, Vice-President, AVP-Operations, AVP-General Services, AVP-Loans, AVP-AUDIT and Chief Compliance Officer were also incorporated in the Bank's succession plan.

The Bank's succession plan also includes the director readiness program. To be able to prepare a workforce of able directors with the end in view of ensuring succession and good corporate governance, all stockholders are enjoined to attend the Annual Stockholder's Meeting in person or by proxy provided that the proxy shall issue a certification of personal review over the Annual Report. Furthermore, any stockholder who intends to qualify for a seat as a director shall attend as mandatory seminars (e.g. AMLA, Accounting for Non-Accountants, Financial Literacy etc.), seat as understudy by attending the board orientation and at least six (6) board meetings and six (6) committee meetings.

## **RETIREMENT PLAN**

Pursuant to Board Resolution No. 81-137, the Board has approved the retirement plan known as the Provident Fund for the employees of the bank which provides for the payment of benefits to deserving regular and permanent employees or their heirs upon their secession/retirement.

Eligible for membership of the fund shall only be regular employees and full-time employees of the Bank. Membership in the fund shall be mandatory and shall continue until the member has been separated for cause, resigned, or in any way terminated or in the event of total and permanent incapacity or disability to discharge the function of his office.

A member who retires/resigns with at least fifteen (15) years of continuous and uninterrupted service with the bank shall be entitled to the full amount of his/her personal contributions, the total contributions of the bank corresponding thereto and to the aggregate proportionate earnings plus the proportionate share of the bank's contributions and its earnings.

Any member who resigns and/or terminates his/her services with the bank less than five (5) years membership with the fund shall be entitled to recover only his/her amount of personal contributions and earnings corresponding thereto.

Mandatory retirement shall be at age sixty-five (65). A member who retires with at least twenty (20) years of continuous and uninterrupted service with the bank shall be entitled to receive one (1) token share as part of his/her retirement benefit as approved by BR No. 14-66 dated May 15, 2014.

On April 29, 2022, Provident Fund Charter has been amended in pursuant to BR No. 22-80 wherein a portion of the contribution is monetized.

## **BOARD COMPENSATION**

The Board Compensation is governed by the bank's By-Laws and in accordance with the guidelines of the regulatory agencies.

The Board of Directors are entitled to per diem, representation and Director's allowance during board meetings. They are also entitled Committee Allowance in excess of the regular committee meeting prior to board meeting, transportation, telecommunication and per diem for attending seminars and training. The guidelines on Board Compensation has been amended to include the allowance of a trainee Director.

Prior to the closing of each fiscal year, the compensation structure for both Board of Directors and Executive Officers are being reviewed by the Corporate Governance.

All amendments to the compensation structure shall take effect as per resolution and declaration of the Board of Directors. The compensation structure of the Board of Directors shall, however, take effect only the following fiscal year and benefit the in-coming set of directors.

All remuneration owing to the Board of Directors shall be credited to him/her on the day of holding of meeting at the end of each month. No board remuneration shall be drawn by way of cash advances.

Any member of the Board of Director joined by at least one(1) independent director may call the suspension of any payment of remuneration if he/she deems it in violation of the law, regulation, resolution or any policy and guideline of the Rural Bank of Solano. The matter shall then be taken up and decided in the next board meeting.

With respect to Senior Officers, the remuneration is in accordance with the bank's pay structure as approved by the board. Compensation package includes basic pay, standard allowances, fringe benefits, bonuses, car plan, specific purpose allowances and benefits such as representation and equity pay of the President/CEO, staff and advisory allowances, per diem and recognition and rewards for meeting the bank's targets.

Other indirect compensation that are regulated under existing laws such as the bank's share to SSS, Pag-ibig Fund, Philhealth, Provident Fund and various leave benefits authorized by the Department of Labor and Employment.

An annual review of the compensation structure for the rank and file is to be done annually by the Committee on Banking Operation together with the Administrative Head In-Charge of the Human Resource in tandem with the Risk Management Committee.

## **RELATED PARTY TRANSACTIONS (RPT)**

The Board of Directors of Rural Bank of Solano (N.V.) Inc. has approved a policy on the handling of Related Party Transactions to make sure that there is an effective compliance with existing laws, rules and regulations at all times, that dealings are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged. The Senior Management efficiently implements controls to effectively manage and monitor related party transactions. The Audit and Compliance function ensures that the bank complies with relevant rules and regulations and is informed of regulatory developments in area affecting related parties. Exposure to related parties is also be monitored by the Compliance Office on an ongoing basis to ensure compliance with the policy and BSP regulation

The bank's related parties covers the bank directors, officers, stockholders and related interest (DOSRI), and their close family members within the second degree of consanguinity or affinity, legitimate or common law, as well as corresponding persons in affiliated companies

Related party transactions of the banks includes on-and-off balance sheet credit exposures and claims and write-offs; investments and/or subscription for debt/equity issuances, consulting, professional, agency and other service arrangements/contracts, purchases and sales of assets, including transfer of technology and intangible items(e.g. research and development, trademarks and license agreements), construction arrangements/contracts, lease arrangements/contracts, borrowings, commitments, fund transfers and guarantees, sale, purchase or supply of any goods or materials; and establishments of joint venture.

Each director, stockholder or senior officer is responsible to declare any related party transaction and material interest that they or an immediate family may have on such transactions or matter affecting the bank. Directors and officers with personal interest in the transactions shall disassociate themselves from the decision-making process and abstain from the discussion, approval and management of such transactions or matters affecting the bank.

The details of related party transactions, including the terms of the transaction, relationship between the parties, the business purpose/reasons for entering into the transaction shall be provided for review and assessment by the approving authority. All related party transactions of the bank are reported to BSP as there is no materiality threshold set by the board.

## **SELF-ASSESSMENT FUNCTION**

The Internal Audit and Compliance Department is headed by the Chief Executive Head of Audit and Compliance (CEHAC) who has the responsibility to assist the Audit and Compliance Committee (ACC) in fulfilling its charter-mandated responsibilities. The CEHAC oversees the bank's internal audit and compliance functions. The activities of this department are independently performed and out of control of the executive management. The internal audit function embraces the examination and evaluation of the entire business system and operation while major roles within the compliance functions includes monitoring, communicating, advising regulatory issues and developing an appropriate compliance culture. This department reports to the Audit and Compliance Committee on a regular basis or in special cases, as it may warrant.

The adequacy of internal control and the resolution of identified material weaknesses of internal control, including the prevention and detection of management override or the compromise of internal control is being reviewed regularly by the Audit and Compliance Committee. More importantly, the committee is responsible in reporting the effectiveness and adequacy of internal control to the Board of Directors.

## **DIVIDENDS DECLARED**

As stated on the amended By-Laws of Rural Bank of Solano (N.V.) Inc., Article VII-Miscellaneous Provisions Section 5. Earnings adopted on April 25, 2015 and further adopted on April 29, 2017:

“The Bank shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses during such fiscal year to:

- A capital retirement fund to provide for the gradual retirement of the government’s equity in the Bank, in the manner and at such rate, as the Rural Bank’s Act (RA 720, as amended) and the implementing rules and regulations of the Central Bank may provide.
- Establishing and maintaining a reserve for bad and/or doubtful accounts;
- Replenishing any impairment to its capital

Any sums remaining shall be distributed as dividends to stockholders, but no dividends in excess of 14% per annum shall be paid. Provided, however, that when the surplus (Retained Earnings not available for dividend distribution) shall have reached 50% of the private paid-up capital of the rural bank, the rural bank may declare dividends in excess of said percentage.

The reported financial statement registered a Retained Earnings-Free amounting to P 111,549,553.00 and the Net Income for the year 2021 amounted to P 29,087,123. On July 31, 2022, the Board has resolved to declare cash dividend amounting to P 16,596,540.00 and stocks dividends amounting to P 16,596,540.00 to stockholders on record pursuant to BR No.22-149.

## **CORPORATE SOCIAL RESPONSIBILITY**

At Rural Bank of Solano, we take corporate governance and business ethics seriously. Corporate responsibility is integrated into our business practices.

It is a reflection of our values, and the way we do business. The RBS Mission, Vision and Core Values serve as our compass for us to consistently act without compromise as we build trusted relationships with all customers. At RBS, our customers are not just our current clients but also the employees, directors, stockholders and potential clients (which is the general public).

Since its conception in 1999, our Core Values and our Mission and Vision statement form the base upon which we continue to build our policies, programs and services. In 2010, RBS launched the “GO GREEN POLICY STATEMENT” because we recognize our role of corporate social responsibility to the environment. As such, RBS is committed to operate in a way that respects what is environmentally acceptable and to promote environmental awareness and social responsibility.

As a way of giving back, RBSolano also gives financial aid to help victims of calamities such as the recent typhoon Karding. The bank is likewise an avid supporter of the projects of the local church in the community. Furthermore, the trainings we give to local farmers/entrepreneurs via our Financial Literacy program is also an advocacy that the bank upholds to help educate the public..

Truly, Rural Bank of Solano is committed to: (1) 3R’s – reduce, reuse and recycle; (2) conserve energy; (3) make a difference by creating social impact.



## SUSTAINABLE FINANCING

In line with its vision, Rural Bank of Solano (N.V.), Inc., fosters products and services that enables sustainable growth. The bank ensures a Sustainable Finance Framework that is firmly grounded in corporate governance. In fact, RBSolano continuously adopts policies wherein lending and other decisions are based on social and environmental guidelines that support sustainable preservation and restoration of natural resources.

As the bank recognized its role in corporate social responsibility to the environment, it sustained its "GO GREEN POLICY STATEMENT" through the years. RBSolano persistently promotes environmental awareness and aims to make a difference by creating social impact with its own platforms like "Patubig ay mabilis kung malinis ang batis" and "Basura Clean Up". This provides the bank with a proactive approach to eco-friendly sustainability while promoting environmental awareness.

The bank remains proactive in incorporating sustainable finance principles into products and services that support the development, installation, operation, transmission, and distribution of renewable energy. A certain percentage of the bank's loan portfolio is dedicated to the Green Energy Loan (GEL), which is a financing package partnered with a solar system provider for fast and affordable electricity. In support of Green Energy, RBSolano is committed to using energy-efficient Furniture and Fixture Equipment (FFEs) and devices that will not be detrimental to the environment. Moreover, RBS had undergone the installation of solar panels at its Head Office and branches (Bayombong and Bambang Branch) for energy conservation and reduction of carbon footprint. Indeed, RBS has operated in a way that respects what is environmentally acceptable.

Gearing towards paperless transactions, RBS, in pursuance of AMLC Regulatory Issuances A, B, and C No. 2, Series of 2018, successfully digitized credit files from the previous years and aims to maintain updated digitization for the upcoming years.

Being guided by its principles and standards, RBS exemplified its commitment to sustainability and its' underlying sustainability by setting a reasonable portfolio target that would direct its financial flows towards its transition plans for more positive social and environmental impact projects. In fact, RBS regularly assesses where it stands in terms of meeting sustainable goals. Creating a sustainable future, including tackling access to water, sanitation, and capital in agriculture, is not something that can be achieved alone. That's why RBS is taking initial steps for the upcoming year 2023 to secure a sustainable future with dedicated organizations like Water.org and Bukid. To give you a glimpse, Water.org is a global nonprofit organization working to make clean water and sanitation safe, accessible, and cost-effective. The bank could bridge the gap through small loans by helping people get access this basic human needs. Bukid, on the other hand, is an agri-tech startup that shares the same mission as RBS to make agriculture more sustainable and profitable by building a digital platform that makes farm operations and financial management easier.

The bank also aims to create a diverse and inclusive environment for its employees through occupational health and safety trainings as an integral part of social sustainability. Moreover, the bank ensures its employees' continued fitness as the board has approved the Medical Reimbursement Policy to provide employees with medical benefits which includes purchase of immune building supplements. In addition to this, for the year 2022, the bank designated RBS Health and Safety Officers (HSO), as part of health and safety measures, who has undergone Basic Occupational Safety and Health (BOSH) as promulgated by DOLE.

In alignment with the Government Development Plans and Programs, the bank also aims to adopt an Environmental and Social Risk Management System intended to seek trainings for appointed Pollution Control Officer (PCO), Safety Officer (SO), and Hazard Identification Risk and Control (HIRAC).

## CONSUMER PROTECTION

In compliance with BSP regulations on Financial Consumer Protection, the Rural Bank of Solano (N.V.) Inc. has developed its own framework to ensure that the interests of financial consumers are protected and treated fairly.

The customer service representatives of the bank serve as consumer assistance helpdesk. Their duty is to attend to customers complaints & request, questions, and provide information about the bank's products and services. They ensure that complimentary customer service is always available. Communication lines are always open to encourage relationship with customers. The bank also welcomes customer's suggestions, complaints and feedbacks which the bank considers in improving its products and service delivery.

The bank ensures that customers are treated fairly, honestly and professionally and allows the customer to choose from a range of available products and services that can meet their needs. The bank provides express lanes and priority service to elderly, pregnant women and persons with disability to give full support to the improvement of their well-being and their full participation in the society as well as to encourage them to contribute to nation building. The signage of express lane is prominently displayed in the transaction counters of the head office and in all banking units. The bank has also installed and incorporated in its building and other banking offices ramp and railings to support in enhancing the mobility of disabled persons for them to access banking services.

Bank products and services offered to customers contain necessary information to meet the full disclosure requirements of the law. The terms and conditions that apply to the product or service are presented in a manner that facilitates consumer's comprehension. The bank provides adequate time for the customers to review the terms and conditions and to ask questions prior to the execution of transactions or contracts. Proof of transactions are immediately provided to customers after the transaction has been completed.

Advertising and promotional materials of the bank are easily readable and understandable by the general public. A statement that the bank is regulated by the BSP is also included in the advertising materials including the BSP contact numbers.

The bank's Code of Conduct spells out organizational values and standards of professional conduct that uphold protection of customers. The bank also ensures that recruitment and training policies are aligned around fair and responsible treatment of customers. It ensures that staff who interact directly with customers received adequate training suitable for the complexity of the products or services the bank sells.

With respect to the confidentiality of customer information, all customer records containing personal information are used only for the purpose directly related to the bank's business. The bank has appropriate systems in place to protect the confidentiality and security of customer's personal data against any threat to the security or integrity of the information and against unauthorized access.

### Role and Responsibility of the Board and Senior Management

The Board and Senior Management are responsible for the development of consumer protection strategy and the establishment of an effective oversight over the bank's consumer protection programs. The Board is primarily responsible for approving and overseeing the implementation of the bank's consumer protection policies as well as the mechanism to ensure compliance with policies while senior management is responsible for the implementation of the consumer protection policies approved by the Board.

## Consumer Protection Risk Management System

The CPRMS of the bank covers identifying, assessing, measuring, monitoring and controlling consumer protection risk inherent to the bank operation. Controlling risk has become essential as new technologies, product innovation and the size of financial transactions have changed the nature of financial service markets.

1. **Board and Senior Management Oversight** - The Board and Senior Management shall periodically review the effectiveness of the bank's consumer protection risk management system and ensures that weaknesses are addressed and corrective actions are taken in a timely manner.
2. **Compliance Program** - The Consumer Protection Compliance Program is a fundamental component of the Consumer Protection Risk Management System (CPRMS). It is designed to prevent breaches of the bank's legal obligation from occurring. It is the responsibility of the Compliance Officer to conduct periodic monitoring and testing of consumer protection laws, rules and regulations including the need to appropriately assess risk.
3. **Policies and Procedures** - The Board has approved policies and procedures on consumer protection to promote and protect the rights and interest of consumers and to address conflicts that are unfavorable to the interest of the financial consumer. The Board and Senior Management ensures that policies are reviewed periodically and kept-up-to-date as it served as reference for employees in their day-to day activities.
4. **Internal Audit Function** - Internal audit function on consumer protection provides independent, objective and reasonable assurance designed to improve the effectiveness of consumer protection practices and controls. In order to meet the objectives of consumer protection, a well-designed and implemented Consumer Protection Audit Program is in place in order for the board to make assessment on the effectiveness of implementation of said policies.
5. **Training** - The bank ensures continuing education on consumer protection laws, rules and regulation as well as related bank policies and procedures to maintain a sound Consumer Protection Compliance Program.

## CONSUMER ASSISTANCE MANAGEMENT SYSTEM (CAMS)

The Bank's Consumer Protection Assistance System aims to handle consumer complaints, inquiries and request from financial consumers. The Head Consumer Assistance Officer of the bank is the AVP for Operations, Ms. Catherine F. Tupasi who is responsible in handling consumer complaints. She has the duty to monitor the consumer assistance process, identify and analyze the nature of complaints and recommend solutions and ensure immediate escalation of any significant complaint to the concerned unit of the bank. Branch Managers and BLO Heads act as the Consumer Assistance Officer in their respective units/branches.

The primary role of the Board and Senior Management in Consumer Assistance Management System is to approve, ensure compliance, conduct periodic review and oversee the implementation of the Consumer Assistance policies and procedures.

The bank submits a monthly summary of complaint if any, including reasons for such complaint and recommended solutions to the appropriate department of the Bangko Sentral ng Pilipinas.



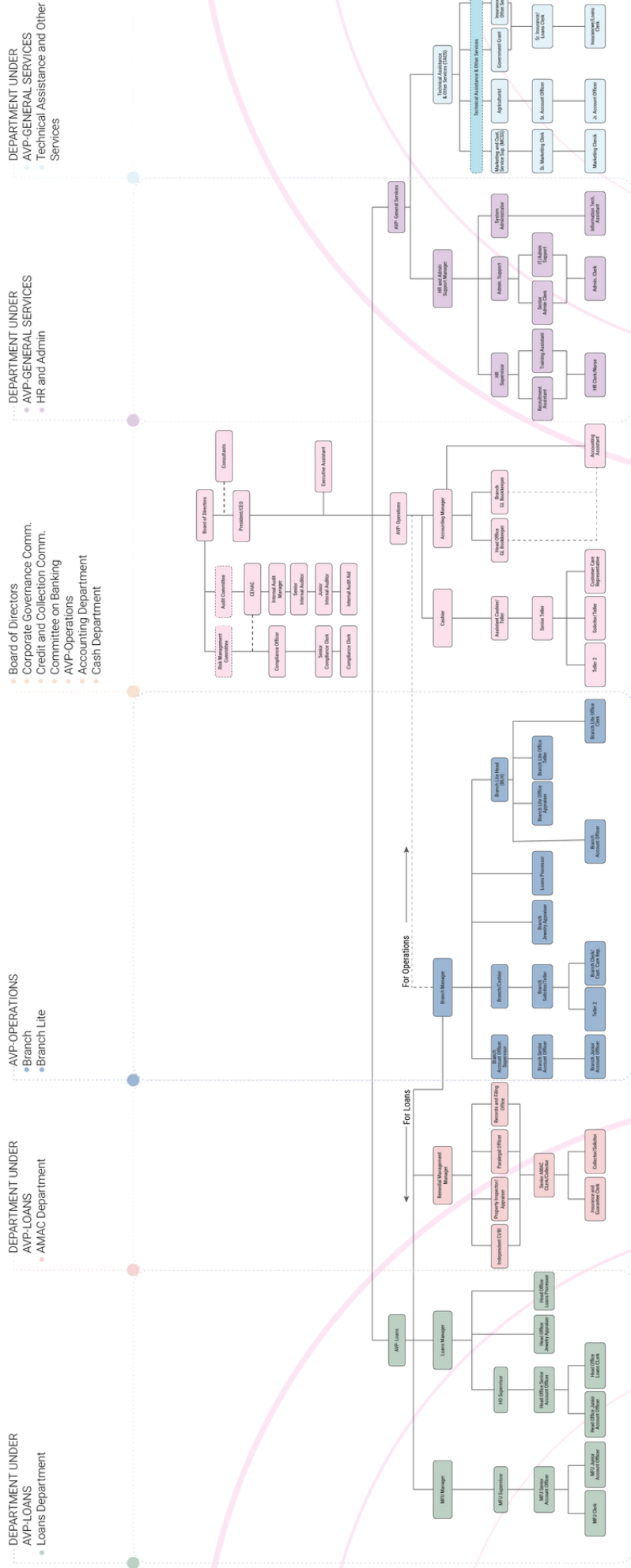
corporate  
information



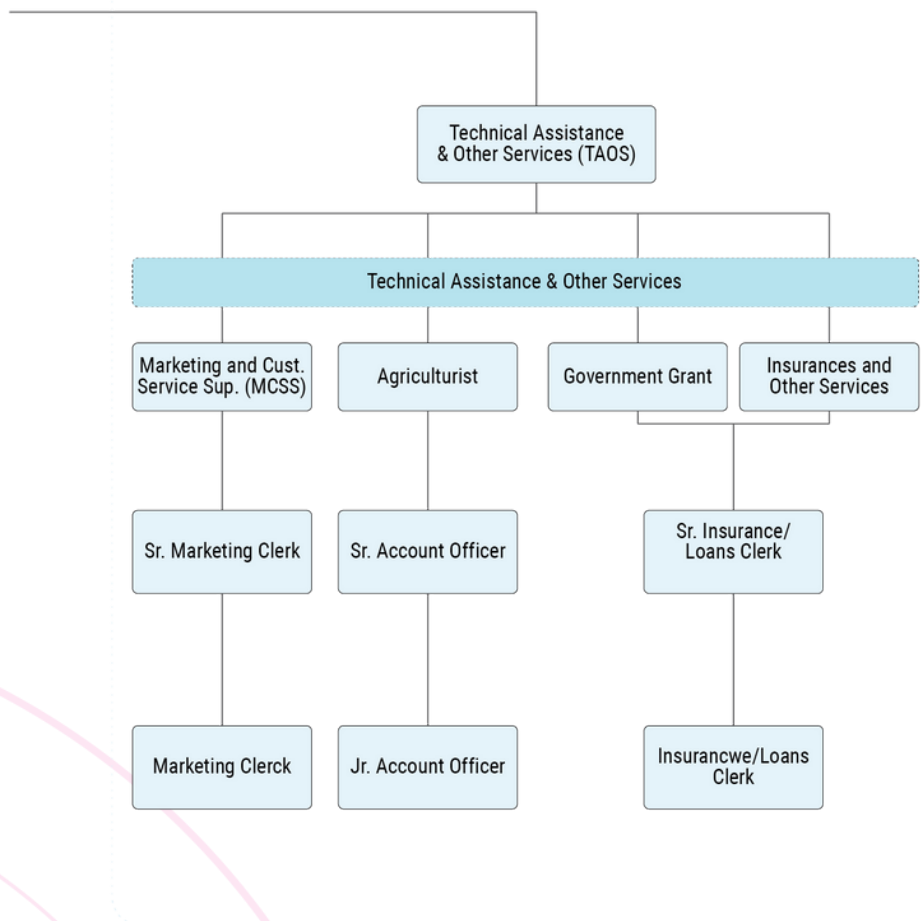


RURAL BANK OF SOLANO (N.V.), INC.  
*Your Hometown Bank*

# ORGANIZATIONAL CHART

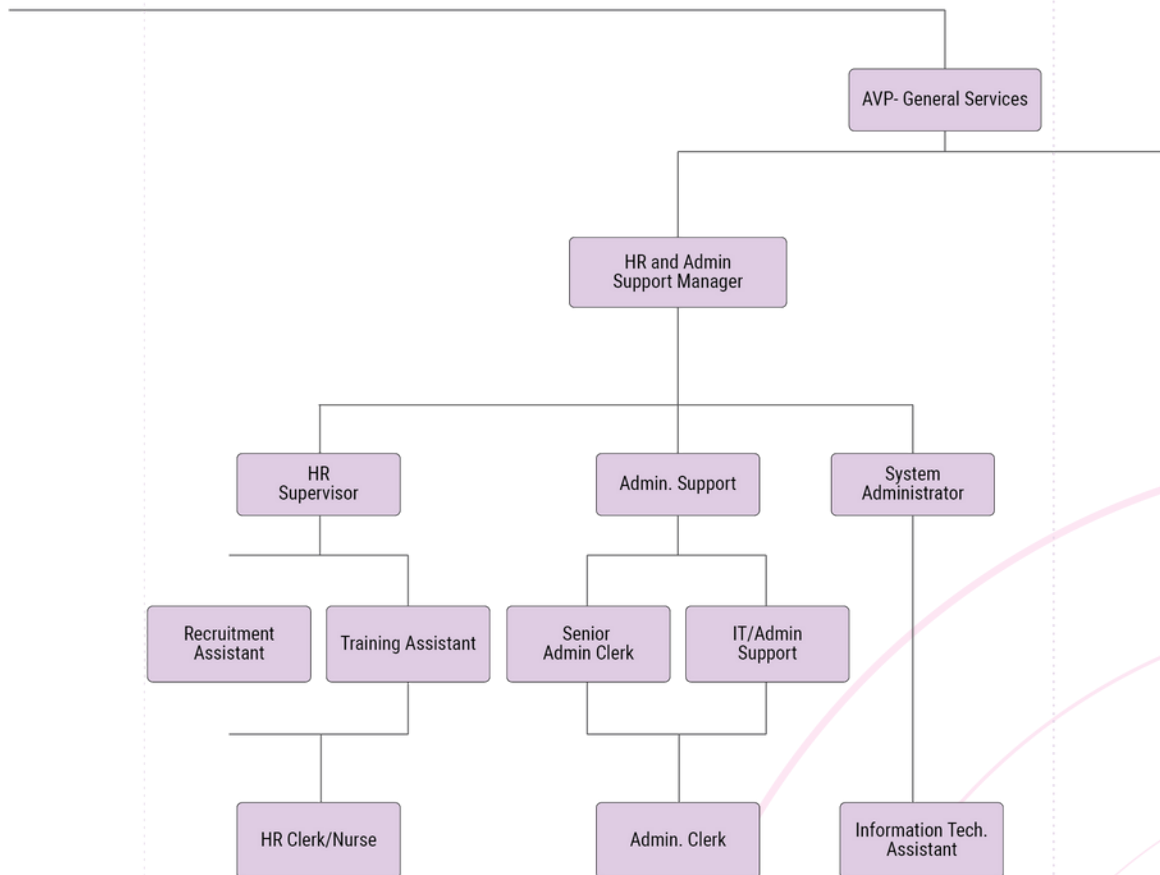


- DEPARTMENT UNDER
- AVP-GENERAL SERVICES
- Technical Assistance and Other Services

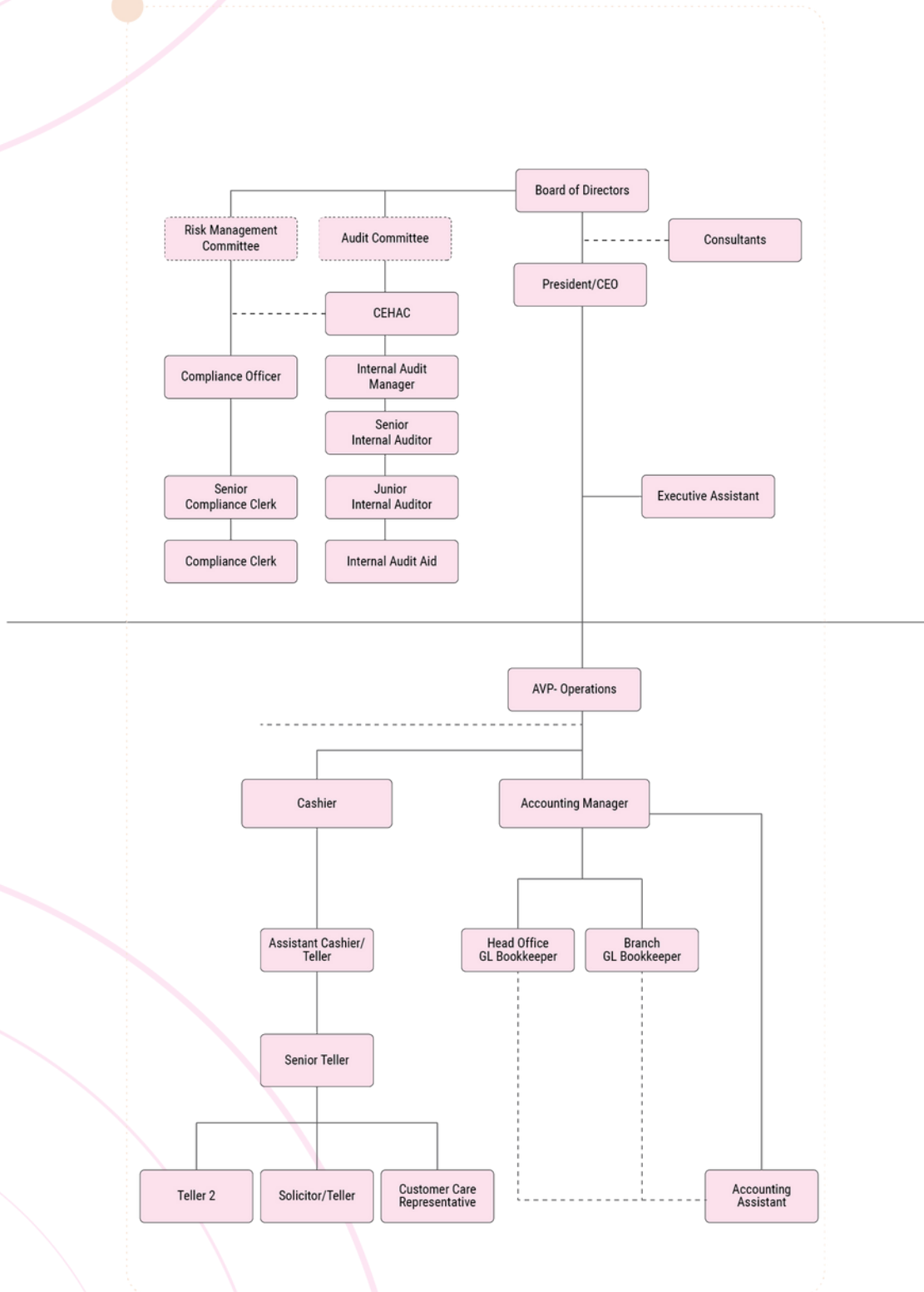


DEPARTMENT UNDER

- AVP-GENERAL SERVICES
- HR and Admin



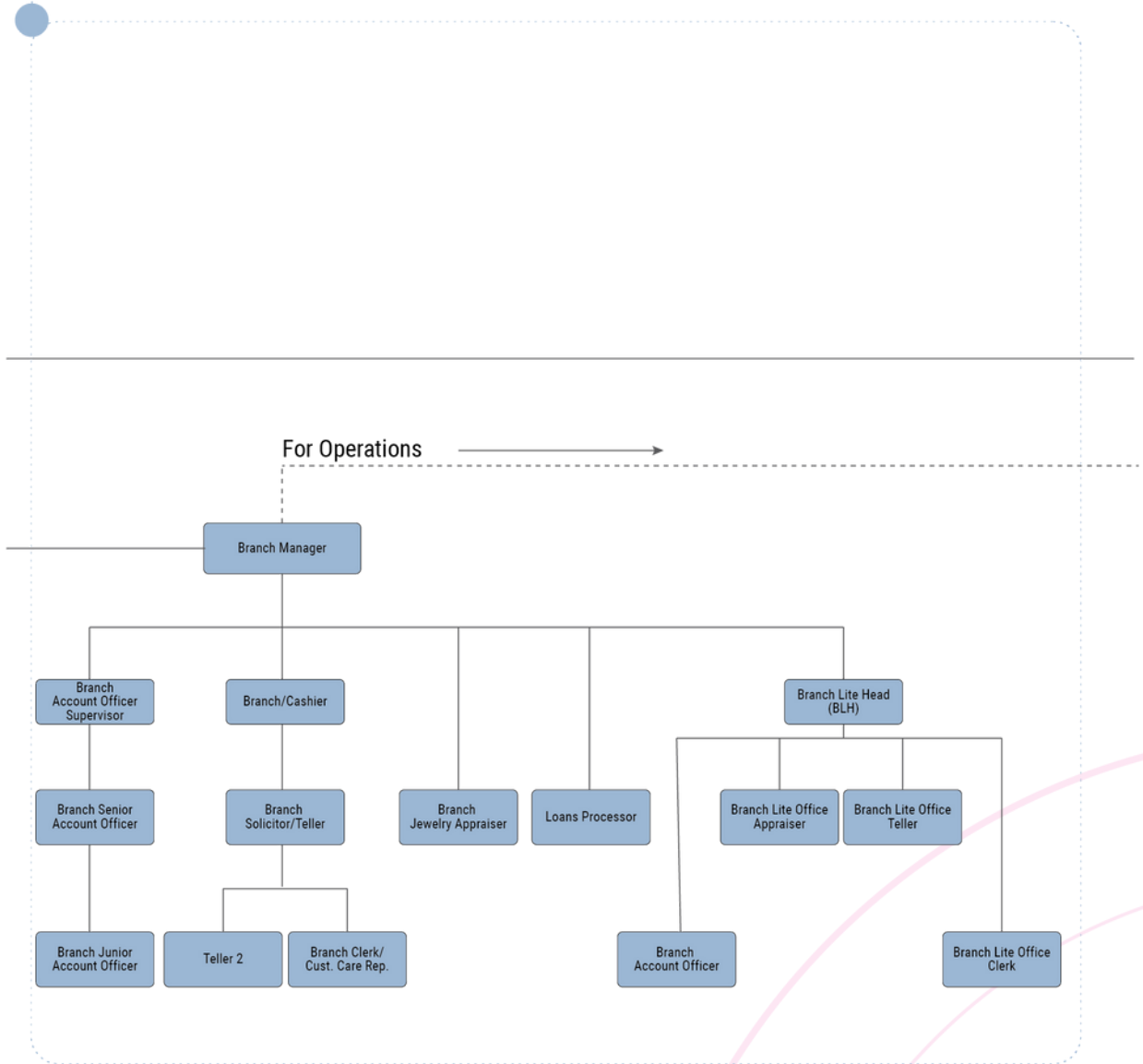
- Board of Directors
- Corporate Governance Comm.
- Credit and Collection Comm.
- Committee on Banking
- AVP-Operations
- Accounting Department
- Cash Department





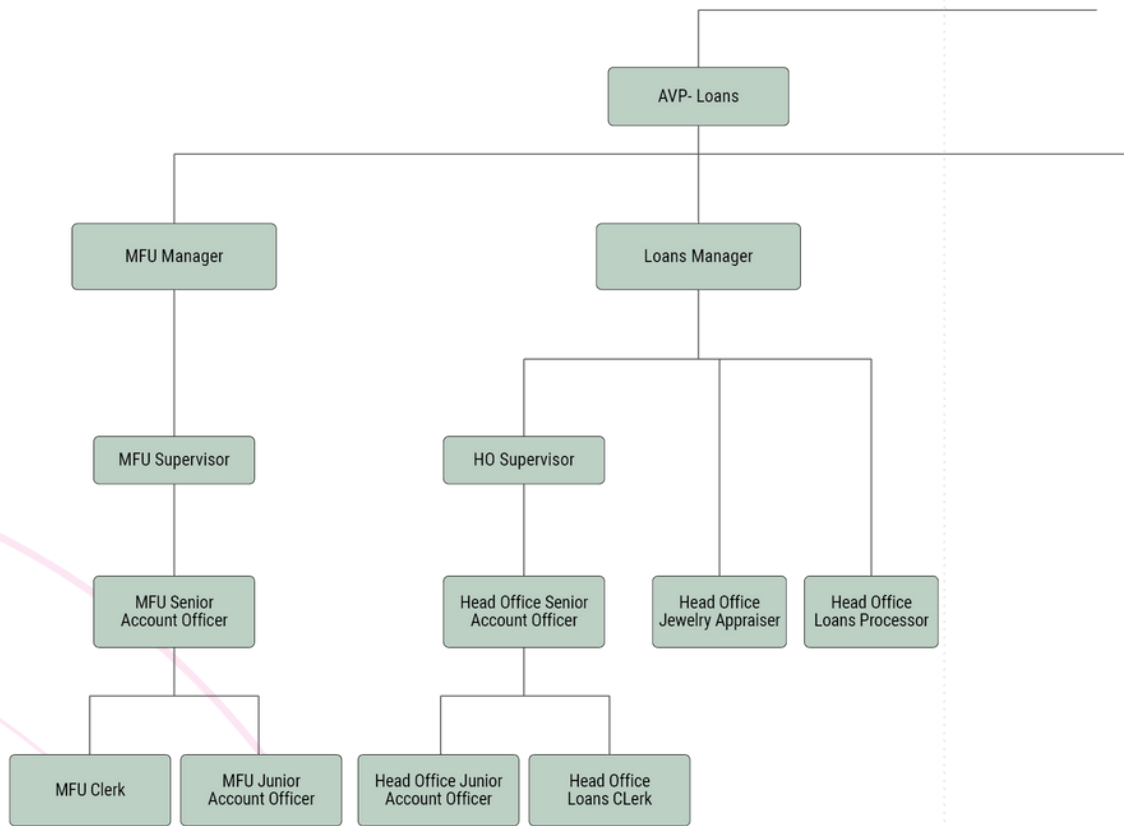
AVP-OPERATIONS

- Branch
- Branch Lite



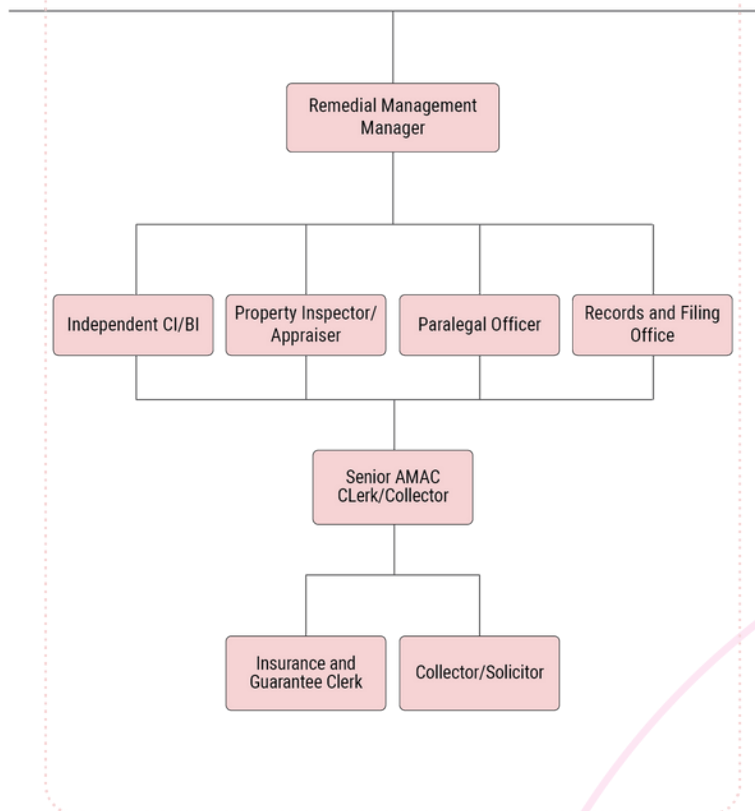
DEPARTMENT UNDER  
AVP-LOANS

- Loans Department



DEPARTMENT UNDER  
AVP-LOANS

- AMAC Department



# CONSOLIDATED LIST OF STOCKHOLDERS AND THEIR STOCKHOLDINGS

NAME OF STOCKHOLDER	Subscribed Shares	Amount Paid-up	Amount	Ratio
1. MARY ANN M. TUPASI	388,428	38,842,800.00	38,842,800.00	21.28%
2. ESTATE OF F. TUPASI	218,190	21,819,000.00	21,819,000.00	11.95%
3. RBS PROVIDENT FUND	198,212	19,821,200.00	19,821,200.00	10.86%
4. HECTOR VICENTE M. TUPASI	177,629	17,762,900.00	17,762,900.00	9.73%
5. SYLVIA T. GOMEZ	131,512	13,151,200.00	13,151,200.00	7.20%
6. GRACIA ANNE T. TIONGSON	106,321	10,632,100.00	10,632,100.00	5.82%
7. FLORANTE GIL M. TUPASI	91,413	9,141,300.00	9,141,300.00	5.01%
8. NATIVIDAD M. GRANADA	69,626	6,962,600.00	6,962,600.00	3.81%
9. ROQUE FELIPE M. GRANADA	36,184	3,618,400.00	3,618,400.00	1.98%
10. KAREN MARIE P. TULFO	31,441	3,144,100.00	3,144,100.00	1.72%
11. JOSE LUIS B. SADDUL	30,428	3,042,800.00	3,042,800.00	1.67%
12. ROSALIE T. TIZON	25,382	2,538,200.00	2,538,200.00	1.39%
13. NESTOR A. TIONGSON	25,382	2,538,200.00	2,538,200.00	1.39%
14. AIDA T. MEJIA	25,103	2,510,300.00	2,510,300.00	1.38%
15. IMELDA T. SEVILLA	25,038	2,503,800.00	2,503,800.00	1.37%
16. GLORIA T. DE GUZMAN	24,789	2,478,900.00	2,478,900.00	1.36%
17. SONIA TIONGSON	23,878	2,387,800.00	2,387,800.00	1.31%
18. LYDIA M. VILLANUEVA	19,632	1,963,200.00	1,963,200.00	1.08%
19. CATHERINE F. TUPASI	18,101	1,810,100.00	1,810,100.00	0.99%
20. PACITA DUMPIT	15,505	1,550,500.00	1,550,500.00	0.85%
21. FLORAN'S MINI FARM	12,971	1,297,100.00	1,297,100.00	0.71%
22. RODOLFO HERMOSO	12,614	1,261,400.00	1,261,400.00	0.69%
23. JOSEPH G. MERCADO	10,590	1,059,000.00	1,059,000.00	0.58%
24. JOHN PAUL G. MERCADO	10,234	1,023,400.00	1,023,400.00	0.56%
25. FELICIDAD G. ANG	8,754	875,400.00	875,400.00	0.48%
26. MARIE THERESE G. SANTOS	7,579	757,900.00	757,900.00	0.42%
27. MA. LOURDES D. TUPASI	7,453	745,300.00	745,300.00	0.41%
28. TERESITA G. VENTURINA	7,245	724,500.00	724,500.00	0.40%
29. MILAGROS M. DELA CRUZ	6,123	612,300.00	612,300.00	0.34%
30. LOUIE TIONGSON	4,736	473,600.00	473,600.00	0.26%
31. LEE ANDREW T. TIONGSON	4,528	452,800.00	452,800.00	0.25%
32. KATRINA ISABEL T. GOMEZ	4,408	440,800.00	440,800.00	0.24%
33. EMILIO VICENTE T. GOMEZ	4,024	402,400.00	402,400.00	0.22%
34. ESATE OF ANICETA M. TUPASI	2,801	280,100.00	280,100.00	0.15%
35. SERGIA ARREOLA	2,696	269,600.00	269,600.00	0.15%
36. TEODORICA G. TIONGSON	2,304	230,400.00	230,400.00	0.13%
37. MIGUELITA G. TIONGSON	2,304	230,400.00	230,400.00	0.13%
38. ROMULO G. TIONGSON	2,304	230,400.00	230,400.00	0.13%
39. CLARO G. TIONGSON	2,304	230,400.00	230,400.00	0.13%
40. CATALINO G. TIONGSON JR.	2,304	230,400.00	230,400.00	0.13%
41. DAVID G. TIONGSON	2,304	230,400.00	230,400.00	0.13%
42. ESTATE OF M. SERENILLA	2,125	212,500.00	212,500.00	0.12%
43. GENOVEVA G. DELOS TRIÑOS	1,797	179,700.00	179,700.00	0.10%
44. KRISTOPHER DELOS TRIÑOS	1,797	179,700.00	179,700.00	0.10%
45. KRISTIAN DELOS TRIÑOS	1,797	179,700.00	179,700.00	0.10%
46. ESTELITA M. BALUT	1,582	158,200.00	158,200.00	0.09%
47. JOSE ANTONIO R. G. SANTOS	1,570	157,000.00	157,000.00	0.09%
48. PAOLO NICCOLO G. SANTOS	1,570	157,000.00	157,000.00	0.09%
49. GABRIELLE ANGELA G. SANTOS	1,570	157,000.00	157,000.00	0.09%
50. EDUARDO G.D. GRANADA	1,442	144,200.00	144,200.00	0.08%
51. JERILEE ANN G. SAMANIEGO	1,252	125,200.00	125,200.00	0.07%
52. DIWA Q. TIONGSON	1,152	115,200.00	115,200.00	0.06%
53. ANGELO Q. TIONGSON	1,151	115,100.00	115,100.00	0.06%
54. FLORAMANTE GV C. TUPASI	1,137	113,700.00	113,700.00	0.06%
55. JOHN LORENZO C. TUPASI	1,094	109,400.00	109,400.00	0.06%
56. EDGARDO S. DE GUZMAN	413	41,300.00	41,300.00	0.02%
57. MADONNA M. A. SERENILLA	400	40,000.00	40,000.00	0.02%
58. PATRICIA ANNE T. SEVILLA	350	35,000.00	35,000.00	0.02%
59. MARK STEPHEN T. MEJIA	279	27,900.00	27,900.00	0.02%
60. ALFRED D. T. DE GUZMAN	174	17,400.00	17,400.00	0.01%
61. MARY ANN P. PADILLA	110	11,000.00	11,000.00	0.01%
62. ERLINDA M. PEREZ	30	3,000.00	3,000.00	0.00%
63. CESAR M. SE RENILLA	15	1,500.00	1,500.00	0.00%
64. THOMAS GARINGAN	4	400.00	400.00	0.00%
65. CORAZON G. RAMOS	1	100.00	100.00	0.00%
<b>1,825,586</b>	<b>182,558,600.00</b>	<b>182,558,600.00</b>	<b>100.00%</b>	



## PRODUCTS AND SERVICES

### DEPOSIT ACCOUNTS

**Regular Savings** - is an interest bearing deposit which is withdrawable by the presentation of a duly accomplished withdrawal slip and evidenced by a passbook. Kiddie and Teens Savings - Savings account for children 1-19 years of age. Time Deposit - A deposit placement where specific amount is given predetermined rate for a fixed term and evidenced by a certificate of Time deposit. Term of the deposit shall range from 90 days, 180 days or 365 days with interest payable upon maturity.

Basic Deposit Account - Refers to interest bearing account designed to promote financial inclusion. This account will enable Filipinos, especially the unserved and underserved, to receive and make payments as well as have a facility to store of value.

**Regular Checking Account** - Initial deposit shall not be less than P5,000.00. This is a non-interest-bearing deposit without passbook. Combo Checking Account - Initial deposit shall not be less than P20,000.00. This is a non-interest bearing deposit with passbook.

**Micro & Kiddie Time Deposit** - A time deposit for Microfinance clients/Kiddie savers. Basic Deposit Account (Micro Savings) – An interest bearing savings account with NO maintaining balance and a maximum balance of 50,000.00; to earn interest – 1,000 minimum balance.

**Gift of Time Certificate (GoTC)** - teaches the public the value of saving and at the same time raising funds to match long-term investments; it can be given as a gift for occasions like birthday, graduation, baptism, wedding, Christmas, etc.

**Saveplus (Basic Deposit with Micro Insurance)** - it is a product which is basically a whole package ready to be purchased and given away. It thereby gives the recipient an opportunity to be covered by a Micro Insurance Policy.

### LOAN PRODUCTS

**Agricultural Loans** - This type of loan is granted to farmers for purposes of aiding or helping the borrower directly involved in farming by providing them with additional capital needed for their agricultural endeavor on a per crop basis.

**Commercial/Industrial Loans** - This type of loan is granted to Small/Medium Scale Enterprises for purposes of aiding or helping the borrower engaged in any commercial or industrial businesses by providing him with capital needed for his endeavor or to expand his existing businesses.

**Back to Back Support Loan** - This type of loan is being proposed for purposes of aiding or helping the borrower procure documents or visa for travel as well as other business requirements. This financing scheme can range from P 50,000.00 and up to amount required without having to exceed the SBL and subject to opening of a contra account in the form of a Deposit.

**Salary Loan/ Other Loan** - Loans extended to individual borrowers the proceeds of which are intended for personal consumption.

**Jewelry Loan** - This type of loan is intended primarily to provide instant/emergency loans to borrowers by pledging their jewelries

**ISALABAY Microfinance Loan** - a product for Micro entrepreneurs aiming to make available an affordable credit to help them expand their present business activities and increase income. It focuses on microenterprises that generate regular daily or weekly sales and on microenterprise operators who don't have access to better credit and currently falling prey to informal and high cost moneylenders.

**TODA Loan** - Provides the tricycle owners/operators financial assistance for repair and maintenance of motorcycle, renewal of franchise/Mayor's permit/registration, purchase of sidecar and others - for the continuation of its operation.

**Pangkabuhayan sa Barrio Loan** - Is intended primarily to support the rural folks (Small Crop Growers, Poultry and Livestock Raisers and Fisher folks) engaged in agricultural food commodity production by providing them financial assistance, the amount of which shall depend on their needed working capital for their farms/projects.

**Yaman sa Kaban Loan** - Loan intended to give access to the agricultural sector more particularly to tenants and other land workers/tillers who otherwise are prey to high cost lending called "Kaban". This product is also for intensifying the bank's compliance to AGRI AGRA and its mission/vision of building lives and developing the countryside.

**Bahay Loan** - To finance clients in the construction of a house which they can call their own through housing loan (for Purchase of House and lot, townhouse and any other single dwelling unit / Purchase of lot and construction of house / Construction of house on owned lot /Purchase of residential lot / Repair, improvement or expansion of existing dwelling unit).

**Motor Vehicle Loan** - Motor Vehicle Loan is a fast, affordable and convenient way to be offered to qualified borrowers to finance their various motor vehicle needs. It is also intended to refinance existing vehicle of the owner. Existing vehicle may be used as security/collateral for certain loan purpose.

**Micro Insurance Loan** - This product is in support to the Country's Financial Inclusion Plan by promoting the acquisition of a Micro Insurance Policy thereby averting common adversities brought about by illness and death in the family.

**e. Quipment Loan** - This loan is intended to support distance learning and work from home.

**Heavy Equipment Loan** - The purpose of this loan is to provide additional secured loans to clients with existing current loan secured by a chattel mortgage(Heavy Equipment).

**Green Energy Loan** - To promote green energy and electricity independence thru the use of solar panels. This aims to protect oneself against unpredictable increases in utility prices, enjoy cheap electricity, at the same time, protecting Mother Earth.

**Salba Bida Loan** - This loan product is intended to refinance high interest loans for other financial institutions where interest rate are eating up on operating capital.

**RE CAP** - The purpose of this loan is for working capital, capital expenditure or both, geared towards helping the economic recovery of MSMEs.

## **OTHER SERVICES**

**Paired Products** – This type of product is a loan-deposit pairing offered to address the following needs:

(a) Depositors:

- Those who have the liquidity and who are in search for best returns for their placements.
- Those who don't want to be burdened by the intricacies of processing and collection of loans, thereby using the professional service of the bank in deposit, lending and collection.
- Those who don't want to deal with direct lending to family, friends and employees.

(B) Borrower:

- Those who want to borrow at rates lower than published. This is the case where the interest on deposit may be pegged at a low rate.

### **Sales of Assets Acquired**

#### **POS Banking/Automated Teller Machine (DBP)**

#### **Motor Vehicle Insurance/Fire Insurance (in partnership with Country Bankers NonLife Insurance Corp.)**

**Micro Insurance** - In partnering with the Country Bankers Life Insurance Corporation, we are providing specific insurance, insurance-like and other similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune and other contingent events.

## LIST OF BANKING OFFICES

### CORPORATE HEAD OFFICE

Address: Maharlika Highway, Brgy. Poblacion South,  
Solano, Nueva Vizcaya  
Landline: (02) (078) 326 - 5509  
Phone Numbers: 0917-843-0035 / 09178406076  
Email: support@rbsolano.com  
Website: www.rbsolano.com  
Facebook page: @rbsolano.nv

### BAGABAG BRANCH

Address: Maharlika Highway, Brgy. San Pedro,  
Bagabag, Nueva Vizcaya  
Phone Number: 0917-843-0198  
Email: bagabag@rbsolano.com

### BAMBANG BRANCH

Address: Maharlika Highway, Brgy. Almaguer North,  
Bambang, Nueva Vizcaya  
Phone Number: 0917-626-3454  
Email: bambang.rbsolano@gmail.com

### BAYOMBONG BRANCH

Address: Maharlika Highway, Brgy. Don Mariano Perez,  
Bayombong, Nueva Vizcaya  
Phone Number: 0917-627-6446  
Email: bayombong.rbsolano@gmail.com

### BRANCH LITE OFFICE - MADDELA, QUIRINO

Address: National Road, Brgy. Poblacion Norte,  
Maddela, Quirino  
Phone Number: 0917 - 6247 - 882  
Email: maddela.rbsolano@gmail.com

### BRANCH LITE OFFICE - SOLANO

Address: Gaddang St. Corner Calle Rosa, Brgy. Poblacion South,  
Solano, Nueva Vizcaya  
Landline: (02) (078) 326 - 6970  
Phone Number: 0917-112-7252  
Email: solano2.rbsolano@gmail.com



## CAPITAL ADEQUACY RATIO

The Capital Adequacy Ratio (CAR) is a measurement of a bank's available capital expressed as a percentage of the bank's risk-weighted credit exposure. Under Section 127 of the MORB, the capital adequacy ratio for banks shall not be less than ten percent (10%). Express as a formula, the Capital Adequacy ratio is equal to the sum of bank/s Tier 1 Capital plus Tier 2 capital divided by the bank's risk weighted assets.

<b>A.1</b>	<b>Tier 1 Capital</b>	
	<b>Core Tier 1 Capital</b>	
	Paid Up Common -Ordinary	182,558,600.00
	Additional Paid-in Capital	
	Retained Earnings	76,440,290.00
	Undivided Profits	35,270,946.00
	<b>Deductions from Tier 1 Capital</b>	
	Total Outstanding Unsecured Credit Accommodations	
	Deferred tax assets net of Deferred Tax Liability	10,009,656.00
	<b>Total Tier 1 Capital</b>	<b>284,260,180.00</b>
<b>A.2</b>	<b>Tier 2 Capital</b>	
	<b>Upper Tier 2 Capital</b>	
	Paid up perpetual and Cumulative Preferred Shares	
	Appraisal Increment Reserves	
	General Loan Loss Provision	5,475,615.00
	<b>Total Upper Tier 2 Capital</b>	<b>5,475,615.00</b>
	<b>Total Qualifying Capital</b>	<b>289,735,795.00</b>

## B. Calculation of Risk-Weighted Assets

### B.1 Credit Risk-Weighted Assets

#### 0% Risk Weight

Cash on Hand	3,444,900.00
Due from BSP	11,260,872.00
Unquoted Debt Securities Classified as Loans	
Loans to the extent covered by hold out	848,755.00
Real estate mortgage loans to the extent guaranteed	
X Risk Percentage	0%

#### Risk Weighted Amount

-

#### 20% Risk Weight

Check and Other Cash Items	6,694,246.00
Loans to Farmer and Fisherfolk	115,605,871.00
x Risk Percentage	20%

#### Risk Weighted Amount

24,460,023.00

#### 50% Risk Weight

Loans to individuals for housing purposes	128,515,017.00
X Risk Percentage	50%

#### Risk Weighted Amount

64,257,508.50

#### 75% Risk Weight

Qualified Micro, SME Loan Portfolio	
X Risk Percentage	75%

#### Risk Weighted Amount

-

#### 100% Risk Weight

Non Performing Loans to Individuals for Housing Purposes	1,594,997.00
X Risk Percentage	100%

#### Risk Weighted Amount

1,594,997.00

#### 150% Risk Weight

All Non Performing Loans	72,286,705.00
Real and Other Properties Acquired	17,865,076.00
X Risk Percentage	150%

#### Risk Weighted Amount

135,227,672.00

#### 100% Risk Weight

#### Other Assets

Total Assets per Balance Sheet	995,035,105.00
General Loan Loss Provision per Balance Sheet	5,475,615.00
Less: Total Exposures Excluding Other Assets	386,916,439.00
Sub-total	613,594,281.00

#### Deduction from Other Assets

Total Outstanding Unsecured Credit Accommodations	
Deferred Tax Assets	10,009,656.00
Financial Assets Held for Trading	-

#### Net Other Assets

603,584,625.00

X Risk Percentage	100%
-------------------	------

603,584,625.00

### B.2 Operational Risk-Weighted Assets

132,750,065.00

## Total Risk Weighted Assets

961,874,891.00

## Capital Adequacy Ratio (CAR)

30.12%



# audited financial statements

**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

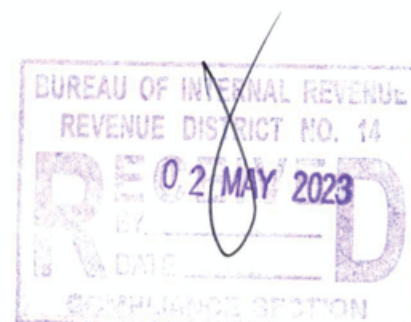




**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.****FINANCIAL HIGHLIGHTS**

As of December 31, 2022

	2022	2021	Increase (Decrease)
<b>FOR THE YEAR</b>			
TOTAL INCOME	120,572,674	101,299,663	19,273,011
TOTAL EXPENSES	85,301,729	72,212,540	13,089,189
NET INCOME	35,270,945	29,087,123	6,183,822
<b>EARNINGS PER SHARE</b>			
<i>Ordinary Shares</i>	19.32	17.53	1.79
RETURN ON AVERAGE EQUITY	12.33%	10.75%	1.58%
RETURN ON AVERAGE ASSETS	3.80%	3.62%	0.18%
NET INTEREST MARGIN	9.89%	9.55%	0.34%
<b>AT YEAR END</b>			
TOTAL ASSETS	995,035,105	861,792,749	133,242,356
LOANS AND RECEIVABLES (NET)	789,671,052	636,297,285	153,373,767
LIQUID ASSETS	920,343,858	792,499,875	127,843,983
FIXED ASSETS	45,403,556	44,501,056	902,500
DEPOSIT LIABILITIES	562,451,332	489,029,148	73,422,184
EQUITY ACCOUNTS	294,269,836	277,672,820	16,597,016
<b>BOOK VALUE PER SHARE</b>			
<i>Ordinary Shares</i>	161.19	167.31	(6.12)
CAPITAL ADEQUACY RATIO	30.12%	32.14%	-2.02%
PAST DUE RATIO	14.17%	16.73%	-2.57%
RATIO OF LIQUID ASSETS OVER DEPOSITS	163.63%	162.06%	1.58%
DEBT TO EQUITY RATIO	2.41:1	2.10:1	0.31:1
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	15.43%	16.03%	-0.60%

*(See Notes to Financial Statements)*

**EDGARDO M. MOLINA, CPA**

Blk 10, Lot 26, Kroner Street, Villa Carolina I  
Tunasan, Muntinlupa City  
Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)

**CERTIFICATION**

The Shareholders and the Board of Directors  
**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**  
Maharlika Highway, Poblacion South,  
Solano, Nueva Vizcaya

This is to certify that **NO** material weakness or breach in the internal control and risk management system was noted in the course of audit of **RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**

This certification is issued in connection with the requirement of section 174 of the Manual of Regulation for Banks.



**EDGARDO M. MOLINA**  
TIN No. 123-467-133-000  
CPA Certificate No. 39419  
BOA/PRC Certificate No. 2577, valid until September 1, 2024  
BIR Accreditation No. 08-005012-001-2022, valid until September 27, 2025  
BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,  
valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements  
CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024  
PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 14, 2023

SUBSCRIBED AND SWORN to before me this APR 18 2023 at City of San Fernando, Pampanga

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Page No.: 78  
Book No.: 71  
Series of 2023



## **EDGARDO M. MOLINA, CPA**

*Blk 10, Lot 26, Kroner Street, Villa Carolina I*

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### **INDEPENDENT AUDITOR'S REPORT**

The Stockholders and Board of Director  
**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**  
Maharlika Highway, Poblacion South,  
Solano, Nueva Vizcaya

#### Opinion

I have audited the accompanying financial statements of **RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.** which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statement presents fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### Basis for Opinion

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

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

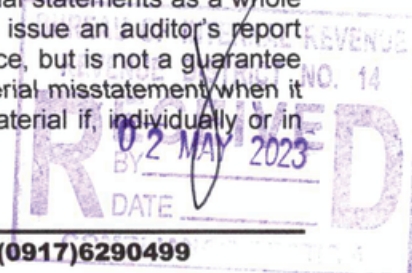
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud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

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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



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**Telephone No: (02) 8257-14-50; Mobile No. (0917) 6283163 / (0917)6290499**



the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- *Identify and assess the risks of material misstatement of the financial 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 my 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 corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, *related safeguards.*

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits.



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**Report on other Legal and Regulatory Requirements**

Report on the Supplementary Information Required Under Revenue Regulation 15-2010 and 19-2011 of the Bureau of Internal Revenue and Circular 1074 as required by Bangko Sentral ng Pilipinas

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and Note 28 to the financial statements is presented for purposes of Circular 1074 as required by Bangko Sentral ng Pilipinas and is not required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in my audits of the basic financial statements. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**EDGARDO M. MOLINA**

TIN No. 123-467-133-000

CPA Certificate No. 39419

BOA/PRC Certificate No. 2577, valid until September 1, 2024

BIR Accreditation No. 08-005012-001-2022, valid until September 27, 2025

BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,

valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements

CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024

PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 14, 2023



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### **STATEMENT OF REPRESENTATION**

#### **TO THE SECURITIES AND EXCHANGE COMMISSION**

In connection with my examination on the financial statements of **RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.** for the year ended December 31, 2022 which are to be submitted to the Commission, I hereby represent the following:

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

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



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### **INDEPENDENT AUDITOR'S REPORT FOR SUPPLEMENTARY INFORMATION**

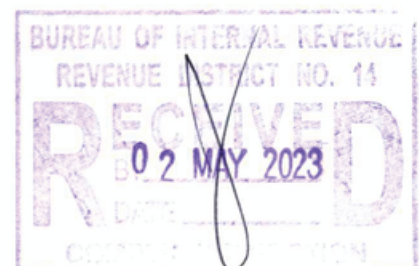
To the Stockholders and Board of Directors  
**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**  
Maharlika Highway, Poblacion South,  
Solano, Nueva Vizcaya

I have audited in accordance with Philippine Standards of Auditing, the financial statements of **RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.** as at and for the taxable year ended December 31, 2022 on which I issued my report thereon dated April 14, 2023. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness indicators including their definitions, formulas, and calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management.

*These financial soundness indicators are not measures of operating performance* defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other banks. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2022 and no material exceptions were noted.

  
**EDGARDO M. MOLINA**  
TIN No. 123-467-133-000  
CPA Certificate No. 39419  
BOA/PRC Certificate No. 2577, valid until September 1, 2024  
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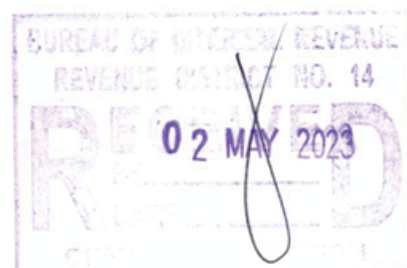
April 14, 2023



**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**  
**COMPARATIVE STATEMENT OF FINANCIAL POSITION**

	As at December 31	
	2022	2021
<b>ASSETS</b>		
Cash and Other Cash Items (Note 6.1)	P 10,139,146	P 3,184,279
Due from BSP (Note 6.2)	11,260,872	5,949,184
Due from other Banks (Note 6.2)	80,272,787	123,069,127
Debt Securities Measured at Amortized Cost (Note 7)	29,000,000	24,000,000
Loans & Receivable, Net (Note 8)	789,671,052	636,297,285
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)	45,403,556	44,501,056
Investment Properties (Note 10)	17,798,773	15,871,347
Deferred Tax Asset (Note 24)	10,009,656	8,083,312
Other Assets (Note 11)	1,479,262	837,159
<b>TOTAL ASSETS</b>	<b>995,035,105</b>	<b>861,792,749</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposit Liabilities (Note 12)	562,451,332	489,029,148
Bills Payable (Note 13)	19,400,000	-
Accrued Interest, Taxes and Other Expenses Payable (Note 14)	1,246,224	1,590,965
Other Liabilities (Note 15)	110,725,828	89,239,484
Income Tax Payable (Note 24)	6,941,884	4,260,332
<b>TOTAL LIABILITIES</b>	<b>700,765,269</b>	<b>584,119,929</b>
<b>SHAREHOLDERS' EQUITY (Note 16)</b>		
Share Capital (Note 16.1)		
Ordinary Share Capital	182,558,600	165,965,400
Retained Earnings (Note 16.2)	111,711,236	111,707,420
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>294,269,836</b>	<b>277,672,820</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>P 995,035,105</b>	<b>P 861,792,749</b>
<b>BOOK VALUE PER SHARE</b>	<b>P 161.19</b>	<b>P 167.31</b>

See accompanying Notes to Financial Statements.





**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**  
**COMPARATIVE STATEMENT OF COMPREHENSIVE INCOME**

	For the Years Ended December 31	
	2022	2021
<b>INTEREST INCOME</b>		
Loans & Other Receivables (Note 8)	P 88,330,696	P 73,843,830
Debt Securities Measured at Amortized Cost (Note 7)	1,129,303	811,017
Due from Other Banks (Note 6)	371,852	512,139
<b>TOTAL INTEREST INCOME</b>	<b>89,831,851</b>	<b>75,166,986</b>
<b>INTEREST EXPENSE</b>		
Interest on Deposit Liabilities (Note 12)	6,518,871	5,984,259
Interest on Bills Payable (Note 13)	107,278	-
<b>TOTAL INTEREST EXPENSE</b>	<b>6,626,149</b>	<b>5,984,259</b>
<b>NET INTEREST INCOME</b>	<b>83,205,702</b>	<b>69,182,727</b>
PROVISIONS FOR CREDIT LOSSES (Note 8 and 11)	12,721,631	8,648,456
<b>NET INTEREST INCOME AFTER PROVISION</b>	<b>70,484,071</b>	<b>60,534,271</b>
OTHER INCOME (Note 17)	30,740,823	26,132,677
<b>TOTAL INCOME BEFORE OPERATING EXPENSES</b>	<b>101,224,894</b>	<b>86,666,948</b>
<b>OTHER OPERATING EXPENSE</b>		
Compensation and Fringe Benefits (Note 18)	27,382,069	23,573,088
Other Operating Expenses (Note 20)	15,471,621	12,762,467
Taxes and Licenses (Note 25)	7,076,739	5,927,351
Depreciation and Amortization (Note 21)	4,641,827	5,276,506
<b>TOTAL OPERATING EXPENSE</b>	<b>54,572,256</b>	<b>47,539,412</b>
<b>NET INCOME BEFORE INCOME TAX</b>	<b>46,652,639</b>	<b>39,127,536</b>
INCOME TAX EXPENSE (Note 24)	11,381,693	10,040,413
<b>NET INCOME AFTER INCOME TAX</b>	<b>P 35,270,945</b>	<b>P 29,087,123</b>
<b>EARNINGS PER SHARE</b>	<b>P 19.32</b>	<b>P 17.53</b>

See accompanying Notes to Financial Statements.



**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**  
**COMPARATIVE STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**For the Year Ended December 31, 2022 and 2021**

	ORDINARY SHARE CAPITAL (Note 16.1)	RETAINED EARNINGS - RESERVE	RETAINED EARNINGS - FREE EARNINGS (Note 16.2)	Total
Balance at January 1, 2022	P 165,965,400	P 157,867	P 111,549,553	P 277,672,820
Stock Dividend Distributed (Note 16.3)	16,593,200			16,593,200
Stock Dividends Declared (Note 16.3)			(16,596,540)	(16,596,540)
Cash Dividends Declared (Note 16.3)			(16,596,540)	(16,596,540)
Total comprehensive income for the year			35,270,945	35,270,945
Adjustments			(2,074,050)	(2,074,050)
<b>Balance at December 31, 2022</b>	<b>P 182,558,600</b>	<b>P 157,867</b>	<b>P 111,553,369</b>	<b>P 294,269,836</b>
Balance at January 1, 2021	P 150,880,500	P 157,867	P 112,638,530	P 263,676,897
Stock Dividend Distributed (Note 16.3)	15,084,900		-	15,084,900
Stock Dividends Declared (Note 16.3)			(15,088,050)	(15,088,050)
Cash Dividends Declared (Note 16.3)			(15,088,050)	(15,088,050)
Total comprehensive income for the year		-	29,087,123	29,087,123
<b>Balance at December 31, 2021</b>	<b>P 165,965,400</b>	<b>P 157,867</b>	<b>P 111,549,553</b>	<b>P 277,672,820</b>

See accompanying Notes to Financial Statements.



**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.****COMPARATIVE STATEMENT OF CASH FLOWS***(Amounts in Philippine Peso)*

	For the Years Ended December 31	
	2022	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	P 46,652,639	P 39,127,536
Adjustment to reconcile Net Income to		
Net cash provided by operating activities:		
Depreciation/Amortization (Note 9,10 and 21)	4,641,827	5,276,506
Prior Period Adjustments	(2,074,050)	-
Non-Cash Additions to ROPA (Note 10)	100,754	-
Gain from Sale of Non-Financial Assets (Note 19)	(5,426,859)	(7,195,721)
Provisions	12,721,631	8,648,456
Interest Income (Note 6,7 and 8)	(89,831,851)	(1,323,156)
Interest Expense (Note 12 and 13)	6,723,570	99,299
Operating income before working capital adjustments	P (26,492,340)	44,632,920
Decrease/(Increase) in:		
Loans & Receivables (Note 8)	(160,199,573)	(140,350,224)
Other Assets (Note 11)	(517,167)	(220,321)
Increase / (Decrease) in current liabilities		
Deposit liabilities (Note 12)	73,422,184	64,723,214
Accrued interest, taxes & other liabilities (Note 14)	-	-
Other liabilities (Note 15)	21,521,073	38,678,174
Cash generated from operations	(92,265,824)	7,463,763
Income Taxes paid/withheld (Note 24)	(10,626,486)	(9,069,759)
Interest received (Note 7,8,9 & 18)	83,543,450	1,113,374
Interest paid (Note 12, 13 and 14)	(6,970,889)	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(26,319,749)</b>	<b>(492,622)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net (Additions) Disposals of Held-to-Maturity Investments (Note 8)	(5,000,000)	
Cash payments on Investment Properties (Note 10)	(4,611,761)	
Cash receipts from Investment Properties (Note 10)	7,535,709	12,414,542
Cash payments on Premises, Furniture, & Equipment (Note 9)	(5,069,595)	(4,010,182)
<b>NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES</b>	<b>(7,145,646)</b>	<b>8,404,360</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash Disbursements on Cash Dividends (Note 16.3)	(16,596,540)	(15,091,263)
Payment of leasing liabilities (Note 15.1)	132,150	(126,000)
Cash proceeds on availment of Bills Payables (Note 13)	19,400,000	-
<b>NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES</b>	<b>2,935,610</b>	<b>(15,217,263)</b>
<b>NET (DECREASE) INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>(30,529,785)</b>	<b>(7,305,525)</b>
<b>CASH &amp; CASH EQUIVALENTS - BEGINNING</b>	<b>132,202,590</b>	<b>139,508,115</b>
<b>CASH &amp; CASH EQUIVALENTS - ENDING</b>	<b>P 101,672,805</b>	<b>P 132,202,590</b>

See accompanying Notes to Financial Statements.





## RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.

### NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

#### 1. CORPORATE INFORMATION

**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.** (the "Bank") was incorporated and registered with the Philippine and Securities and Exchange Commission (SEC) on December 11, 1969 with Registration No. 39997. On February 27, 1970, the Bangko Sentral ng Pilipinas (BSP) granted the Bank its Certificate of Authority to operate as a financial institution.

The Bank was formed to carry and engage in the business of extending rural credits to small farmers and tenants and to deserving rural industries or enterprises, to have and exercise all authorities and powers, to do and perform all acts, to transact all business which may legally be had or done by rural banks organized under and in accordance with the Rural Banks' Act as it exists or may be amended; and to do all other things incident thereto and necessary and proper in connection with said purposes within such territory, as may be determined by the Monetary Board of the Bangko Sentral ng Pilipinas.

The Bank's product and services are traditional deposits such as regular savings deposits and certificate of time deposits. The Bank also offers various types of loans such as commercial, agricultural, and various consumer loans and microfinance loans.

Based on Section 11 of Republic Act No. 11232 - An Act Providing for the Revised Corporation Code of the Philippines, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise.

The Bank's registered office address is located at RBS Corporate Head Office, Maharlika Highway, Poblacion South, Solano, Nueva Vizcaya. The Bank is domiciled in the Philippines.

The Bank currently has three (3) branches and two (2) Branch Lites located as follows:

Branches	Address	Commencement Date
Bagabag Branch	San Pedro, Bagabag, Nueva Vizcaya	August 25, 1995
Bambang Branch - formerly MBO Bambang	Bernabe Valley Homes Subd., Bambang Nueva Vizcaya	March 20, 2017
Bayombong Branch - formerly MBO Bayombong	Banggog, Bambang, Nueva Vizcaya	September 29, 2011
	Don Tomas Maddela, Bayombong, Nueva Vizcaya	July 23, 2018
BLU Solano	Poblacion South, Solano, Nueva Vizcaya	September 29, 2011
BLU Maddela	National Highway, Poblacion Norte, Maddela, Quirino	March 15, 2012
		June 27, 2019

On July 13, 2017, the Bangko Sentral ng Pilipinas, approved the conversion of the Micro Banking Office located in Maharlika Road, Bambang, Nueva Vizcaya to a regular branch.

On July 23, 2018, the Bangko Sentral ng Pilipinas, approved the conversion of the Micro Banking Office located in Don Tomas Maddela, Bayombong, Nueva Vizcaya to a regular branch.

On March 15, 2018, the Bangko Sentral ng Pilipinas approved the establishment of branch-lite unit in Maddela, Quirino.

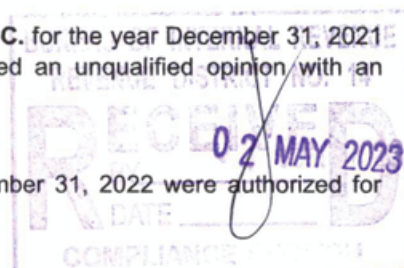
The **RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.** board of directors is composed of Nine (9) members.

#### Comparative Figures

The financial statements of **RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.** for the year December 31, 2021 were audited by another auditor whose report dated April 29, 2022 expressed an unqualified opinion with an emphasis of the matter on those financial statements.

#### Approval of Financial Statements

The accompanying financial statements of the Bank for the year ended December 31, 2022 were authorized for issue by its Board of Directors on April 14, 2023.





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## 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

### ***Basis of Preparation***

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

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

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

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

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

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

### ***Statement of Compliance***

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

All provisions and requirements of PFRSs are applied by the Bank in preparation of its financial statements except for the requirements of the following standard: PFRS 9 Financial Instruments - For impairment, the Bank adopted Appendix 15 of Manual of Regulation for Banks (MORB) that provides guideline for provisioning based on number of days past due, collaterals, and type of loan.

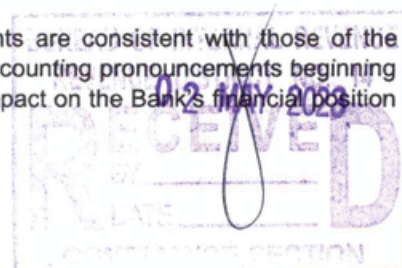
### ***Going Concern Assumption***

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

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial years, except that the Bank has adopted the following new accounting pronouncements beginning January 1, 2022. Adoption of these pronouncements did not have significant impact on the Bank's financial position or performance unless otherwise stated.





## Amendments, and Interpretations Adopted

### Amendments

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

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

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

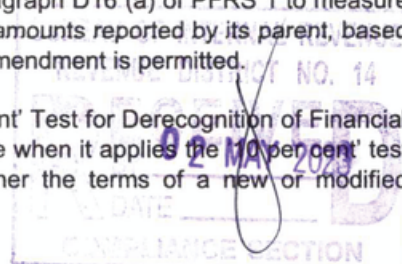
The adoption of the amended PFRS did not materially affect the financial statements of the Company

### Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, Reference to Conceptual Framework – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.
- Amendments to PAS 16, Property, Plant and Equipment - Proceeds Before Intended Use – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.
- Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied.

At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendment is permitted.
  - Amendment to PFRS 9, Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified





financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

- Amendment to PFRS 16, Leases - Lease Incentives – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
- Amendment to PAS 41, Agriculture - Taxation in Fair Value Measurements – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, Fair Value Measurement. The amendment should be applied prospectively. Earlier application is permitted.

#### New and Amended PFRS Issued But Not Yet Effective

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

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

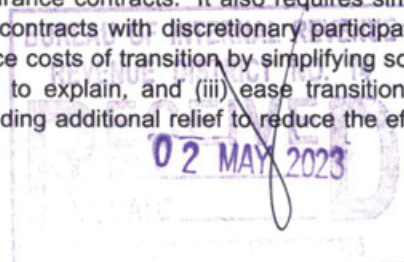
- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in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

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

- Amendments to PAS 8, Definition of Accounting Estimates – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, Deferred Tax Related Assets and Liabilities from a Single Transaction – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

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

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





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

#### Deferred effectivity

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

### **Financial Instruments**

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

#### ***Initial Recognition and Measurement***

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

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

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

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

### **Financial Assets**

#### ***Classification and Subsequent Measurement***

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

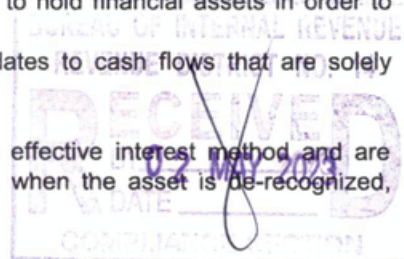
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains or losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)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

#### ***Financial assets at amortized cost (debt instruments)***

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

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

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





modified or impaired.

*The Bank's cash and cash equivalents, loans receivable and debt securities measured at amortized cost fall in this category of financial instruments*

#### *Cash and Cash Equivalents*

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

#### *Cash on Hand*

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

#### *Due from Bangko Sentral ng Pilipinas*

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

#### *Due from Other Banks*

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

#### *Loans Receivables*

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

#### *Loans & Discounts*

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

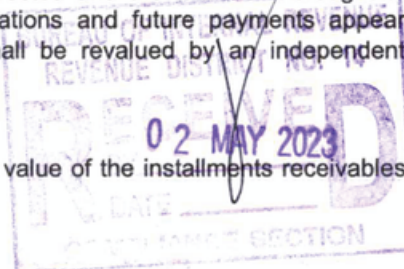
Interest income on non-discounted term loan is accrued monthly as earned, except in the case of non-accruing loans.

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

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

#### *Sales Contract Receivable*

Sales Contract Receivable (SCR) shall be recorded based on the present value of the installments receivables





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

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

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

#### *Debt Securities Measured at Amortized Cost (formerly Held-to-Maturity Financial Assets)*

HTM Financial assets are renamed as 'Debt Securities at Amortized Cost' as required under Annex A of BSP Circular 1011. These are financial assets 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 payment of principal and interest (SPPI) on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in accordance with PFRS 9 and BSP Circular 1011. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

#### **Reclassification**

When, and only when, the Bank changes its business model for managing financial assets, it shall reclassify all affected financial assets prospectively from reclassification date. The Bank shall not restate any previously recognized gains, losses or interest.

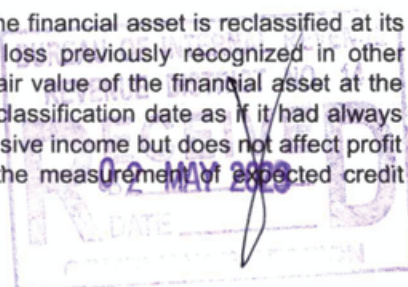
If the Bank reclassifies a financial asset from amortized cost into FVTPL, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

If the Bank reclassifies a financial asset from amortized cost into FVOCI, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The EIR and the measurement of expected credit losses are not adjusted as a result of reclassification.

If the Bank reclassifies a financial asset from FVTPL into amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

If the Bank reclassifies from FVTPL into FVOCI, the financial asset continues to be measured at fair value.

If the Bank reclassifies a financial asset from FVOCI into amortized cost, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The EIR and the measurement of expected credit





losses are not adjusted as a result of reclassification.

If the Bank reclassifies as financial assets from FVOCI into FVTPL, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment at the reclassification date.

## **Financial Liabilities**

### ***Classification and Measurement***

A financial liability is any liability that is:

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

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

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

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

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

### **Deposit Liabilities**

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

### **Accrued Expenses and Other Liabilities**

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

Dividends distributions to shareholders are recognized as financial liabilities when the dividends are declared by the Bank's Board of Directors and subject to the requirements of Section 124 of the Manual Regulations for Banks (MORB) December 2018 Edition.

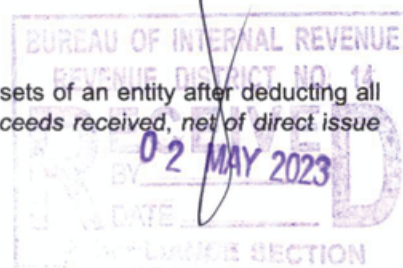
As of December 31, 2022 and 2021, the Bank has not designated any financial liabilities upon initial recognition as at FVTPL

### **Classification as Debt or Equity Instruments**

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

### **Equity Instruments**

An equity instruments is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.



Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

### **Compound Instruments**

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as *financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions* of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium or other equity. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained earnings or other equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the EIR method.

### ***Other Payables arising from contractual obligations***

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

### ***Borrowing Cost***

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

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

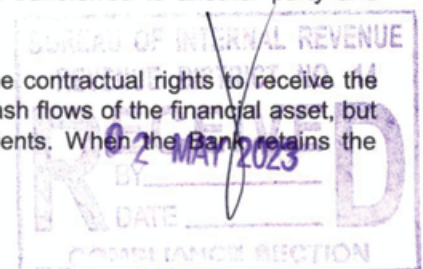
All other borrowing costs are recognized in the Statement of Comprehensive Income in the period in which they are incurred.

### **Derecognition of Financial Instruments**

#### ***Financial Assets***

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

The Banks had transferred a financial asset if, and only if, it either transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. When the Bank retains the





contractual rights to receive the cash flows of a financial assets but assumes a contractual obligation to pay those cash flows, the Bank treats the transaction as a transfer of financial asset if the following conditions are met:

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

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

#### *Financial Liabilities*

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

#### **Impairment of Financial Instruments**

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

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

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

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

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

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

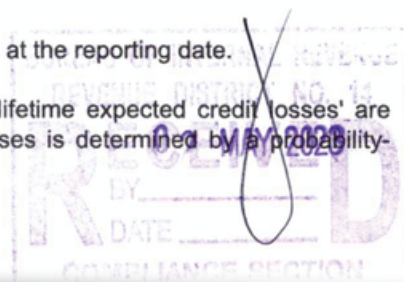
*The Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect expected collectability of the future cash flows of the instruments.*

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

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

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

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





weighted estimate of credit losses over the expected life of the financial instrument.

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

#### ***Restructured Loans***

Pursuant to the section 304 of the MORB (Past Due Accounts and Non-Performing Loans), restructured loans are defined as loans and other credit accommodations the original contractual terms and conditions of which have been modified in accordance with a formal restructuring agreement that sets forth a revised schedule of payments for the purpose of lessening the financial difficulty of the borrower and maximizing collection and realizable economic value on an obligation within a reasonable period of time. The modification may include, but is not limited to, change in principal due, maturity, interest rate and other charges, collateral, or other terms and conditions. These restructured loans are considered as past due and non-performing except if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in Statement of Income.

#### **Offsetting of Financial Instruments**

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

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

#### **Other Assets**

Other assets not classified as financial assets, bank premises, furniture, fixture and equipment, and investment property, includes prepaid assets, accounts receivable and the likes. These other assets qualifying into the *definition of assets under PAS 1 Presentation of Financial Statements are resources controlled by the Bank as a result of past events and from which future economic benefits are expected to flow to the entity.* Other assets are recognized on an accrual basis of accounting.

#### **Premises, Furniture, Fixtures and Equipment's**

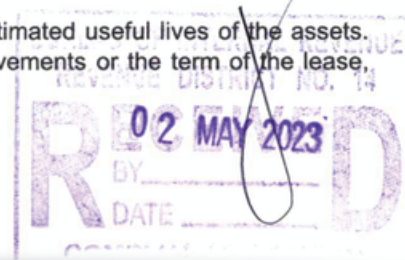
Premises, furniture, fixtures, and equipment except land, are carried at cost less accumulated depreciation and amortization and any impairment value. Land is stated at cost less any impairment value.

The initial cost of premises, furniture, fixtures and equipment's comprises its purchase price including import duties, borrowing costs (during the construction period), and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing the part of such asset when the recognition criteria are met and the estimated cost of dismantling and removing the asset and restoring the site.

Expenditures incurred after the premises, furniture, fixtures, and equipment have been put into operation, such as repairs and maintenance, are normally charged against income in the period the costs are incurred. In situations where it can be clearly determined that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs.

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

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





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

Furniture and fixtures	2 to 5 years
Transportation equipment	5 years
Building	up to 25 years
Right-of-Use Assets	6 to 20 Years

Leasehold improvements are amortized over the shorter between improvements' useful life of 20 years or the lease term.

Right-of-use assets included in the Bank's property and equipment are depreciated over the period of the lease term and the useful life of the underlying asset, whichever is shorter. If a lease transfer ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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

Fully depreciated assets are retained in the accounts at one peso (₱ 1.00) net value until they are no longer in use and no further charge for depreciation is made with respect to those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any resulting gain or loss are reflected in the income for the period. Any disposal or deletion of property and equipment from the Bank's book of accounts should be approved by the management.

#### **Investment Properties**

The Bank's investment properties comprise of acquired assets in settlement of loans. Investment properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

In accounting for investment properties, the Bank considers the provision under Section 382 of the MORB (December 2018 Edition). Real and Other Properties Acquired (ROPA) in settlement of loans through foreclosure or dation in payment are booked under investment properties:

- a. Upon entry of judgement in case of judicial foreclosure;
- b. Upon execution of the Sheriff's Certificate of Sales in case extrajudicial foreclosure; and
- c. Upon notarization of the Deed of Dacion in case of dation in payment (*dacion en pago*).

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

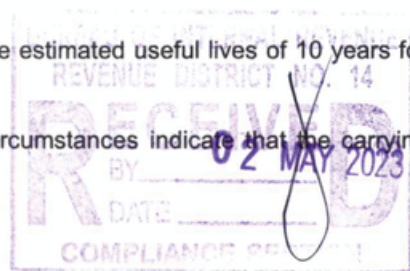
Subsequent to initial recognition, depreciable items of ROPA are carried at cost less accumulated depreciation and any impairment losses.

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

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

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of 10 years for building and 3 years other properties.

The Bank assesses impairment on assets whenever events changes in circumstances indicate that the carrying





amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review includes the following:

- a. Significant underperformance relative to expected historical or projected future operating results;
- b. Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- c. Significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets.

The Bank discloses the fair values of its investment properties in accordance with PAS 40.

Up to the date when an owner-occupied property becomes an investment property carried at fair value, the Bank depreciates the property and recognizes any impairment losses that have occurred. The Bank treats any difference at the date between the carrying amount of property as follows:

- a. Any resulting decrease in the carrying amount of the property is recognized in the Statement of Comprehensive Income. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognized in other comprehensive income and reduces revaluation surplus within equity.
- b. Any resulting increase in the carrying amount is treated as follows:
  - i). To the extent that the increase reverses a previous impairment loss for that property, the increase is recognized in Statement of Comprehensive Income. The amount recognized in Statement of Comprehensive Income does not exceed the amount needed to restore the carrying amount that would have been determined (net depreciation) had no impairment loss been recognized.
  - ii). Any remaining part of the increase is recognized in other comprehensive income and increases the revaluation surplus within equity. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to general fund. The transfer from revaluation surplus to general fund is not made through profit or loss.

#### Impairment of Non-Financial Assets

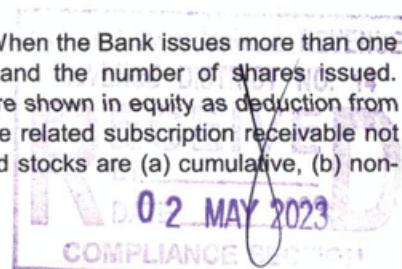
At each reporting date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exist or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the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

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

#### Equity

##### Share Capital

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





voting, and (c) non-redeemable.

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

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

#### **Retained Earning**

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

#### **Dividends**

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

#### *Earnings per Share*

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

#### *Book Value per Share*

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

#### **Revenue Recognition**

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

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

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

#### **Revenue within the scope of PFRS 15:**

##### Loan Fees and Service Charges

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

Service charges are recognized earned or accrued where there is reasonable degree as to its collectability.

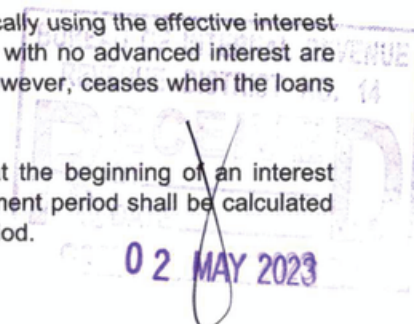
#### **Revenue outside the scope of PFRS 15:**

##### Interest Income

##### *Interest on Loans*

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

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



#### *Interest Income on Bank deposits and Debt Securities Measured at Amortized Cost*

Interest on bank deposits and held-to-maturity financial assets are recognized using the accrual method.

#### *Other Income*

Other income arises from gain on sale of financial and non-financial assets, bank fees and charges, bank commissions and miscellaneous income. Other income is recognized upon completion of the earning process and the collectibility is reasonably assured.

#### **Cost and Expense Recognition**

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

#### *Interest Expense*

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

#### *Other Expense*

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

#### **Leases**

##### ***Bank as a Lessee***

For any new contracts entered into on or after January 1, 2020, the Bank considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time exchange for consideration'. To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations which are whether:

- a. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.
- b. the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- c. the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

#### *Recognition and Initial Measurement*

At lease commencement date, the Bank recognizes a right-to-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

#### *Subsequent Measurement*

The Bank depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist.

Useful life considered in depreciating the right-of-use assets is the life of the asset or remaining term of the lease,

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whichever is shorter.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or of there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset is already reduce to zero.

#### **Bank as a Lessor**

PFRS 16 provides that a lessor shall classify leases as either an operating lease or a finance lease.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Under PFRS 16, any of the following situations would normally lead to a lease being classified as a finance lease:

- a. The lease transfers ownership of the underlying asset to the lessee at the end of the lease term.
- b. The lessee has an option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable. At the inception of the lease, it is reasonably certain that the option will be exercised.
- c. The lease term is for the major part of the economic life of the underlying asset even if title is not transferred. Under GAAP, a "major part" means at least 75% of the economic life of an asset.
- d. The present value of the lease payments amounts to substantially all of the fair value of the underlying asset at the inception of the lease. Under GAAP, "substantially all" means at least 90% of the fair value of the underlying asset.

#### **Employee Benefits**

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

##### **a. Short-term benefits**

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

##### **b. Post-employment Benefits**

The Bank maintains a defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the Bank in funds under the control of trustees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Bank are reduced by the amount of forfeited contributions. The only obligation of the Bank with respect to the retirement benefit plan is to make the specified contributions.

Members of the plan contribute to the fund five (5) percent of their basic monthly salary while the Bank shall pay to the fund as its monthly contribution equal to fifteen (15) percent of each member's basic salary. The Bank's contribution to the retirement fund is recognized in the comprehensive income in the current year incurred and is included in compensation and fringe benefits.

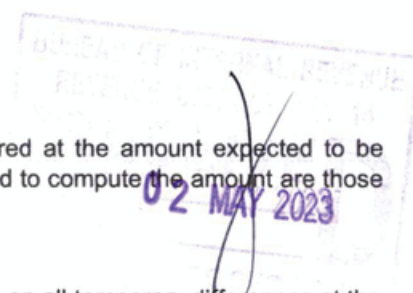
#### **Income Taxes**

##### **Current tax**

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

##### **Deferred tax**

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



purposes.

Deferred tax liabilities are recognized for all taxable temporary differences with exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carry forward of unused excess MCIT over RCIT and unused NOLCO can be utilized.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

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

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

Current income tax and deferred income tax relating to items recognized directly in equity is recognized in OCI, and not in profit or loss.

#### **Related Party Relationships and Transactions**

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

#### **Provisions**

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available on balance sheet 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 at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligation is considered *improbable or remote, or the amount to be provided 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 an asset are considered contingent assets, hence not recognized in the financial assets.*

#### **Contingencies**

Contingent liabilities are not recognized in the financial statements but they are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. *Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefit is probable.*



### Events after Reporting Date

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

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## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

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

### Judgments

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

#### a. Classification of financial instruments

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

#### b. Determination of Functional currency

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

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

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

#### c. Recognition of Provision and Contingencies

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

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

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

REVENUE  
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**Estimates**

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

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

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

*b. Allowance for Credit Losses*

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

Individually assessed loans and other credit accommodations (which include other credits such as accounts receivables, sales contract receivables, accrued interest receivables and advances):

Loans and other credit accommodation with unpaid principal and/or interest is being classified and provided with allowance for credit losses (ACL) based on the number of days missed payments as follows:

For unsecured loans and credit accommodations:

Number of days Unpaid/with missed	Classification	Minimum ACL	Stage
31 - 90 days	Substandard	10%	2
91 - 120 days	Substandard (Non Performing)	25%	3
121 - 180- days	Doubtful	50%	3
180 days and over	Loss	100%	3

For secured loans and other credit accommodations:

Number of days Unpaid/with missed	Classification	Minimum ACL	Stage
31 - 90 days*	Substandard	10%	2
91 - 180 days	Substandard (Non Performing)	10%	3
181 - 365- days	Substandard (Non Performing)	25%	3
Over 1 year – 5 years	Doubtful	50%	3
Over 5 years	Loss	100%	3

\*When there is imminent possibility of foreclosure and expectation of loss, ACL shall be increased to 25%

Provided that where the quality of physical collateral or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances are treated as if unsecured.

Loans and other credit accommodations that exhibit the characteristics for classified account is being provided with allowance for credit losses as follows: Classified Loans

Classification	Minimum ACL	Stage
Especially Mentioned	5%	2
Substandard – Secured	10%	2 or 3*
Substandard – Unsecured	25%	2 or 3*
Doubtful	50%	3
Loss	100%	3

\*The stage depends on whether the accounts are classified as non-performing (Stage 3) or underperforming (Stage 2).

Unsecured loans and other credit accommodations classified as "substandard" in the last two (2) internal credit reviews which have been continuously renewed or extended without reduction in principal and is not in process of collection, is downgraded to "doubtful" classification and provided with 50% allowance for credit losses.

Loans and other credit accommodations under litigation which have been classified as "pass" prior to litigation process is classified as "substandard" and provided with 25% ACL.

Loans and other credit accommodations that were previously classified as "pass" but were subsequently restructured shall have a minimum classification of "especially mentioned" and provided with a 5% ACL, except for loans which are considered non-risk under existing laws, rules and regulations.

Classified loans and other credit accommodations that were subsequently restructured shall retain their classification and provisioning until the borrower has sufficiently exhibited that the loan will be repaid.

Collectively Assessed Loans and Other Credit Accommodations which includes microfinance loans, micro enterprises and small business loans and consumer loans such as salary loans, credit card receivables, auto loans, housing loans and other consumption loans, and other types of loan which fall below the Bank's materiality threshold for individual assessment:

Current "pass" loans and other credit accommodations is provided with ACL based on the number of days of missed payments as follows:

For unsecured loans and other credit accommodations:

Number of days Unpaid/with missed payments	Classification	Minimum ACL	Stage
1-30 days	Especially Mentioned)	2%	2
31-60 days/1st restructuring	Substandard	25%	2 or 3
61-90 days	Doubtful	50%	3
91 days and over/ 2nd restructuring	Loss	100%	3

For secured loans and other credit accommodations:

No. of Days Unpaid/With Missed Payments	Classification	Allowance for Credit Losses (ACL)		Stage
		Other types of collateral	Secured by real estate	
31 - 90 days	Substandard (Underperforming)	10%	10%	2
91 - 120 days	Substandard (Non-performing)	25%	15%	3
121 - 360 days	Doubtful	50%	25%	3
361 days - 5 years	Loss	100%	50%	3
Over 5 years	Loss	100%	100%	3

Provided, that where the quality of physical collaterals or financial guarantees securing the loans and advances are determined to be insufficient, weak or without recoverable values, such loans and advances is treated as if these are unsecured. Unclassified loans and receivables-General loan loss provision.

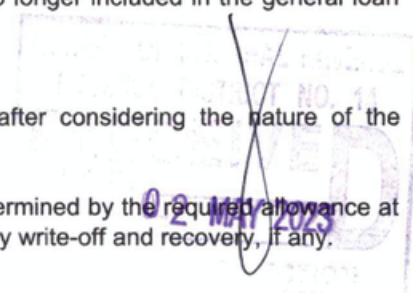
For unclassified loans:	
Unclassified restructured loans	5% of the borrower's outstanding loan
Unclassified other than restructured	1% of the borrower's outstanding loan

Outstanding loans that were already subjected to specific provisioning were no longer included in the general loan loss provisioning as shown above.

#### Other Risk Assets

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

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





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

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

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

d. *Useful life of Depreciable Investment Property*

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

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

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

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

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

f. *Recognition of Retirement Costs*

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

g. *Recognition of Deferred Tax Assets*

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

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## 5. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

### Credit Risk

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

Additionally, the tables below show the distribution of maximum credit exposure by industry sector of the Bank as at December 31, 2022 and 2021:

2022								
		Loans Receivables*		Due from BSP and Other Banks		Debt Securities Measured at Amortized Cost		Total
Agriculture, Forestry and Fishing	P	209,032,462	P	-	P	-	P	209,032,462
Financial Institutions				91,533,659		29,000,000		120,533,659
Manufacturing		9,809,177						9,809,177
Electricity, Gas, Steam and Airconditioning Supply		247,120						247,120
Water supply, Sewerage, Waste Management and Remediation Activities		86,539						86,539
Construction		49,097,512						49,097,512
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal		99,350,313						99,350,313
Accommodation and food service activities		14,937,807						14,937,807
Transportation and storage		11,301,100						11,301,100
Real Estate Activities		271,181,411						271,181,411
Education		1,186,203						1,186,203
Human Health and Social Work Activities		3,095,909						3,095,909
Other Service Activities		56,904,380						56,904,380
Activities of Household as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own use.		73,010,334						73,010,334
<b>Total</b>	<b>P</b>	<b>799,240,267</b>	<b>P</b>	<b>91,533,659</b>	<b>P</b>	<b>29,000,000</b>	<b>P</b>	<b>919,773,926</b>

\*amount is net of unamortized discount

2021								
		Loans Receivables*		Due from BSP and Other Banks		Debt Securities Measured at Amortized Cost		Total
Agriculture, Forestry and Fishing	P	232,307,181	P	-	P	-	P	232,307,181
Financial institutions				129,018,311		24,000,000		153,018,311
Manufacturing		8,966,592						8,966,592
Electricity, Gas, Steam and Airconditioning Supply		708,729						708,729
Construction		32,992,296						32,992,296
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal		46,715,664						46,715,664
Accommodation and food service activities		11,136,372						11,136,372
Transportation and storage		10,988,390						10,988,390
Real Estate Activities		178,049,656						178,049,656
Education		1,215,234						1,215,234
Other Service Activities		49,843,737						49,843,737
Activities of Household as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own use.		63,540,642						63,540,642
<b>Total</b>	<b>P</b>	<b>636,464,493</b>	<b>P</b>	<b>129,018,311</b>	<b>P</b>	<b>24,000,000</b>	<b>P</b>	<b>788,774,075</b>

\*amount is net of unamortized discount

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Credit quality per class of financial assets

The tables below show the credit quality per class of financial assets as at December 31, 2022 and 2021:

		2022						
		High grade	Standard grade	Past due but not impaired		Impaired	Total	
Due from BSP	P	11,260,872	P	-	P	-	11,260,872	
Due from other banks		80,272,787					80,272,787	
Debt Securities Measured at Amortized Cost		29,000,000					29,000,000	
Loans Receivable		686,026,280		9,621,525	101,404,810	2,187,652	799,240,267	
Sales Contract Receivable		5,565,771		4,315,422	825,646		10,706,838	
Accrued Interest Receivable		18,379,139					18,379,139	
Other receivables:								
Accounts receivable		867,211		101,392	606,361	-	1,574,964	
Accrued Interest Income - Others		227,388					227,388	
	P	831,599,449	P	14,038,338	102,836,817	2,187,652	950,662,256	

		2021						
		High grade	Standard grade	Past due but not impaired		Impaired	Total	
Due from BSP	P	5,949,184	P	-	P	-	5,949,184	
Due from other banks		123,069,127					123,069,127	
Debt Securities Measured at Amortized Cost		24,000,000					24,000,000	
Loans Receivable*		529,979,996		6,414,352	97,228,843	2,841,302	636,464,493	
Sales Contract Receivable		8,363,307		3,954,820	3,911,908	-	16,230,035	
Accrued Interest Receivable		14,362,493				395,669	14,758,162	
Other receivables:								
Accounts receivable		387,835			671,259		1,058,894	
	P	706,111,742	P	10,369,172	101,812,010	3,236,971	821,529,894	

\*Amount is net of Unamortized Discount

Aging analysis of past due but not impaired loans and receivables

The following tables show the total aggregate amount of loans and receivables that are contractually past due but not considered impaired per delinquency bucket as at December 31, 2022 and 2021.

		2022						
		1 to 90 Days	91 to 180 days	180 days up	Total			
Receivable from customers:								
Loans Receivables	P	18,504,045	P	10,129,226	P	82,393,063	P	111,026,334
	P	18,504,045	P	10,129,226	P	82,393,063	P	111,026,334

		2021						
		1 to 90 Days	91 to 180 days	180 days up	Total			
Receivable from customers:								
Loans Receivables	P	6,769,840	P	23,608,879	P	73,264,475	P	103,643,195
	P	6,769,840	P	23,608,879	P	73,264,475	P	103,643,195

Market Risk

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

Interest rate risk

The Bank's loan receivables earn effective interest rates ranging from 6.00% to 36.00% for 2022 and 2021, respectively. The Bank's interest rate on its deposit liabilities is ranging from 0.50% to 3.50% since 2022 to year end 2021.



However, the Bank earns ranging from 0.25% to 4% on its savings deposits with other Banks.

### Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of the financial instruments will fluctuate because of changes in interest rates. The Bank's cash equivalents are mostly invested in fixed interest rates on its duration and therefore exposed to fair value interest rate risk but not to cash flow interest rate risk.

Loan receivables and interest bearing liabilities are sized as to interest rate and maturity to make a reasonable analysis of the degree of risk associated with lending and borrowings.

### Cash Flow Interest Rate Risk

This is the risk that future cash flows of the financial instrument will fluctuate because of changes in market interest rates. In the case of a floating rate debt instrument. Fluctuation results in a change in effective interest rate of a financial instrument usually without a corresponding change in its fair value.

### Liquidity Risk

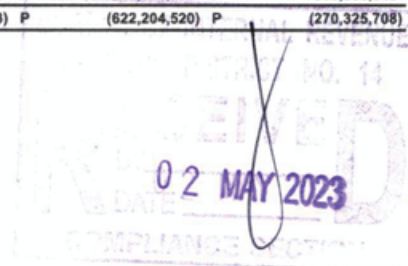
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. It may result from either inability to sell financial assets quickly at their fair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

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

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

	2022					Total				
	0 - 3 mos	3 - 6 mos	6 - 12 mos	Beyond 1 year						
<b>Financial Liabilities:</b>										
Deposit liabilities	P	470,998,992	P	43,599,123	P	47,817,316	P	35,901	P	562,451,332
Bills Payable								19,400,000		19,400,000
Accrued Interest, Taxes and Others Expense Payable		474,645		451,898		316,585		3,098		1,246,224
<b>Other Liabilities:</b>										
Accounts Payable		105,966,898								105,966,898
Finance Lease Payable		10,677		10,852		22,240		1,421,112		1,464,881
<b>Total Financial Liabilities</b>	<b>P</b>	<b>577,451,212</b>	<b>P</b>	<b>44,061,872</b>	<b>P</b>	<b>48,156,140</b>	<b>P</b>	<b>20,860,111</b>	<b>P</b>	<b>690,529,335</b>
<b>Financial Assets:</b>										
Cash and other cash items	P	10,139,146	P	-	P	-	P	-	P	10,139,146
Due from BSP		11,260,872		-		-		-		11,260,872
Due from other banks		72,187,022		1,084,497		7,001,268		-		80,272,787
Debt Securities Measured at Amortized Cost		-		-		4,000,000		25,000,000		29,000,000
Loans receivable (a)		64,027,356		67,891,012		70,897,739		596,424,160		799,240,267
Sales Contract Receivable						152,649		10,554,189		10,706,838
Accrued Interest Receivable		4,035,627		2,123,604		1,133,627		11,086,281		18,379,139
<b>Other Assets</b>										
Accounts receivable		1,628,605		-		-		-		1,628,605
Accrued Interest Income - Others		227,388								227,388
<b>Total Financial Assets</b>	<b>P</b>	<b>163,506,017</b>	<b>P</b>	<b>71,099,112</b>	<b>P</b>	<b>83,185,283</b>	<b>P</b>	<b>643,064,630</b>	<b>P</b>	<b>960,855,043</b>
<b>Liquidity Position (Gap)</b>	<b>P</b>	<b>413,945,195</b>	<b>P</b>	<b>(27,037,240)</b>	<b>P</b>	<b>(35,029,143)</b>	<b>P</b>	<b>(622,204,520)</b>	<b>P</b>	<b>(270,325,708)</b>

(a) Net of unamortized loan discount P33





	2021					Total				
	0 - 3 mos	3 - 6 mos	6 - 12 mos	Beyond 1 year						
<b>Financial Liabilities:</b>										
Deposit liabilities	P	430,726,949	P	28,853,359	P	22,329,140	P	7,119,700	P	489,029,148
Bills Payable										-
Accrued Interest Expense		463,574		198,313		188,019		741,059		1,590,965
<b>Other Liabilities:</b>										
Accounts payable		80,367,216								80,367,216
Finance Lease Payable		6,949		18,936		19,211		1,454,514		1,499,609
<b>Total Financial Liabilities</b>	<b>P</b>	<b>511,557,740</b>	<b>P</b>	<b>29,051,673</b>	<b>P</b>	<b>22,517,159</b>	<b>P</b>	<b>7,860,758</b>	<b>P</b>	<b>570,987,329</b>
<b>Financial Assets:</b>										
Cash and other cash items	P	3,184,279	P	-	P	-	P	-	P	3,184,279
Due from BSP		5,949,184		-		-		-		5,949,184
Due from other banks		112,010,010		11,059,117		-		-		123,069,127
Debt Securities Measured at Amortized Cost								24,000,000		24,000,000
Loans and receivable (a)		55,198,018		73,725,937		100,070,146		407,470,392		636,464,493
Sales Contract Receivable						75,200		16,154,835		16,230,035
Accrued Interest Receivable		3,017,500		4,045,966		2,034,857		5,264,170		14,362,493
<b>Other Assets</b>										
Accounts Receivable		1,058,894		-		-		-		1,058,894
<b>Total Financial Assets</b>	<b>P</b>	<b>180,417,885</b>	<b>P</b>	<b>88,831,020</b>	<b>P</b>	<b>102,180,203</b>	<b>P</b>	<b>452,889,397</b>	<b>P</b>	<b>824,318,506</b>
<b>Liquidity Position (Gap)</b>	<b>P</b>	<b>331,139,855</b>	<b>P</b>	<b>(59,779,348)</b>	<b>P</b>	<b>(79,663,044)</b>	<b>P</b>	<b>(445,028,639)</b>	<b>P</b>	<b>(253,331,176)</b>

(a) Net of unamortized loan discount P676

## Operational Risks

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

The primary responsibility of the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following area:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

## Minimum Liquidity Ratio (MLR)

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

On March 26, 2020, the Monetary Board in its Resolution No. 427.B issues the Memorandum No. M-2020-020 reducing the MLR from twenty percent (20%) to sixteen percent (16%) to address the increasing liquidity risk

exposure of the Banks arising from higher demands for funds by depositors, borrowers or both brought by the COVID-19 outbreak the implementation of community quarantine until December 31, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the reducing of MLR of stand-alone thrift, rural, and cooperative banks until the end of December 31, 2022.

As of December 31, 2022, the Bank has a Minimum Liquidity Ratio of 20.313%.

	2022		2021	
<b>PART I. MINIMUM LIQUIDITY RATIO (MLR)</b>				
A. Stock of Liquid Assets	P	123,978,559	P	155,817,449
B. Qualifying Liabilities		610,249,375		494,911,719
Minimum Liquidity Ratio		20.316%		31.484%
<b>PART II. STOCK OF LIQUID ASSETS</b>				
Cash on Hand		3,444,900		2,799,138
Bank Reserves in the BSP		11,260,872		5,949,184
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP		29,000,000		24,000,000
Deposits in Other Banks		80,272,787		123,069,127
		123,978,559		155,817,449
<b>PART III. QUALIFYING LIABILITIES</b>				
A. Qualifying Liabilities				
1. Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below	181,031,788	90,515,894	178,416,421	89,208,210
2. Obligations arising from operational expenses			584,119,929	
3. Total on Balance Sheet Liabilities	700,765,269			
4. Deduct: [Sum of A1 to A2]	181,031,788	90,515,894	178,416,421	89,208,210
B. Other non-balance sheet liabilities (Item A.3 less A.4)	519,733,482	519,733,482	405,703,508	405,703,508
C. Irrevocable obligations under off-balance sheet items		-		
D. Total (Sum of Adjusted Amount of Item A(1), A(2), B and C)		610,249,375		494,911,719

## 6. CASH AND CASH EQUIVALENTS

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

	2022		2021	
<b>6.1. Cash and Other Cash items</b>				
Cash on Hand and in Vault	P	3,444,900	P	2,799,138
Check and Other Cash Items		6,694,246		385,141
<b>Total cash and other cash items</b>		<b>10,139,146</b>		<b>3,184,279</b>
<b>6.2. Due from BSP and other Banks</b>				
Due from Bangko Sentral ng Pilipinas		11,260,872		5,949,184
Due from Other Banks		80,272,787		123,069,127
<b>Total</b>		<b>91,533,659</b>		<b>129,018,311</b>
<b>Total Cash and Cash Equivalents</b>	<b>P</b>	<b>101,672,805</b>	<b>P</b>	<b>132,202,590</b>

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

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

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

Name of Banks	2022	%
Agribusiness Rural Bank, Inc.	P 524,339	0.65%
Banco De Oro BDO	2,909,474	3.62%
Bank of the Philippine Island	258,446	0.32%
China Banking Corporation	2,789,313	3.47%
Cooperative Bank of Nueva Vizcaya	7,001,268	8.72%
Cordillera Savings Bank, Inc.	4,689,878	5.84%
Development Bank of the Philippines	2,069,752	2.58%
East West Bank	2,644,672	3.29%
Land Bank of the Philippines	10,075,570	12.55%
Metropolitan Bank & Trust Company	4,950,682	6.17%
Philippine National Bank	1,460,658	1.82%
Philippine Savings Bank	138,617	0.17%
Producers Bank	1,970,981	2.46%
Rizal Commercial Banking Corporation	830,060	1.03%
Rural Bank of Bagabag RB	294,486	0.37%
Rural Bank of Bayombong Inc.	23,774	0.03%
United Coconut Planters Bank	37,640,817	46.89%
<b>Total</b>	<b>P 80,272,787</b>	<b>100.00%</b>

Under Sec.362g of the Manual of Regulations for Banks, loans and other credit accommodations as well as deposits and usual guarantees by a bank to any other bank whether locally or abroad shall be subject to the Single Borrower's Limit of 25% of the Net worth as herein prescribed or ₱100 Million whichever is higher. Provided that the lending bank shall exercise proper due diligence in selecting a depository bank and shall formulate appropriate policies to address the corresponding risks involved in the transactions. On March 19, 2020, the Monetary Board, on its Resolution issued the Memorandum No. M-2020-011 increasing the single borrower's limit (SBL) from 25% to 30% for a period of six (6) months from March 19, 2020. On January 13, 2022, the Monetary Board in its Resolution No. 65 issues the Memorandum No. M-2022-004 to prolonged or extend the effectivity of the single borrower's limit for Philippine banks and foreign bank branches until end of December 31, 2022.

As of December 31, 2022, the Bank's SBL was registered at ₱88,263,596 and as per BSP Manual of Regulations, banks are exempted on the ceiling of single borrower's limit (SBL) on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for clearing operation.

As of December 31, 2022, none of the Banks has exceeded the prescribed limit or ₱ 100 million under Circular No. 734 Series of 2011.

Cash in bank represents savings account in local bank. Savings account earns interest at 0.01% to 4.15% for the year 2021 to year end 2022.

Interest income from bank accounts and short-term cash deposits amounted ₱371,852 and ₱512,139 in 2022 and 2021, respectively.

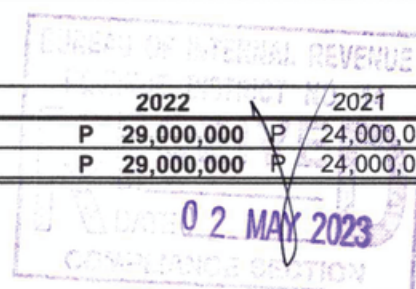
The Bank reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

The Bank holds no cash and cash equivalents in 2022 and 2021 which are not available for use by Bank.

## 7. DEBT SECURITIES MEASURED AT AMORTIZED COST

This account consists of:

	2022	2021
Book Value	P 29,000,000	P 24,000,000
<b>Total</b>	<b>P 29,000,000</b>	<b>P 24,000,000</b>





Particular	Interest Rate	2022	2021
Treasury Bonds	3.630%	P 2,000,000	P 2,000,000
Retail Treasury Bond	3.250% to 5.880%	27,000,000	22,000,000
<b>Total Face Amount</b>		<b>P 29,000,000</b>	<b>P 24,000,000</b>

Treasury bonds pertain to investments in Metropolitan Bank Trust Company which bear annual interest rates 3.630% p.a. for 2022 and 2021.

Retail treasury bonds are investment with Metropolitan Bank Trust Company, Philippine National Bank, Land Bank of the Philippines, EastWest Bank and Bank of the Philippine Islands which earn interest ranging from 3.250% to 5.880%p.a. for the year 2022 and 2021.

As of December 31, 2022 and 2021, no amount of these financial assets are used as collateral for liabilities or contingent liabilities.

Interest income from investments accounts and short-term cash deposits amounted ₱1,129,303 and ₱811,017 in 2022 and 2021, respectively.

## 8. LOANS AND RECEIVABLES

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

	2022	%	2021	%
Current Loans	P 686,026,313	85.83%	P 529,980,672	83.27%
Past Due Loans				
Performing	9,621,525	1.20%	3,573,048	0.56%
Non-Performing	101,404,808	12.69%	100,070,145	15.72%
Items in Litigation	2,187,654	0.27%	2,841,304	0.45%
<b>Total</b>	<b>799,240,300</b>	<b>100.00%</b>	<b>636,465,169</b>	<b>100.00%</b>
Less: Unamortized Interest and Discount	33		676	
<b>Total, net of discount</b>	<b>799,240,267</b>		<b>636,464,493</b>	
Less: Allowance for Credit Losses				
Specific	32,353,930		22,803,309	
General	5,475,615		4,044,519	
<b>Total Loans Receivables</b>	<b>761,410,721</b>		<b>609,616,665</b>	
Sales Contract Receivables	9,881,192		12,318,127	
Accrued Interest Receivable	18,379,139		14,362,493	
<b>Total Loans Receivables-net</b>	<b>P 789,671,052</b>		<b>P 636,297,285</b>	

The Bank's loan accounts are stated at the outstanding balance, reduced by estimated allowance for credit losses and unearned interest and discounts. These receivables can be received either by cash or check payments.

Loans and receivables earn interest income at interest rates ranging 6.00% to 36.00% in 2022 and 2021, respectively. Total earned interest amounts to ₱88,330,696 and ₱73,843,830 for 2022 and 2021, respectively.

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

*Classification of loans: (Net of Unamortized Discounts)*

**As to Maturity:**

	2022	%	2021	%
Due within one (1) year	P 202,816,107	25.38%	P 231,950,432	36.44%
Due beyond one (1) year to five (5) years	368,401,843	46.09%	251,490,045	39.51%
Due beyond five (5) years	228,022,316	28.53%	153,024,015	24.04%
<b>Total Loan Portfolio</b>	<b>P 799,240,267</b>	<b>100.00%</b>	<b>P 636,464,493</b>	<b>100.00%</b>

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**As to Status**

	2022	%	2021	%
Current Loans	P 686,026,280	85.83%	P 529,979,996	87.85%
Past Due Loans	111,026,332	13.89%	103,643,193	10.02%
Items in Litigation	2,187,654	0.27%	2,841,304	2.13%
<b>Total Loan Portfolio</b>	<b>P 799,240,267</b>	<b>100.00%</b>	<b>P 636,464,493</b>	<b>100.00%</b>

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

	2022	2021
Balance at beginning of year	P 26,847,828	P 25,833,182
Provision (IS)	15,705,441	7,068,034
Accounts Written-Off	(2,967,506)	(5,961,784)
Transfers Loans to ROPA	(1,756,217)	
Transfers sales contract receivable to Loans	-	199,199
Transfers loans to sales contract receivable	-	(290,803)
<b>Balance at end year</b>	<b>P 37,829,546</b>	<b>P 26,847,828</b>

The total Allowance for Credit Losses of ₱37,829,546 which composed of specific loan loss provisions and general loan loss provision as stated above is in compliance with the BSP Memorandum Circular 1011.

In compliance with the regulations of the BSP, the Bank strictly adheres to the setting up of the valuation allowance for risk assets based on Circular 1011 and Appendix 15 of the MORB. The Bank reviews the quality of its loan portfolio and prepares a quantitative classification of its risk assets including loans.

**Sales Contract Receivable**

Sales contract receivable represents assets acquired in settlement of loans through foreclosure or dacion en pago subsequently sold on installment basis whereby the title to the property is transferred to the buyers only upon full payment of the account. Under Sec.x394.3 of the MORB, sales contract receivable shall be recorded based on the present value of the installment receivable discounted at the imputed rate of interest. Discount is amortized over the term 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 the income statement at the date of sale in accordance with the provisions of PAS 18 "Revenue". SCRs shall also be subject to impairment provision of PAS 39.

This account consists of:

	2022	2021
Performing	P 5,565,771	P 8,363,307
Non- performing	5,141,068	7,866,728
Total	10,706,838	16,230,035
Less: Allowance for Credit Losses	825,646	3,911,908
Unearned Income	-	
<b>Sales Contract Receivable-net</b>	<b>P 9,881,192</b>	<b>P 12,318,127</b>

Movements in the allowance for credit losses related to sales contract receivable follow:

	2022	2021
Balance at beginning of year	P 3,911,908	P 2,467,743
Provision (IS)	(3,086,262)	1,352,561
Transfers sales contract receivable to Loans		91,604
<b>Balance at end year</b>	<b>P 825,646</b>	<b>P 3,911,908</b>





**9. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT**

This account is consists of:

		2022		
	Cost	Accumulated Depreciation/ Amortization	Net Carrying Amount	
Land	P 13,494,253		P	13,494,253
Building	34,398,147	13,097,917		21,300,231
Leasehold Rights and Improvements	3,109,234	838,998		2,270,236
Furniture, Fixtures and Equipment	19,541,757	15,622,368		3,919,389
Transportation Equipment	14,642,170	11,452,262		3,189,908
Right-of-Use Assets	1,575,701	346,162		1,229,539
<b>Total</b>	<b>P 86,761,263</b>	<b>P 41,357,707</b>	<b>P</b>	<b>45,403,556</b>

		2021		
	Cost	Accumulated Depreciation/ Amortization	Net Carrying Amount	
Land	P 13,494,253	P -	P	13,494,253
Building	34,295,010	11,676,648		22,618,362
Leasehold Rights and Improvements	3,109,234	675,417		2,433,817
Furniture, Fixtures and Equipment	17,600,788	13,905,929		3,694,859
Transportation Equipment	11,616,680	10,675,875		940,805
Right-of-Use Assets	1,575,701	256,741		1,318,960
<b>Total</b>	<b>P 81,691,666</b>	<b>P 37,190,610</b>	<b>P</b>	<b>44,501,056</b>

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2022 and 2021 is shown below:

		2022				
	Balance at beginning of year	Additions	Disposals	Reclassification	Balance at end of year	
<b>Cost</b>						
Land	P 13,494,253				P 13,494,253	
Building	34,295,010	103,135			34,398,145	
Leasehold Rights and Improvements	3,109,234				3,109,234	
Furniture, Fixtures and Equipment	17,600,788	1,940,969			19,541,757	
Transportation Equipment	11,616,680	3,025,490			14,642,170	
Right-of-Use Assets	1,575,701				1,575,701	
<b>Total</b>	<b>P 81,691,666</b>	<b>P 5,069,595</b>	<b>P -</b>	<b>P -</b>	<b>P 86,761,261</b>	
<b>Accumulated Depreciation</b>						
Land	P -				P -	
Building	11,676,648	1,421,270			13,097,918	
Leasehold Rights and Improvements	675,417	163,580			838,997	
Furniture, Fixtures and Equipme	13,905,929	1,716,439			15,622,368	
Transportation Equipment	10,675,875	776,385			11,452,260	
Right-of-Use Assets	256,741	89,421			346,162	
<b>Total</b>	<b>P 37,190,610</b>	<b>P 4,167,095</b>	<b>P -</b>	<b>P -</b>	<b>P 41,357,705</b>	
<b>Net carrying amount</b>	<b>P 44,501,056</b>	<b>P 902,500</b>	<b>P -</b>	<b>P -</b>	<b>P 45,403,556</b>	





		2021						
		Balance at beginning of year	Additions	Disposals	Reclassification/ Adjustments	Balance at end of year		
<b>Cost</b>								
Land	P	13,494,253	P	-	P	-	P	13,494,253
Building		32,366,710		1,745,800		-		34,295,010
Leasehold Rights and Improveme		3,092,662		16,572				3,109,234
Furniture, Fixtures and Equipment		15,311,036		2,247,810			41,942	17,600,788
Transportation Equipment		11,616,680						11,616,680
Right-of-Use Assets		1,575,701						1,575,701
<b>Total</b>	<b>P</b>	<b>77,457,042</b>	<b>P</b>	<b>4,010,182</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>81,691,666</b>
<b>Accumulated Depreciation</b>								
Land	P	-	P	-	P	-	P	-
Building		10,366,309		1,349,506			(39,167)	11,676,648
Leasehold Rights and Improveme		560,646		114,771		-	-	675,417
Furniture, Fixtures and Equipment		11,625,819		2,241,062		-	39,048	13,905,929
Transportation Equipment		9,871,675		804,200		-	-	10,675,875
Right-of-Use Assets		167,320		89,421		-	-	256,741
<b>Total</b>	<b>P</b>	<b>32,591,769</b>	<b>P</b>	<b>4,598,960</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>37,190,610</b>
<b>Net carrying amount</b>	<b>P</b>	<b>44,865,273</b>	<b>P</b>	<b>(588,778)</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>44,501,056</b>

Depreciation amounting to ₱4,641,827 and ₱5,276,506 in 2022 and 2021, respectively, are shown as separate components of operating expenses in the Statements of Comprehensive Income.

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

The value of the Bank premises, furniture, fixtures and equipment of ₱45,403,556, net of accumulated depreciation, as of December 31, 2022 is 15.43% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Section 109).

The Bank, after due consideration of the assessment of its impairment, believes that there are no indications that the property and equipment as of December 31, 2022 and 2021 are impaired or its carrying amount cannot be recovered.

## 10. INVESTMENT PROPERTIES

This account is consisting of real estate properties acquired by the Bank in settlement of loans which were recognized as ROPA and accounted for as investment properties to conform with PAS 40. Under Sec. 382, ROPA shall be booked initially at the carrying amount of the loan plus booked accrued interest less allowance for credit losses plus transaction costs such as capital gains tax and documentary stamp tax. Breakdown of this account follows:

This account is consists of:

	2022		2021	
Land	P	14,557,886	P	13,179,729
Building		4,670,451		4,411,776
Other Properties Acquired		1,280,458		520,958
<b>Total</b>		<b>20,508,795</b>		<b>18,112,463</b>
Less: Accumulated Depreciation		2,710,022		2,241,116
<b>Net Carrying Amount</b>	<b>P</b>	<b>17,798,773</b>	<b>P</b>	<b>15,871,347</b>



Details of the Bank's Investment Properties are as follows:

2022	Land	Building	Other Properties	Total
<b>Cost</b>				
Balance, January 1	P 13,179,729	P 4,411,776	P 520,958	P 18,112,463
Additions	3,046,238	806,023	759,500	4,611,761
Disposals	(1,668,081)	(547,348)	-	(2,215,429)
Balance, December 31	P 14,557,886	P 4,670,451	P 1,280,458	P 20,508,795
<b>Accumulated Depreciation</b>				
Balance, January 1	P -	P 2,027,900	P 213,216	P 2,241,116
Additions	-	345,838	128,894	474,732
Disposals	-	(106,579)	-	(106,579)
Adjustments	-	100,754	-	100,754
Balance, December 31	P -	P 2,367,912	P 342,110	P 2,710,022
Carrying Amount	P 14,557,886	P 2,302,539	P 938,348	P 17,798,773

2021	Land	Building	Other Properties Acquired	Total
<b>Cost</b>				
Balance, January 1	P 13,275,669	P 4,028,737	P 208,000	P 17,512,406
Additions	2,698,686	1,139,697	312,958	4,151,341
Disposals	(2,794,626)	(756,658)	-	(3,551,284)
Balance, December 31	P 13,179,729	P 4,411,776	P 520,958	P 18,112,463
<b>Accumulated Depreciation</b>				
Balance, January 1	P -	P 1,449,795	P 208,000	P 1,657,795
Additions	-	672,330	5,216	677,546
Disposals	-	(94,225)	-	(94,225)
Balance, December 31	P -	P 2,027,900	P 213,216	P 2,241,116
Carrying Amount	P 13,179,729	P 2,383,876	P 307,742	P 15,871,347

As at December 31, 2022 and 2021, the Bank did not provide additional allowance for credit losses on Investment Property.

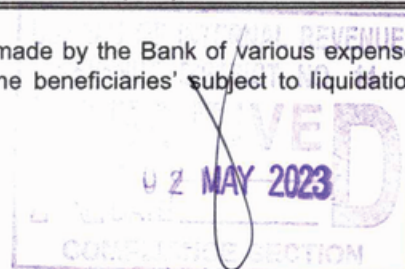
As of December 31, 2022 and 2021, no amount of investment in property was used as collateral for liabilities. Additions to investment property during the year are through transfer of loans receivables to ROPA account.

## 11. OTHER ASSETS

This account is consists of:

	2022	2021
<b>Financial Assets</b>		
Accounts Receivables	P 1,628,605	P 1,058,894
Accrued Interest Income - Others	227,388	-
<b>Non-Financial Assets</b>		
Prepaid Expenses	232,866	205,606
Miscellaneous Assets	38,770	41,770
Petty Cash Fund	14,000	14,000
Stationary and Supplies	111,344	188,148
Total	2,252,973	1,508,418
Less: Allowance for Probable Losses	773,711	671,259
<b>Net Other Assets</b>	<b>P 1,479,262</b>	<b>P 837,159</b>

The Accounts Receivable represents various advances and payments made by the Bank of various expenses and/or transactions and were charged to the respective accounts of the beneficiaries' subject to liquidation. Prepaid Expenses are future expenses that have been paid in advance.





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

	2022		2021	
Balance at beginning of year	P	671,259	P	443,398
Provision (IS)		294,428		227,861
Reversal of provisions		(191,976)		-
Balance at end year	P	773,711	P	671,259

## 12. DEPOSIT LIABILITIES

This account is consists of:

	2022		2021			
		%		%		
Saving Deposit	P	337,856,270	60.07%	P	320,806,121	65.60%
Time Deposit		185,738,017	33.02%		131,458,932	26.88%
Demand Deposit		38,857,045	6.91%		36,764,095	7.52%
<b>Total Deposit Liabilities</b>	<b>P</b>	<b>562,451,332</b>	<b>100.00%</b>	<b>P</b>	<b>489,029,148</b>	<b>100.00%</b>

Savings Deposits are composed of regular savings accounts which are withdrawable upon demand and those with special terms and withdrawable at certain period of time. The total deposits for the year increased by P73,422,184 or 15.01% over the figures of 2021.

For the year 2022 and 2021, savings deposit carries an interest rate of 0.50%. The Bank's time deposit carries interest rate ranging from 1.50% to 3.50%, for the years 2022 and 2021, respectively.

On March 23, 2020, the Monetary Board in its Resolution No. 423 approved a reduction of 100 basis points in the reserve requirement (RR) ratios of deposits and deposit substitute liabilities of thrift banks (TBs), rural banks (RBs) and cooperative banks (Coop Banks) decreasing the reserve requirement to two percent (2%). The required reserve as of December 31, 2021 amounted to P 11,249,027 or 2% of the total deposit liabilities. This amount is in the form of deposit with Bangko Sentral ng Pilipinas which has a balance of P11,260,872 as at December 31, 2022 which is higher than the required reserves for rural banks.

Interest expense on deposit liabilities charged to profit or loss in 2022 and 2021 amounted to P6,518,871 and P5,984,259, respectively.

## 13. BILLS PAYABLE

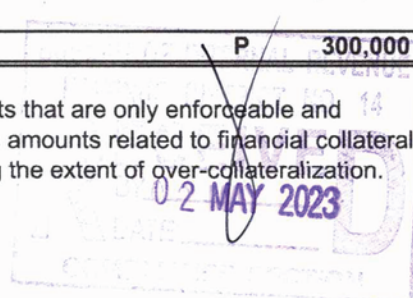
This account consists of:

	2022		2021	
Development Bank of the Philippines (DBP)	P	19,400,000	P	-
<b>Total</b>	<b>P</b>	<b>19,400,000</b>	<b>P</b>	<b>-</b>

The amendments to PFRS 7, requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects arrangements are disclosed in the succeeding tables:

Financial Liabilities	Bills Payable (DBP)
Gross carrying amounts (before offsetting) ( a )	P 19,400,000
Gross amounts offset in accordance with offsetting criteria ( b )	
Net amount presented in statement of financial position [a-b]( c )	19,400,000
Effect of remaining rights to set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria	
Financial Instrument ( d )	19,100,000
Fair Value of Financial Collateral( e )	
<b>Net Exposure ( c - d)</b>	<b>P 300,000</b>

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.





Interest expense on bills payable amounted to ₱107,278 and nil in 2022 and 2021, respectively.

The term of the bills payable ranges from three (3) years or less (short-term) subject to interest rate of 2.5%.

Borrowings are secured by the loans receivable of certain clients of the Bank, wherein these loans are secured by real estate mortgage. These are settled either by cash or check payments.

#### 14. ACCRUED INTEREST AND OTHER EXPENSE

This account consists of:

	2022		2021	
Accrued Interest Expense	P	1,246,224	P	1,590,965
<b>Total</b>	<b>P</b>	<b>1,246,224</b>	<b>P</b>	<b>1,590,965</b>

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31, 2022 but subsequently paid in the next accounting period. Accrued other expenses payable are year-end expenses payable on the following year

#### 15. OTHER LIABILITIES

This account consists of:

	2022		2021	
Accounts Payable	P	105,966,898	P	80,367,216
Lease Liability		1,464,881		1,499,609
Withholding Tax Payable		512,846		263,030
Accrued accumulating and vesting credit leaves		374,381		721,600
SSS, Medicare and Pag-Ibig Contribution Payable		185,720		250,016
Miscellaneous payables		2,221,103		6,138,013
<b>Total</b>	<b>P</b>	<b>110,725,828</b>	<b>P</b>	<b>89,239,484</b>

The above liabilities are settled either by cash or check payments. As December 31, 2022 and 2021, no amount of assets was used as collateral, security or guarantee for the above liabilities.

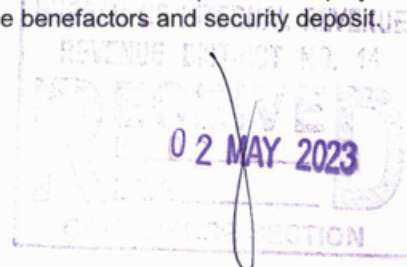
Accounts Payable represents various liabilities incurred by the Bank for its own account and the third parties arising from short term indebtedness/obligations still outstanding at the cut-off/ reporting date. Also, accounts payable includes funds received by the Bank from Agricultural Credit Policy Council (ACPC) which will be used for loan releases on the Bank's agricultural loans subject to the approval of the ACPC.

Accumulating and vesting credit leaves pertains to employees' unused leave credits convertible to cash.

Withholding tax payable represents tax withheld on interest expense on deposits, on compensation and other transactions on which the bank is obliged to withhold as a withholding agent of the government. SSS, Medicare and Pag-ibig Contributions are employees' contribution which are to be remitted by the Bank on January 2023.

The lease liability is calculated using the present value of the lease payments over the lease term discounted using the average incremental borrowing rate as provided by the Bangko Sentral ng Pilipinas.

Miscellaneous payables pertain to overpayment of loans, compromise, tax refund for separated employees, purchase of gift of time certificate which accounts are not yet opened by the benefactors and security deposit.



### 15.1 Movement in accrued accumulating and vesting credit leaves

	2022		2021	
At January 1	P	721,601	P	831,435
Payment		(347,220)		(109,834)
<b>At December 31</b>	<b>P</b>	<b>374,381</b>	<b>P</b>	<b>721,601</b>

In 2014, the Board of Directors (BOD) decided to discontinue the booking of monthly provision for retirement benefits by virtue of Board Resolution No. 2014-39. According to the Management, gratuity pay is not a mandatory retirement benefit but is subject to the discretion of BOD and is granted to employees with exemplary performance.

### 15.1 Lease Liabilities

The details of Bank's lease liabilities and their carrying amounts are as follows:

	2022		2021	
At January 1	P	1,499,609	P	1,526,310
Interest	P	97,421	P	99,299
Payments		(132,150)		(126,000)
<b>At December 31</b>	<b>P</b>	<b>1,464,880</b>	<b>P</b>	<b>1,499,609</b>

## 16. EQUITY

### 16.1 SHARE CAPITAL

#### Ordinary Shares

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

Authorized ordinary share capital as of December 31, 2022 amounted to ₱499,698,982 or 4,996,982 shares with a par value of ₱100 each. Total subscribed and paid ordinary shares amounted to ₱182,558,600 as of December 31, 2022.

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

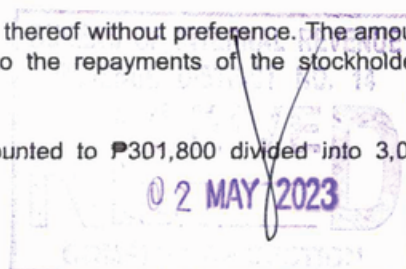
	2022		2021	
	Shares	Amount	Shares	Amount
Share Capital – P100 par value, 4,996,982 authorized shares				
Ordinary Shares at the beginning of the year	1,659,654	P 165,965,400	1,508,805	P 150,880,500
Distribution of stock dividends	165,932	16,593,200	150,849	15,084,900
<b>Ordinary Shares the end of the year</b>	<b>1,825,586</b>	<b>P 182,558,600</b>	<b>1,659,654</b>	<b>P 165,965,400</b>

#### Preference Shares

Preferred share shall be issued only against government investment in the capital stock of the Bank. Preferred share issued shall have preference over common stock assets of the Bank in the event of liquidation.

Preferred share shall share in dividend distributions at two percent (2%) thereof without preference. The amount of any dividends payable to any holder of share may be applied to the repayments of the stockholders indebtedness of the Bank.

Authorized preference share capital as of December 31, 2022 amounted to ₱301,800 divided into 3,018 preference shares with par value of ₱100 each.





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

	2022		2021	
	Shares	Amount	Shares	Amount
Authorized shares at P100 par value, Ordinary Shares at the beginning of the year	3,018	P 301,800	3,018	P 301,800
<b>Total</b>	<b>3,018</b>	<b>P 301,800</b>	<b>3,018</b>	<b>P 301,800</b>

Under BSP Circular 1151: Minimum Required Capital, Rural Banks with up to 5 branches are required to comply with the minimum capital of P 50 Million. The Bank is currently compliant with the minimum capital.

## 16.2 RETAINED EARNINGS

### Retained Earnings - Free

The reconciliation of surplus during the period is as follows:

	2022	2021
Balance, Beginning	P 111,549,553	P 112,638,530
Net Income (Loss)	35,270,946	29,087,123
Stock Dividends	(16,596,540)	(15,088,050)
Cash Dividends	(16,596,540)	(15,088,050)
Provision and Adjustments	(2,074,050)	-
<b>Balance, Ending</b>	<b>P 111,553,369</b>	<b>P 111,549,553</b>

### Provision and Adjustments

	2022	2021
Rescission of sale of ROPA's	P 2,074,050	P -
<b>Total</b>	<b>P 2,074,050</b>	<b>P -</b>

### Retained Earnings - Reserved

The retained earnings - reserved pertain to reserve set aside by Bank for contingencies. For the years ended December 31, 2022 and 2021, there was no movement in the retained earnings-reserves. Total reserves amounted to P157,867 for both years.

## 16.3 DIVIDEND DECLARATION

Under Section 124 of the MORB, the liability for dividends declared shall be taken up in the Bank's book upon its declaration. However, for dividend declarations that are subject to prior Bangko Sentral verification, the liability for dividends declared shall be taken up in the Bank's book upon receipt of Bangko Sentral advice thereof. A memorandum entry may be made to record the dividend declaration on the date of approval by the Board of Directors.

On February 19, 2021, the Bank through Board Resolution No. 21-21 declared cash dividends amounting to P15,088,050 and stock dividends amounting to P15,088,050. Later on the Bank decided to convert stock dividends amounting 3,150 into cash dividends.

On July 31, 2022 the Bank through Board Resolution No. 22-149 declared cash dividends amounting to P16,596,540 and stock dividends amounting to P16,596,540. Later on the Bank decided to convert stock dividends amounting 3,340 into cash dividends.

Type of Dividend	Date of Declaration	Date of Record	Date of Distribution	Amount
<b>2022</b>				
Cash	07/31/2022	07/31/2022	08/20/2022	P 16,596,540
Stock	07/31/2022	07/31/2022	08/20/2022	16,596,540
<b>Total</b>				<b>P 33,193,080</b>
<b>2021</b>				
Cash	02/19/2021	02/19/2021		P 15,088,050
Stock	02/19/2021	02/19/2021		15,088,050
<b>Total</b>				<b>P 30,176,100</b>

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## **16.4 CAPITAL MANAGEMENT**

The primary objectives of the Bank's capital management are to ensure the ability of the Bank to have sufficient capital to underpin the Bank's risk taking activities, to continue as going concern, to maintain a strong credit rating and quality capital adequacy ratios, to ensure compliance with BSP regulations and to provide reasonable returns and benefits to shareholders.

The Bank manages its capital structure, which composed of paid-up capital and surplus reserve, and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

### *Regulatory Qualifying Capital*

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

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to directors, officers, stakeholders and related interests (DOSRI);
- deferred tax asset or liability;
- goodwill, if any
- sinking fund for redemption of redeemable preferred shares; and
- *other regulatory deductions.*

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

As of December 31, 2022 and 2021, the Bank is in compliance with the current banking regulation.

The regulatory capital is analysed in two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the Total Tier 1 and Tier 2 capital.

Tier 1 Capital and Tier 2 are defined as follows:

a. Tier 1 Capital is the sum of core Tier 1 capital and allowable amount of hybrid Tier 1 capital.

Core Tier 1 consist of:

- i. paid up common stock
- ii. Retained earnings
- iii. Retained Earnings - Reserves, and
- iv. Undivided profits (for domestic banks only)

Subject to deductions for:

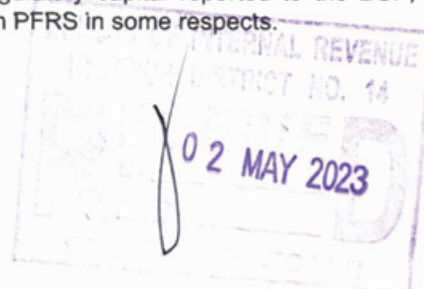
- i. deferred income tax

Hybrid Tier 1 capital in the form of perpetual preferred share and perpetual unsecured subordinated debt may be issue subject to prior Bangko Sentral approval.

b. Tier 2 Capital includes:

- i. general loan loss provision

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



The CAR of the Bank as at December 31, 2022 and 2021, as reported to the BSP, is shown in the table below:

	2022	2021
Tier 1 Capital	P 284,260,180	269,589,508
Tier 2 Capital	5,475,615	4,044,519
<b>Total Qualifying Capital</b>	<b>P 289,735,795</b>	<b>P 273,634,027</b>
<b>Risk Weighted Assets</b>	<b>P 961,874,891</b>	<b>P 851,274,533</b>
<b>Tier 1 Ratio</b>	<b>29.55%</b>	<b>31.67%</b>
<b>Tier 2 Ratio</b>	<b>0.57%</b>	<b>0.48%</b>
<b>Capital Adequacy Ratio (CAR)</b>	<b>30.12%</b>	<b>32.14%</b>

The Bank's Total Qualifying Capital as at December 31, 2022 was computed as follows:

	2022	2021
<b>A. Calculation of Qualifying Capital</b>		
A.1 Tier 1 Capital		
Core Tier 1 Capital		
Paid-Up Capital - Ordinary	P 182,558,600	P 165,965,400
Paid-up perpetual and non-cumulative preferred stock	-	-
Retained Earnings	111,711,236	111,707,420
Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	(10,009,656)	(8,083,312)
<b>Total Tier 1 Capital</b>	<b>284,260,180</b>	<b>269,589,508</b>
A.2 Tier 2 Capital		
General Loan Loss Provision	5,475,615	4,044,519
Deductions from Upper Tier 2	-	-
<b>Total Upper Tier 2 Capital</b>	<b>5,475,615</b>	<b>4,044,519</b>
<b>TOTAL QUALIFYING CAPITAL</b>	<b>P 289,735,795</b>	<b>P 273,634,027</b>

#### Financial Performance

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

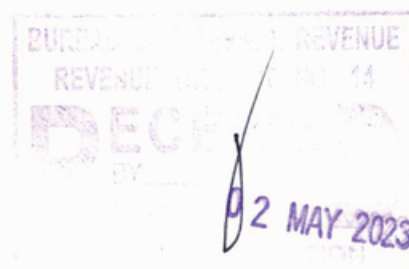
	2022	2021
A. Return on Average Equity	12.33%	10.75%
B. Return on Average Assets	3.80%	3.62%
C. Net Interest Margin	9.89%	9.55%
D. Debt to Equity Ratio	2.41:1	2.10:1

## 17. OTHER INCOME

This account consists of:

	2022	2021
Income from Asset Acquired	P 5,426,859	P 7,195,721
Penalties	9,181,652	5,267,706
Filing Fees	4,966,038	4,932,696
Service Charges and Fees	4,348,919	3,524,260
Rental Income	820,633	594,820
Recoveries on Charged-off Assets	251,239	60,328
Miscellaneous Income	5,745,483	4,557,146
<b>Total</b>	<b>P 30,740,823</b>	<b>P 26,132,677</b>

Miscellaneous income pertains to income from sales of checkbooks, passed on GRT and other incidental income.





## 18. COMPENSATION AND BENEFITS

This account consists of the following:

	2022	2021
Salaries and Wages	P 14,331,076	P 12,341,010
Fringe Benefits - Officers and Employees	7,503,027	6,073,123
Director's Fee	2,001,800	1,785,400
SSS, Philhealth, and Employees Compensation Premium and Pag-ibig Fund	2,024,862	1,786,807
Contribution to Retirement Benefit / Provident Fund	1,521,304	1,586,748
<b>Total</b>	<b>P 27,382,069</b>	<b>P 23,573,088</b>

## 19. RETIREMENT BENEFITS

The Bank operates defined contribution retirement benefit plans for all qualified employees. The plan assets are held separately from the Bank, under the control of trustees. Where employees leave the Bank prior to full vesting of the contributions, the contributions payable by the Bank are reduced by the amount forfeited contributions. The only obligation of the Bank with respect to the retirement benefit plan is to make the specified contributions.

Members of the plan contribute to the Fund 5% of their basic monthly salary while the Bank shall pay to the fund as its monthly contribution equal to 15% of each member's basic salary.

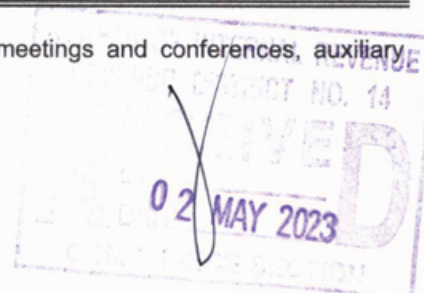
The total expense recognized in the profit or loss amounting to ₱1,521,304 and ₱1,586,748 in 2022 and 2021, respectively, represents contributions payable to these plans by the Bank at rates specified in the rules of the plans, and is included in "compensation and benefits" as disclosed in Note 18.

## 20. OTHER OPERATING EXPENSE

This account consists of the following:

	2022	2021
Fuel & Lubricants	P 2,171,372	P 1,655,524
Security, Clerical, Messengerial & Janitorial Services	2,145,150	1,867,880
Documentary Stamp Used	1,834,516	1,198,164
Insurance Expenses	1,609,508	1,701,490
Power, Light & Water	1,172,265	927,290
Stationeries & Supplies Used	1,053,141	820,702
Repairs and Maintenance	873,302	830,166
Management and Other Professional Fees	574,379	395,050
Information and Technology	596,774	595,320
Postage, Telephone, Cables & Telegram	498,139	488,713
Representation and Entertainment	296,922	168,030
Supervision Fees	171,212	143,700
Interest Expense - Lease Liability	97,421	99,299
Fees and commission	91,796	49,469
Traveling Expenses	55,525	11,115
Rent Expense	68,350	128,500
Membership Fees & Dues	28,560	31,560
Advertising & Publicity	26,337	14,604
Donations and Charitable Contributions	25,020	17,585
Fines, Penalties and Other Fees	18,350	-
Litigation Expenses	7,460	88,475
Miscellaneous	2,056,121	1,529,831
<b>Total</b>	<b>P 15,471,621</b>	<b>P 12,762,467</b>

Miscellaneous expense pertains to expenses incurred in staff trainings, meetings and conferences, auxiliary collection fees, team building and other expenses.





## 21. DEPRECIATION AND AMORTIZATION EXPENSE

This account is consists of:

	2022	2021
Depreciation Expense – RUOA	P 89,421	P 89,421
Depreciation Expense – Furniture, Fixtures and Equipment	1,716,439	2,241,062
Depreciation - Bank Premises-Bldg.	1,421,270	1,349,506
Amortization Expense – Transportation Equipment	776,385	804,200
Depreciation Expense – LRI	163,580	114,771
Depreciation Expense – ROPA	474,732	677,546
<b>Total</b>	<b>P 4,641,827</b>	<b>P 5,276,506</b>

## 22. LEASE AGREEMENT

### Bank as a lessee under Finance Lease

The undiscounted maturity analysis of lease liabilities at December 31, 2022 is as follows:

Lease Payments	Future Minimum Lease Payments				
	Within 1 year	2 to 5 years	6 to 10 years	11 to 15 years	Total
Lease Payments	138,600	588,885	846,897	723,412	2,297,794
Finance Charges	94,831	345,006	307,566	85,510	832,913
	P 43,769	P 243,879	P 539,331	P 637,902	P 1,464,881

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance if the liability for each period. The bank premises, furniture, fixtures and equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

On October 28, 2016, the Bank leased a parcel of land located in Bambang, Nueva Vizcaya from L. Bernabe Realty and Development Corporation for 20 years term commencing on October 1, 2016. Monthly payments of ₱5,000 is due subject to increase of 10% every three (3) years.

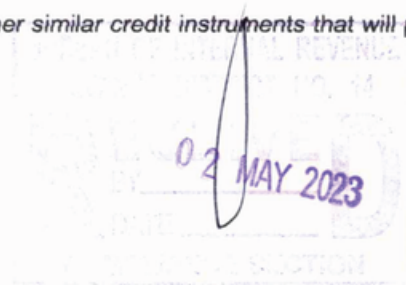
In 2019, the Bank entered into another lease agreement from L. Bernabe Realty and Development Corporation for 17.5 years starting on April 1, 2019 for a monthly rental payment of ₱5,000 subject to increase of 10% every three (3) years.

The lease contracts are renewable upon such terms and conditions mutually agreed upon by the both parties prior to expiration.

## 23. COMMITMENT AND CONTINGENCIES

The following are the significant commitments and contingencies involving the bank:

- a.) The bank is a plaintiff to various cases arising from the collection suits pending in courts for claims against delinquent borrowers of the bank. The final decision of which cannot be determined at present. The amount of loans and receivables under litigation amounted to ₱2,187,654 as at December 31, 2022.
- b.) The bank has no pending legal cases arising from its normal operation that will put the bank as defendant as a result of violation of transactions against its clients/ depositors.
- c.) The bank had no outstanding issuances of bank guarantee and other similar credit instruments that will put the bank into obligation in case of non-compliance by the buyer.



## 24. INCOME TAXES

Under Philippine tax laws, the Bank is subject to percentage and other taxes presented as 'Taxes and licenses' in the statements of income as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes also include RCIT, as discussed below and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Republic Act No. 9337, An Act Amending National Internal Revenue Code, provides that the RCIT rate shall be 25.00%, and deductible interest expense shall be reduced by 25.00% of interest income subjected to final tax. Current tax regulations also provide for MCIT of 1.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception. Further, current tax regulations set a limit for entertainment, amusement and recreation (EAR) expenses that can be deducted for income tax purposes. EAR expenses are limited to 1.00% of net revenue for sellers of services. The Bank recorded EAR expenses amounted to ₱296,922 and ₱168,030 in 2022 and 2021, respectively.

Provision for income tax consists of:

	2022		2021
Current:	P 13,308,038	P	10,193,682
Deferred	(1,926,345)		(153,269)
<b>Tax Expense reported in Statement of Comprehensive Income</b>	<b>P 11,381,693</b>	<b>P</b>	<b>10,040,413</b>

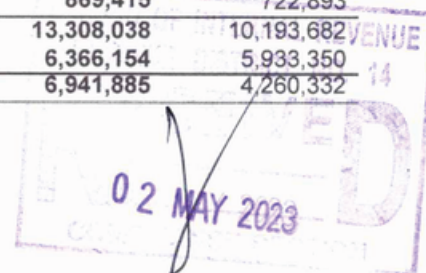
The current and deferred tax is computed as follows: (Amount is converted to statutory income tax rate of 20%).

### Current Tax

	2022		2021
Statutory income tax	P 11,663,160	P	9,781,884
Income tax effects of:			
Interest income subject to final tax	(375,289)		(330,789)
Accounts Written Off	(1,180,931)		(1,490,446)
Provision for credit losses on loans and receivables	3,180,408		2,162,114
Depreciation Expense – Right of Use Asset	22,355		22,355
Payment on lease liabilities	(33,038)		(31,500)
Payment in accrued accumulating and vesting credit leaves	(86,805)		(27,458)
Interest Expense - Lease Liability	24,355		24,825
Non-deductible expenses (Interest Arbitrage - 20%)	93,822		82,697
<b>Income Tax- Current</b>	<b>P 13,308,038</b>	<b>P</b>	<b>10,193,682</b>

### Computation of Income Tax:

	2022		2021
Net Income per books	P 46,652,639	P	39,127,536
Add: Non-deductible Expenses/Taxable Other Income			
Provision for Credit Losses on Loans and Receivables	12,721,631		8,648,456
Depreciation Expense – Right of Use Asset	89,421		89,421
Interest Expense - Financial Lease	97,421		99,299
Interest expense reduced by 20% income subject to final tax	375,289		330,789
<b>Total</b>	<b>13,283,762</b>		<b>9,167,965</b>
Less: Non-taxable Income and Income Subjected to Final Tax			
Interest Income Subject to Final Tax	1,501,155		1,323,156
Payment on lease liabilities	132,150		126,000
Payment in accrued accumulating and vesting credit leaves	347,220		109,834
Accounts Written Off	4,723,723		5,961,784
<b>Total</b>	<b>6,704,248</b>		<b>7,520,774</b>
<b>Net Taxable Income</b>	<b>53,232,153</b>		<b>40,774,727</b>
Tax Rate	25%		25%
Normal Corporate Income Tax	13,308,038		10,193,682
Minimum Corporate Income Tax**	869,415		722,893
<b>Income Tax Due</b>	<b>13,308,038</b>		<b>10,193,682</b>
Less: Tax Payments other than MCIT	6,366,154		5,933,350
<b>Income Tax Still Due/(Overpayment)</b>	<b>6,941,885</b>		<b>4,260,332</b>





\*\*Below is the computation of Minimum Corporate Income Tax (MCIT) for the year ended December 31, 2022 and 2021.

	2022		2021
Revenue	P 89,831,851	P	75,166,986
Cost of Revenue	35,132,340		30,333,554
Gross Income	54,699,511		44,833,432
Add: Other Income	30,740,823		26,132,677
Less: Interest Income Subjected to Final Tax	(1,501,155)		(1,323,156)
Total Gross Income	86,941,489		72,289,265
MCIT Rate	1%		1%
<b>Minimum Corporate Income Tax</b>	<b>P 869,415</b>	P	<b>722,893</b>

#### Deferred Tax

	Allowance for Credit Losses	Accrued Credit Leaves	Excess of Lease Liability over ROU	Total
Balance, January 1, 2021	8,623,297	249,430	35,379	8,908,106
Origination	2,162,114	-	15,680	2,177,794
Reversal	(1,490,446)	(27,458)	-	(1,517,904)
Impact of create law	(1,437,216)	(41,572)	(5,896)	(1,484,684)
<b>Balance, December 31, 2021</b>	<b>7,857,749</b>	<b>180,400</b>	<b>45,163</b>	<b>8,083,312</b>
Origination	4,009,619	-	13,673	4,023,292
Reversal	(2,010,142)	(86,805)	-	(2,096,947)
<b>Balance, December 31, 2022</b>	<b>9,857,226</b>	<b>93,595</b>	<b>58,836</b>	<b>10,009,656</b>

#### 24. RELATED PARTY TRANSACTIONS

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

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

#### Remunerations of Key Management Personnel

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

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

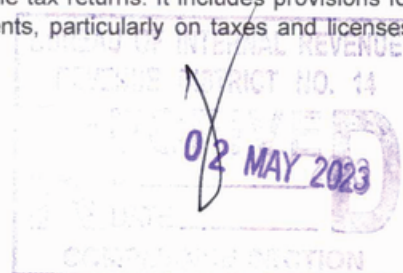
	2022		2021
Short-term employee benefits	P 5,336,714	P	3,341,000
<b>TOTAL</b>	<b>P 5,336,714</b>	P	<b>3,341,000</b>

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

#### 25. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR 15 2010 and RR 19-2011

##### **Revenue Regulation (RR) No 15-2010**

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





**Percentage Taxes (Gross Receipt Tax)**

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

- a.) On interest commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipt are derived:
  - Maturity period of five (5) years or less 5%
  - Maturity period is more than five (5) 1%
- b.) On dividends..... 0%
- c.) On royalties, rentals of property, real or personal, profit from exchange and all other items treated as gross income under Section 32 of the NIRC..... 7%
- c.) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments..... 7%

**GRT in 2022 consists of taxes on:**

	2022	
Interest income	P	3,423,830
Other income		2,896,928
<b>Total</b>	<b>P</b>	<b>6,320,758</b>

**Documentary Stamp**

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

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

There shall be two pesos (P2.00) on each two hundred pesos (P 200.00) or fractional part thereof of the par value of such shares of stock. Provided that in case of original issue of shares of stocks without par value, the amount of documentary stamp herein prescribed shall be based upon the actual consideration for the issuance of such shares of stocks. Provided further that in the case of stock dividends, or the actual value represented by each share.

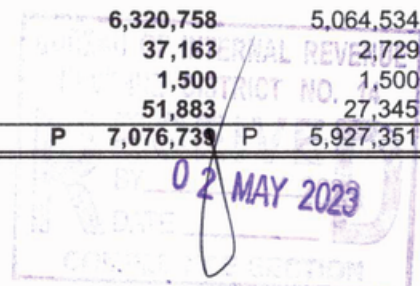
**Section 55 of Republic Act No 10963: New Rate of DST on all Debt Instruments (Documents, Loan**

One peso and fifty centavos (P1.50) on each two hundred pesos (P 200.00) or any fractional part thereof of the issue price of any such debt instrument. If the debt instrument has a maturity date of less than one (1) year, the DST due shall be computed based on the number of days the instrument is outstanding as a fraction of 365 days.

The components of 'Taxes and licenses' recognized in the statement of income for the year ended December 31, 2022, follow:

**Taxes and Licenses**

	2022		2021	
<b>a. Local</b>				
Business Permit	P	545,298	P	831,243
Real Property Tax		119,937		-
Others		200		-
<b>b. National</b>				
Percentage Tax		6,320,758		5,064,534
LTO Registration		37,163		2,729
Annual Registration-BIR		1,500		1,500
Others		51,883		27,345
<b>Total-Taxes and Licenses</b>	<b>P</b>	<b>7,076,738</b>	<b>P</b>	<b>5,927,351</b>



**Withholding Taxes**

The Bank total withholding taxes paid for the year 2022 is broken down as follows

Withholding Tax on Compensation	791,273
Withholding Tax at Sources	275,634
Final Wintholding Tax	754,790
<b>Total</b>	<b>1,821,697</b>

**Tax Assessments and Cases**

As at December 31, 2022, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.

**Revenue Regulation (RR) No 19-2011**

The Bank reported the following schedules and information on taxable income and deductible expenses to be taken in 2022:

**Sale of Services**

The Bank's taxable sale of services amounted to ₱119,071,520 and income subject to final income tax and are exempt from tax amounted to ₱1,501,155 for the year ended December 31, 2022.

**Cost of Services**

	2022	2021
Details of the Bank's tax deductible cost of services accounts are as follows:		
Direct Charges - Salaries and wages	P 27,729,289	P 23,682,922
Direct Charges - Insurance (PDIC)	980,979	853,462
Direct Charges - Supervision Fee	171,212	143,700
Direct Charges - others (interest expense net of 20% limit)		
Interest expense	6,626,149	5,984,259
Less: Limit (20% of interest income subj. to final tax)	(375,289)	(330,789)
<b>Total</b>	<b>P 35,132,340</b>	<b>P 30,333,554</b>

**Itemized Deductions**

	2022	2021
Rent Expense	P 200,500	P 254,500
Insurance- Others	628,529	848,028
Power, Light and Water	1,172,265	927,290
Security, Clerical, Messengerial and Janitorial Services	2,145,150	1,867,880
Litigation Expenses	7,460	88,475
Stationeries and Supplies Used	1,053,141	820,702
Fuel and Lubricants	2,171,372	1,655,524
Postage, Telephone, and Telegram	498,139	488,713
Management and Other Professional Fees	574,379	395,050
Traveling Expense	55,525	11,115
Repairs and Maintenance	873,302	830,166
Representation and Entertainment	296,922	168,030
Information Technology Expense	596,774	595,320
Membership Fees and Dues	28,560	31,560
Fees and Commission Expense	91,796	49,469
Advertising and Publicity	26,337	14,604
Miscellaneous Expense	2,056,121	1,529,831
Donations and Charitable Contributions	25,020	17,585
Fines, Penalties and Other Charges	18,350	-
Documentary Stamp used	1,834,516	1,198,164
Taxes and Licenses	7,076,739	5,927,351
Depreciation	4,552,406	5,187,085
Accounts Written Off	4,723,723	5,961,784
<b>Total</b>	<b>P 30,707,026</b>	<b>P 28,868,226</b>
Total Deductible Expense	P 65,839,366	P 59,201,780
Expense Reported in Audited Financial Statements	73,920,036	62,172,127
Difference*	P (8,080,669)	P (2,970,347)



Reconciliation of Difference:			
Interest Limit	P	375,289	P 330,789
Provision for Credit losses		12,721,631	8,648,456
Accounts Written off		(4,723,723)	(5,961,784)
Depreciation on RoUA		89,421	89,421
Rent payment during the year		(132,150)	(126,000)
Payment of Accumulating Vesting Leave		(347,220)	(109,834)
Interest Expense - Financial Lease		97,421	99,299
Total	P	8,080,669	P 2,970,347

## 26. OTHER MATTERS

1. Anti-Money Laundering Act (AMLA)  
The Bank had completely satisfied the reporting requirements as required by the Bangko Sentral ng Pilipinas (BSP) and RA 9160 as amended by RA 9194 otherwise known as the Anti-Money Laundering Act.
2. As of December 31, 2022, all of the bank's directors had undergone the requirements for corporate government as confirmed by the Monetary Board as mandated Section 132 of the MORB..

## 27. RECLASSIFICATION OF ACCOUNTS

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

## 28. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR No. 1074

### 1. Basic Quantitative Indicators of Financial Performance

The Bank's ROE, ROA and Net Interest Margin Ratio as at December 31, 2022 and 2021 was computed as follows:

#### Return on Average Equity (ROE)

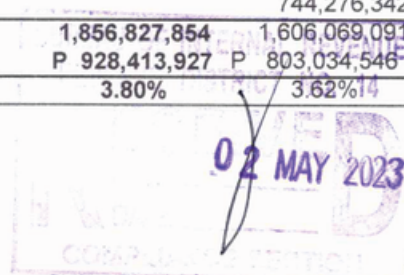
Formula:  $ROE = \text{Net Income after Tax} / \text{Average Capital}$

	2022	2021
Net Income	P 35,270,946	P 29,087,123
Equity		
2022	294,269,836	
2021	277,672,820	
2021		277,672,820
2020		263,676,897
Total	571,942,656	541,349,717
Average Equity	P 285,971,328	P 270,674,859
Return on Average Equity	12.33%	10.75%

#### Return on Average Assets (ROA)

Formula:  $ROA = \text{Net Income after Tax} / \text{Average of Total Assets}$

	2022	2021
Net Income	35,270,945.62	29,087,123.00
Assets		
2022	995,035,105	
2021	861,792,749	
2021		861,792,749
2020		744,276,342
Total	1,856,827,854	1,606,069,091
Average Assets	P 928,413,927	P 803,034,546
Return on Average Assets	3.80%	3.62%





## Net Interest Margin

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

Formula: Average Earning Assets = Due from BSP + Due From Other Banks+ Loans + Debt Securities Measured at Amortized Cost

	2022	2021
Net Interest Income	P 83,205,702	P 69,182,727
Interest Earnings Assets		
2022	898,943,839	
2021	783,366,412	
2021		783,366,412
2020		664,734,136
Total	1,682,310,251	1,448,100,548
Average Interest Earnings Assets	P 841,155,126	P 724,050,274
<b>Net Interest Margin</b>	<b>9.89%</b>	<b>9.55%</b>

## 2. Capital Instrument issued

As of December 31, 2022 and 2021, the Bank share capital consist of:

	Shares*	Amount
Ordinary Share - ₱100 par value		
Authorized	4,996,982	P 499,698,200
Distribution of stock dividends	165,932	16,593,200
<b>Balance at the beginning and end of the year</b>	<b>1,825,586</b>	<b>P 182,558,600</b>

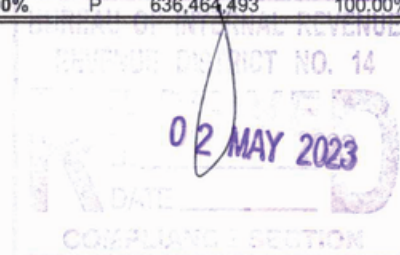
\*Absolute number of shares

The description of the capital instrument issued by the Bank is disclosed on Note 16.

## 3. Significant Credit Exposure

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

Percentage per total loan portfolio	2022	%	2021	%
Agriculture, Forestry and Fishing	P 209,032,462	26.15%	P 232,307,181	36.50%
Manufacturing	9,809,177	1.23%	8,966,592	1.41%
Electricity, Gas, Steam and Airconditioning Supply	247,120	0.03%	708,729	0.11%
Water supply, Sewerage, Waste management and Remediation Activities	86,539	0.01%	-	0.00%
Construction	49,097,512	6.14%	32,992,296	5.18%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	99,350,313	12.43%	46,715,664	7.34%
Accommodation and food service activities	14,937,807	1.87%	11,136,372	1.75%
Transportation and storage	11,301,100	1.41%	10,988,390	1.73%
Real Estate Activities	271,181,411	33.93%	178,049,656	27.97%
Education	1,186,203	0.15%	1,215,234	0.19%
Human Health and Social Work Activities	3,095,909	0.39%	-	0.00%
Arts, Entertainment and Recreation		0.00%		0.00%
Other Service Activities	56,904,380	7.12%	49,843,737	7.83%
Activities of Household as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own use.	73,010,334	9.13%	63,540,642	9.98%
<b>Total</b>	<b>P 799,240,267</b>	<b>100.00%</b>	<b>P 636,464,493</b>	<b>100.00%</b>



Percentage per tier 1 capital	2022	%	2021	%
Agriculture, Forestry and Fishing	P 209,032,462	73.54%	P 232,307,181	86.17%
Manufacturing	9,809,177	3.45%	8,966,592	3.33%
Electricity, Gas, Steam and Airconditioning Supply	247,120	0.09%	708,729	0.26%
Water supply, Sewerage, Waste management and Remediation Activities	86,539	0.03%	-	
Construction	49,097,512	17.27%	32,992,296	12.24%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	99,350,313	34.95%	46,715,664	17.33%
Accommodation and food service activities	14,937,807	5.25%	11,136,372	4.13%
Transportation and storage	11,301,100	3.98%	10,988,390	4.08%
Real Estate Activities	271,181,411	95.40%	178,049,656	66.04%
Education	1,186,203	0.42%	1,215,234	0.45%
Human Health and Social Work Activities	3,095,909	1.09%	-	0.00%
Arts, Entertainment and Recreation	-	0.00%	-	0.00%
Other Service Activities	56,904,380	20.02%	49,843,737	18.49%
Activities of Household as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own use.	73,010,334	25.68%	63,540,642	23.57%
<b>Total</b>	<b>P 799,240,267</b>		<b>P 636,464,493</b>	

The BSP considers that significant credit exposures exists when total loan exposure to a particular economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital. As at December 31, 2022, one (1) industry exceeding 30.0 percent of the total loan portfolio and six (6) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

#### 4. Breakdown of Total Loans

##### As to Security:

	2022	%	2021	%
Real Estate Mortgage	P 506,554,037	63.38%	P 365,104,203	57.36%
Other Collateral	117,350,402	14.68%	91,161,330	14.32%
Unsecured	175,335,828	21.94%	180,198,959	28.31%
<b>Total Loan Portfolio</b>	<b>P 799,240,267</b>	<b>100.00%</b>	<b>P 636,464,493</b>	<b>100.00%</b>

##### As to Status:

Product Line	2022		
	Performing	Non-Performing	Total
Agrarian Reform loans	P 65,735,823	P 27,653,966	P 93,389,788
Other Agricultural loans	82,900,429	32,742,245	115,642,674
Microfinance Loans	1,133,278	731,487	1,864,764
Other Microfinance Loans	-	70,780	70,780
Small Scale Enterprise Loans	195,481,903	11,939,352	207,421,255
Medium Scale Enterprise Loans	5,751,003	17,265,000	23,016,003
Loans to Individual for Housing	128,515,017	2,111,383	130,626,401
Auto Loans	29,385,849	2,157,033	31,542,882
Motorcycle Loans			-
Salary-Based General-Purpose Consumption Loans	1,099,037	473,457	1,572,494
Loans to Individual Primarily for Personal Use Purposes - Others	34,371,281	5,523,676	39,894,957
Loans to Individual for Other Purposes	151,274,185	2,924,083	154,198,268
<b>Total</b>	<b>P 695,647,805</b>	<b>P 103,592,462</b>	<b>P 799,240,267</b>

Product Line	2021		
	Performing	Non-Performing	Total
Agrarian Reform loans	P 75,894,664	P 26,457,272	P 102,351,936
Other Agricultural loans	95,495,647	39,459,598	134,955,245
Microfinance Loans	1,517,097	726,534	2,243,630
Other Microfinance Loans	-	70,780	70,780
Small Scale Enterprise Loans	81,497,416	8,370,822	89,868,238
Medium Scale Enterprise Loans	6,672,537	17,265,000	23,937,537
Loans to Individual for Housing	88,094,100	75,001	88,169,101



Auto Loans	25,404,743		25,404,743
Salary-Based General-Purpose Consumption Loans	940,589	526,337	1,466,926
Loans to Individual Primarily for Personal Use Purposes - Others	33,081,510	3,587,464	36,668,974
Loans to Individual for Other Purposes	127,796,045	3,531,339	131,327,384
<b>Total</b>	<b>P 536,394,347</b>	<b>P 100,070,145</b>	<b>P 636,464,493</b>

## 5. Information on related party loans

### Regulatory Reporting

As required by BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank.

In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. As at December 31, 2022 and 2021, the Bank is in compliance with the regulatory requirements.

2022		
Particulars	DOSRI Loans	Related Party Loans (inclusive of)
Outstanding Loans	P 5,759,592	P 5,759,592
Percent of DOSRI/Related Party loans to total loan portfolio	0.72%	0.72%
Percent of unsecured DOSRI/Related Party loans to total	0%	0%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related	0%	0%
Percent of non-performing DOSRI/Related Party loans to total	0%	0%

2021		
Particulars	DOSRI Loans	Related Party Loans (inclusive of)
Outstanding Loans	P 5,530,098	P 5,530,098
Percent of DOSRI/Related Party loans to total loan portfolio	0.87%	0.87%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related	0%	0%
Percent of past due DOSRI/ Related Party loans to total DOSRI/Related	0%	0%
Percent of non-performing DOSRI/Related Party loans to total	0%	0%

## 6. Aggregate amount of secured liabilities and asset pledged as security

As of December 31, 2022, the description of Bank's secured liabilities and assets pledged as security is disclosed on Note 13.

## 7. Off-Balance Sheet Contingencies and Commitments

The following is a summary of the Bank's contingent accounts as of December 31, 2022 and 2021

	2022		2021	
Items held as collateral	P	2,511	P	1,970
Items held for safekeeping		97		97
	<b>P</b>	<b>2,608</b>	<b>P</b>	<b>2,067</b>

- End of Report -





## **EDGARDO M. MOLINA, CPA**

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Tunasan, Muntinlupa City  
Email: [emmolinaconsultancy@gmail.com](mailto:emmolinaconsultancy@gmail.com)

### **SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT TO ACCOMPANY INCOME TAX RETURN**

To the Stockholders and Board of Directors  
**RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**  
Maharlika Highway, Poblacion South,  
Solano, Nueva Vizcaya

I have audited the accompanying financial statements of **RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.** as of and for the year ended December 31, 2022, on which I have rendered the attached report dated April 14, 2023.

In compliance with Revised Securities Regulation Code (SRC) Rule 68, I am stating that said Bank has a total number of sixty (60) stockholders owning one hundred (100) or more shares.

In compliance with Revenue Regulations V-20, I am stating that no member of the Bank is related by consanguinity or affinity to the president, manager or principal stockholders of the Bank.



**EDGARDO M. MOLINA**  
TIN No. 123-467-133-000  
CPA Certificate No. 39419  
BOA/PRC Certificate No. 2577, valid until September 1, 2024  
BIR Accreditation No. 08-005012-001-2022, valid until September 27, 2025  
BSP Accreditation No. 39419-BSP (Category C), issued March 26, 2020,  
valid for a period of five (5) years to engage in the audit of 2019 to 2023 financial statements  
CDA Accreditation No. AN-CEA-04-05, valid until April 7, 2024  
PTR No. 4347773, Issued January 4, 2023 at Muntinlupa City

April 14, 2023

