



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

ANNUAL REPORT 2023



53 *Years*
Touching Lives



MAKE
#Happiness
HAPPEN

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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 ARITAO	Purok Payao, Aritao, Nueva Vizcaya Commencement Date: January 10, 2024
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.Quipment (Gadget) Loan
- Heavy Equipment Loan
- Green Energy Loan
- RECAP Loan
- Salba Bida Loan



OTHER SERVICES

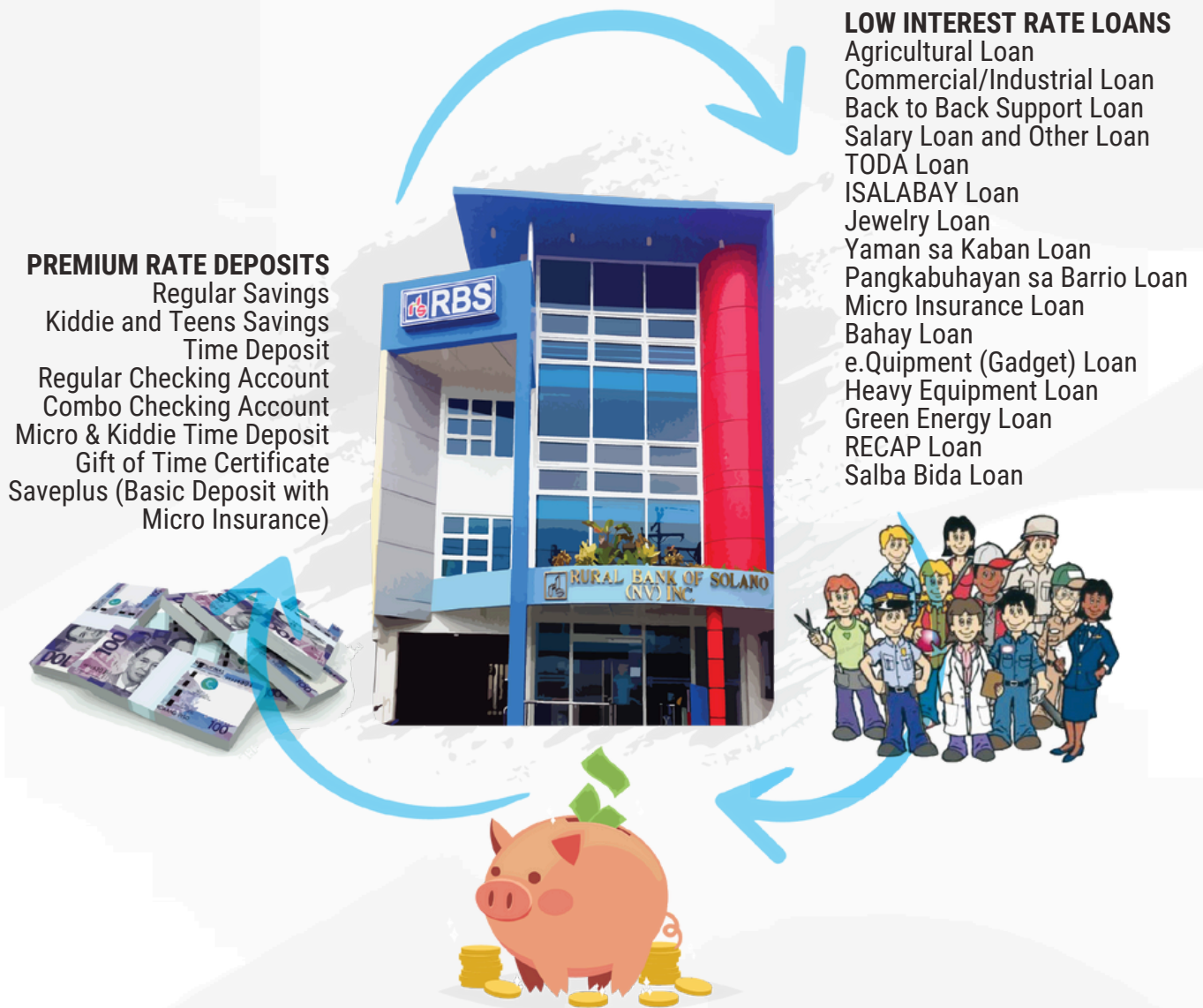
- Sale of Assets Acquired
- POS Banking
- Micro Insurance
- Alalay sa Buhay Insurance
- Motor Car Insurance
- Fire Insurance (for Buildings)
- DA-ACPC Loan Programs
PLEA, SURE, AFME, CLEA
ANYO, KAYA

BUSINESS MODEL

The Rural Bank of Solano (N.V.), Inc. has developed a comprehensive business model dedicated to countryside development, fostering new beginnings, and building lives. This model integrates two key components: the Branch Lite Office and the bank itself. The Branch Lite Office serves as a flexible and accessible extension of the bank, providing essential banking services to enhance customer convenience in rural areas. This is in line with the Bank's commitment to support financial inclusion to include the agriculture sector, the unbanked and underserved. These services empower individuals to embark on new ventures and improve their livelihoods.

The Rural Bank of Solano offers a range of tailored financial products and services designed to meet the specific needs of rural communities. Through this innovative approach, the Rural Bank of Solano aims to drive countryside development and build lives by combining accessibility and financial support, creating a comprehensive system to support and nurture rural entrepreneurship.

CYCLE OF PROGRESS



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



Dear Esteemed Stockholders,

"We fought a good fight, we have finished the course, we have kept the faith" – as stated in 2 Timothy 4:7. These words encapsulate our journey through 2022-2023 as both an organization and as the Board of Directors for RBS. Together, we have remained steadfast in our established strategies and plans, while demonstrating agility and adaptability when necessary. The numbers speak for themselves – our Net Income After Tax (NIAT) has not only been sustained but has grown by 30.38% Year-On-Year. Our portfolio expansion has seen a growth of 2.95%, complemented by a remarkable increase of 15.34% in new loans, securing our future income. For our Stockholders, the return on equity has improved by 19.55%, reaffirming that your investment is indeed thriving. Undoubtedly, a performance that surpasses expectations!

This outstanding performance can be attributed to the dedication of our management team, under the visionary leadership of our President, Attorney Mary Ann E.M. Tupasi-Saddul. However, alongside them, our high-performing Board of Directors has played a pivotal role. The committees, led by our board members, have gone above and beyond their fiduciary duties. They have actively engaged in strategic planning, overseen financial accuracy, and approved crucial decisions, including loans. Discussions on policy changes, resource allocation, risk management, and other critical matters were diligently deliberated upon. Additionally, they provided guidance for enhancing management practices and performance, ensuring seamless communication with the bank's leadership. The combined wisdom of our experienced members, coupled with the enthusiasm and fresh perspectives of our younger directors, has made our board a formidable team – adaptable, flexible, and driven.

In summary, the harmonious synergy between our management, the board, and our dedicated workforce has been instrumental in achieving our remarkable success. As we move forward, guided by our shared commitment to excellence and innovation, I am confident that we will continue to reach new heights and deliver sustained value for our shareholders.

Let me thank our Board of Directors individually,

Dir. Patricia Anne T. Sevilla - Audit and Compliance Committee, Chairman

Dir. Mark Stephen T. Mejia - Risk Management Committee, Chairman

Dir. Alfred Daniel T. De Guzman - Corporate Governance Committee, Chairman

Dir. Corazon G. Ramos - Credit Committee, Chairman

Dir. Hector Vicente M. Tupasi - Credit Committee, Member

Dir. Teresita G. Venturina - Credit Committee, Member

Dir. Sylvia Doreta Jacqueline T. Gomez - Corporate Governance Committee, Member

Atty. Mary Ann Elizabeth M. Tupasi - Management Representative, President/CEO

Thank you for your unwavering support and trust in RBS.

Warm regards,

Roque Felipe M. Granada

2022-2023 Chairman of The Board, RBS



PRESIDENT'S REPORT





Greetings and welcome to the 2023-2024 Annual Stockholder's Meeting!

The task we took upon ourselves last year, as embodied in our theme "Inspire"^[1] is perhaps the biggest challenge we faced and it is one that is never ending. How inspiring we have become is something that we cannot judge on our own. Did we live up to what we said to become a beacon in the RB industry?



Let us start off with some financial figures and ratios:

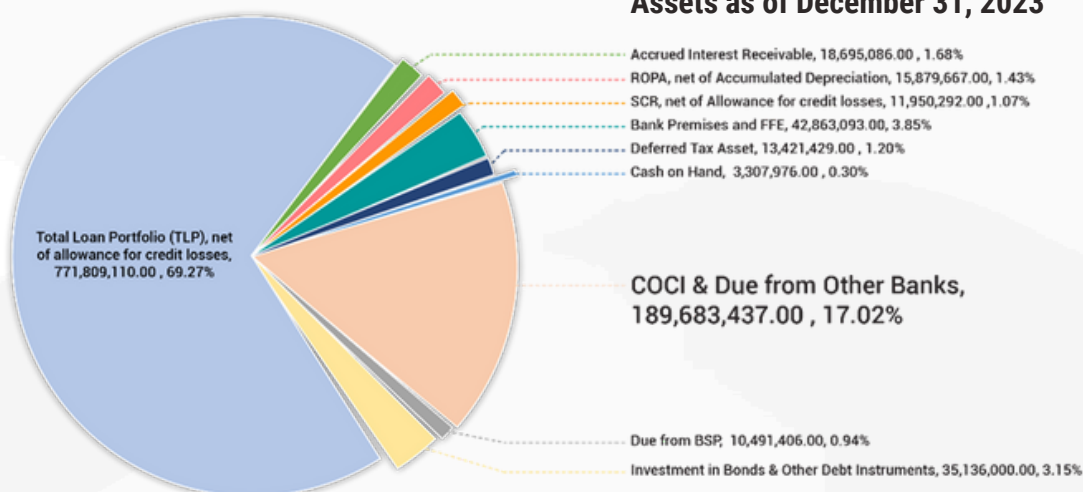
Illustration I

	2019	2020	2021	2022	2023	RBS GROWTH RATIO	INDUSTRY RATIO
LOAN PORTFOLIO	445,529,096.00	469,583,004.00	567,513,750.64	710,191,857.00	822,818,299.70	15.86%	19.89%
DEPOSIT LIABILITIES	356,116,047.00	424,305,934.00	489,029,148.00	562,451,332.00	658,687,494.56	17.11%	8.87%
RESOURCES	650,244,890.00	705,740,302.00	792,842,007.64	905,986,695.32	1,114,275,986.00	22.99%	12.19%
MINIMUM LIQUIDITY RATIO	27.60%	41.22%	31.48%	20.32%	39.66%	--	--
EXPENSE TO INCOME RATIO	70.38%	70.64%	71.29%	70.75%	68.99%	--	84.25%
PAST DUE RATIO	12.72%	18.49%	18.27%	14.33%	12.29%	--	--
PAST DUE	56,661,535.00	86,843,973.89	103,664,808.81	101,740,009.25	101,087,898.29	--	--
GROSS INCOME	112,840,093.00	94,667,552.00	101,299,663.00	120,572,674.00	148,299,306.00	23.00%	--
CAR	38.98%	35.53%	32.14%	30.12%	34.64%	--	18.77%
ROE	15.70%	11.13%	10.75%	12.33%	14.74%	--	12.15%
ROA	5.47%	3.99%	3.62%	3.80%	4.36%	--	2.25%

Notable of all is "Resources" finally breaching the 1 billion mark. While we only have 4 branches in our network, our net worth reveals how big and efficient we have become. On the average, billion-peso rural banks have 45 branches or 21 regular branches and 24 branch light offices (BLO). Per RBAP report, the median number of branches of a Billion pesos rural bank is 14.5 branches with 11.5 regular branch and 1.5 BLO. The report further says that only 57 out of 389 rural banks have breached the marker and RBS ranks #49 by year end 2023. A closer inspection of what comprises the breakdown of resources further reveal that 69.27% or approximately 772 million contributes to income.

Illustration II

Assets as of December 31, 2023



[1] To 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.



Bagabag Branch
August 21, 1995



Bambang Branch
March 20, 2017



Bayombong Branch
June 1, 2018



BLO Maddela
June 27, 2019



BLO Aritao
January 10, 2024

Corporate Head Office
November 19, 2012



BRANCHES AND BLOs

This table, available online from the BSP statistics, show that we continue to steadily rise in rank in terms of portfolio, deposit liabilities and resources despite the lean structure of our institution.

Illustration III

	DECEMBER 2023	DECEMBER 2022	DECEMBER 2021
AS TO TOTAL ASSETS	#50 1,110.19	#55 993.51	#60 863.64
AS TO TOTAL LOANS, NET	#35 771.81	#36 761.41	#35 609.62
AS TO DEPOSIT LIABILITIES	#62 658.69	#69 562.45	#70 474.99

In the province of Nueva Vizcaya and the whole Rural Bank industry of Region 2, the BIR recognizes RBS as top tax contributor. This recognition speak of compliance and exemplary performance. Another recognition RBS received is being the regional outstanding performer in terms of Agri Insurance generator as awarded by the Philippine Crop Insurance Inc (PCIC). This award is a manifestation of how RBS remain relevant and true to its charter. ^[2]



2023 Tax Campaign Kick-off



Awarding of regional outstanding performer in terms of Agri insurance generator



[2] RA 7353 AN ACT PROVIDING FOR THE CREATION, ORGANIZATION AND OPERATION OF RURAL BANKS, AND FOR OTHER PURPOSES

In detail, we look at the following:

Profitability:

The financial performance of the bank has been impressive, with a net income (after tax) of P45.99 Million in 2023 exceeding the target of P40 Million. This is a significant increase compared to the previous year's net profit of approximately P35.27 Million.

Assets and Liabilities:

The bank's assets and liabilities increased in the year 2023, indicating overall growth for the institution. The bank's total assets were approximately P1.11 Billion increasing more than P208.29 Million in a year.

Loan Portfolio:

The bank's loan portfolio increased by 15.86% with its net loan portfolio reaching P822.82 Million. The growth in loan portfolio resulted from the bank's increase in lending activities to small and medium sized businesses.

Growth per Loan Product

Illustration IV

LOAN PRODUCT	AS OF DECEMBER 31, 2023	AS OF DECEMBER 31, 2022	INCREASE/ (DECREASE)	GROWTH (in %)
YAMAN SA KABAN/PANGKABUHAYAN	93,470,839.54	115,605,870.64	-22,135,031.10	-19.15
OTHER AGRICULTURAL LOANS	40,263,938.48	41,966,114.38	-1,702,175.90	-4.05
LOANS TO INDIVIDUAL FOR CONSUMPTION	77,513,989.06	73,010,333.60	4,503,655.46	6.17
HOUSING LOAN	155,376,227.29	130,626,400.52	24,749,826.77	18.95
SME	264,038,286.07	192,849,325.42	71,188,960.65	36.91
LOANS TO INDIVIDUAL FOR OTHER PURPOSES	190,468,904.56	154,198,301.21	36,270,603.35	23.52
MICROFINANCE	1,686,114.70	1,935,544.06	-249,429.36	-12.89
TOTALS	822,818,299.70	710,191,889.83	112,626,409.87	

Capital Adequacy:

The bank's capital adequacy ratio remained healthy and stood at 34.64% in 2023, far exceeding the regulatory requirement of 10% and the average CAR rate of the rural banking industry at 18.77%.

In achieving all these, we simply executed our plans for Vision 2027.^[3]



[3] 20 Offices in 2027

1. Planning and execution



Planning team with President/CEO Atty. Mary Ann E.M. Tupasi-Saddul

Planning has been an integral step over the years. To ensure that plans are carried out and are effective, constant review of performance is done by managers on a weekly basis, the ManCom and board committees on a monthly basis and as presented to the whole board on a quarterly basis. Among the strengths of RBS is the ability to recalibrate plans and strategies when needed, thus, the relocation the Solano BLO to Aritao.

Also, with the delays in plans for agency banking which is due to the failure of our third-party provider, RBS continue to expand its reach by partnering with other partners such as the St. Catherine Multi-Purpose Cooperative and the Wangal Irrigators Development Association.



Intensive marketing drives and product orientations was also cascaded in the barrios and localities served by RBS.



Brgy. Babadi, Kayapa Nueva Vizcaya



Brgy. Baresbes, Quzon, Nueva Vizcaya



Brgy. Ibung, Villaverde, Nueva Vizcaya



Brgy. Bone South, Aritao, Nueva Vizcaya



Villaverde, Nueva Vizcaya



Bambang, Nueva Vizcaya

2. Continuous training



Even as we prove to be on track with plans, RBS sets aside a 1Million annual budget to invest and ensure that the human resource is constantly sharpened. Indeed, there is no limit to what can be learned.

Illustration V

Seminar/ Trainings	Date	Seminar/ Trainings	Date
Safety Training Drill (Bomb Threat)	January 31, 2023	Induction with AMLA	April 26, 2023
Induction	January 13, 2023	Fintech Inclusion Transformation Writeshop (RBAP)	June 21, 2023
Anti-Money Laundry Act.	January 13, 2023	Virtual Training on AMLC Rules and Regulations & Risk Rating (RBAP)	July 07, 2023
AO Enhancement	January 16, 2023	Webinar on Training Current Account/Savings Operations	July 22, 2023
Amla Briefing	January 20, 2023	Accounting for Non-Accountants (RBAP)	August 4-5, 2023
Data Privacy (RBAP)	February 02, 2023	Stability Finance Training Program (RBAP)	August 17-18, 2023
1st Annual Convention of th Compliance and Auditor	February 8-9, 2023	Credit Risk management framework	August 24-25, 2023
Mabster	February 7-16, 2023	Customer first service attitude	August 31, 2023
Induction	February 17, 2023	Bank Teller Skill	
Accelerate Business Growth wisely (RBAP)	February 23, 2023	Money Laundering	September 01, 2023
Launching Inspire'23	February 27, 2023	Tips to become an Excellent Teller	
Fire and Earthquake Drill	February 21, 2023	Currency Familiarization & Sorting of Money	
Fire and Earthquake Drill	February 21, 2023	Corporate Secretary (RBAP)	September 21-22, 2023
Induction	April 04, 2023	Mabster	September 26, 2023
Mabster	April 13- 25, 2023	Induction	
Wash Workshop	April 25, 2023	Basic Concept on Anti-Money Laundering and Combating	September 27, 2023- Bayombong
Strategic Mktg. & Business Branding (RBAP)	March 2-3, 2023	Basic Concept on Anti-Money Laundering and Combating	September 28, 2023- Bagabag
Telling	March 04, 2023	Basic Concept on Anti-Money Laundering and Combating	September 29, 2023- Bambang
Corporate Secretary (RBAP)	March 9-10, 2023	Data privacy Training (RBAP)	October 06, 2023
Moneyfesting your ultimate Guide to Financial Literacy (RCBC)	March 10, 2023	Seminar: BRR/FRR	October 7 & 14, 2023
Performance Assesment and Consultation Workshop (ACPC)	March 22-24, 2023	AMLA (Petnet)	November 13, 2023
		Managerial Training Program 4th batch	November 17-December 7, 2023

3. Portfolio Management

After a full year after lifting of lockdowns and even as Covid seem defeated, the economy, including many bank clients still suffer its effects. In 2023, RBS was able to manage and maintain a healthy portfolio mainly because of a timely adoption of a loan clean-up plan and relief for industries gravely affected by the pandemic.^[4] In addition, the Board approved the Clean-up Program^[5] to clean up unsecured past due loans. Thus, by year end PDR improved to 12.29% or by P 101,087,898.29 as compared to 14.33% in 2022.

4. Sharing of best practices

In the advent of Circular 1169 or the RBSP, coinciding, during my term as the RBAP President, the RB industry was beset with a major capitalization challenge. RBS is among the few who were unfazed given its strong capital. By end of 2023 capital account was at P329.74 Million, a level strong enough to support as many branches we envision in Vision 2027.

During RBSP and RBAP sponsored roadshows, I shared our practice of continuously building up capital and our policy of establishing theoretical capital of at least 20Million for the Head Office and 10Million for every branch thereof. Many are astounded that our level of capital was reached mainly out of an annual declaration of mix of cash and stock dividends. To even test the shareholder's commitment, a further call to subscribe and pay P 5 million was made with 88.38% shareholders paying in full. This does not only further strengthen our capital but also validates our contingency fund management plan that includes calling upon shareholders for infusion of fresh capital, if needed.



Apart from capital, sustainability is also anchored on profitability. On this point, RBS presented itself as viable business model for rural banks given its mandate to serve specific sectors of Agriculture and Small and Medium enterprises. RBS is among the volunteers under the On-site Learning Program (OSLP) of the RBAP to share on Micro Agri Lending.^[6] Our bank was also invited to present our micro agri lending during the ACPC Forum, with the end in view of enticing other players to give attention to the underserved agricultural sector.^[7] Besides, agricultural lending is not only viable but also extremely fulfilling and meaningful.^[8]

[4] 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 ECQ 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 Proposal Subsidy (Hazard) Pay during MECQ and ECQ (pandemic).

[5] B.R. No. 23-35: Approval of Extension of Clean-up Program for YSK/Pangka

[6] <https://rbap.org/angel-network/>

[7] https://fb.watch/kHRLlf_prR/?mibextid=CDWPTG

[8] <https://www.facebook.com/ruralbankersph/videos/514002757602370>



Still on sustainability and in alignment to the Environmental and Social Development goals, RBS has finally adopted clearer plans and directions, prioritizing 5 items in the agenda such as: SDG 1. Poverty, SDG 2. Hunger, SDG 6. Clean water, SDG 8 Decent work and economic growth and SDG 13. Climate to Action. (Refer to the full write up report). Aside from green energy loans, RBS initiated programs on clean water such as study on WASH loans and river clean up.^[9]



Mr Dennis Dennis Peña of Water.org with LGU Bayombong presenting Water Sanitation and Hygiene



River Cleanup with Mayor Anthonio G. Bagasao



While 2023 proved to be a big year for RBS, it did not pass-by free of challenges:

1. Delay in digitalization plans

Despite a live MOA, UBX, our third-party provider failed to deliver the platform which would have facilitated the RBS Agency Banking. Exponential growth is foreseen had this project succeeded. None the less, prudence is always the better option lest we expose ourselves to breaches on consumer protection or other risks that we fail to anticipate.

2. Shortage in human resource

Illustration VI

GROSS LOAN PORTFOLIO	2019	2020	2021	2022	2023
AMOUNT	445,529,096.00	469,583,004.00	567,513,750.64	710,191,857.00	822,818,299.70
NO. OF ACCOUNTS	10,058	10,318	11,229	8,706	8,278

While 2023 is a good year, notice that the number of loan accounts continue to dwindle and by year end, its count is even considerably lower than pre-pandemic level. The main reason for the decline is commensurate also to the decline in number of Account Officers (AOs) which counted to 31 in January 2022 but only 24 by the start of the year 2023.

In addressing this issue, RBS supported the RBAP study on compensation as we likewise, slightly improved remuneration packages in order to be competitive as against peers within the region. The goal of the HR department is to hire AOs continuously even allowing non college graduates who may qualify. With the new norms and more options in employment, however, the applicants have decreased in number. Furthermore, the few whom we hire also fail to stay long for the primary reason of “non-performance”.



Admittedly our hiring and in house training programs need to be reviewed especially that our business model is AO driven. Our recognition of this major issue, however, gave rise to 2024 theme “Make Happiness Happen”. In sum, “making happiness happen” means providing a conducive work place, well defined work, sufficient training and support and work life balance, all of which promote better delivery of service that makes clients happy and ultimately all stakeholders happy.

Once again, our utmost gratitude to the following:

The stockholders for your support and trust;

The hardworking Board of Directors and dynamic Management Committee for taking the lead;

The RBS Team, salute!

To all our partners, our clients and regulators for demanding no less that the best we can give; and
To God, our main guide and provider, to whom we give all the Glory and Praise!

More power to all of us and to RB of Solano as we make happiness happen in all our relationships and dealings!

Thank you very much!

Very truly yours,

ATTY. MARY ANN E.M. TUPASI
President/CEO

REPORT ON DEPOSIT LIABILITIES AND LIQUIDITY

The Cash Department handles the daily management of cash inflows and outflows of the bank. It primarily generates funds through deposits and rediscounting. It is responsible in the safekeeping of cash, checks, securities, pertinent financial documents and other valuables. This department also maintains and controls the flow of accountable forms.

As the effects of the global crisis caused by the COVID-19 pandemic gradually decline, the economy is gaining momentum as all countries open their windows to trade, commerce and industry. Economic activities from all sectors of the society are improving that aim to recover from losses and to regain the usual business operations.

Facing the “new normal”, Rural Bank of Solano, Inc. remains true to its commitment as an excellent financial service provider that values the progress of its clients. Hence, optimum level of liquidity must be maintained to support ideal working capital requirements. This is reflective of the good financial performance in the year 2023.

Accordingly, Deposit Liabilities increased by 17.11% or P 96,236,162.74 from P 562,451,331.82 in 2022 to P 658,687,494.56 in 2023 due to substantial deposits coming from valued clients. The increase is also attributable to the promo rates in Time Deposit and the continuing trust and confidence of the public. The average deposit size is P 25,315.00, testament to the bank’s commitment to generate basic deposit accounts in support to the financial inclusion initiative of the BSP. Sale of ROPA also contributed to the fund generation with the sale of P 2,237,319.40 of assets acquired during the year. Hence, the Minimum Liquidity Ratio increased from 20.27% in 2022 to 39.46% in 2023, which indicates that there are enough funds to support operations.

These figures are commendable since there is a remarkable improvement compared to the past years. It is good to note, however, that even during the height of health emergency, Rural Bank of Solano has proven its resilience and exceptional stability in maintaining its financial credibility as one of the most trusted banking institutions.

LOANS PERFORMANCE REPORT

Total Loan Portfolio	Target	Actual
Annual Target	770,000,000.00	822,818,300.23
New Loans	250,000,000.00	372,837,549.00
Total Releases	570,000,000.00	630,400,293.63

Rural Bank of Solano Inc. ended the year 2023 on an exemplary note as it outdid annual target on loans. It has achieved total loan portfolio of P 822,818,300.23, which exceeded the annual target by 6.86 % (P 52.8M). New loans reached P 372.8M resulting in positive variance of P 122.8M (49%) from the projected annual target for new loans of P 250M while total loan releases have reached P630.4M, which is 11% higher than the projected annual target of P 570M.

Indeed, we have substantially completed re-shaping our portfolio through our key profitable segments focused on SMEs and MSMEs for Salba BIDA loan program and other loans. Notwithstanding the challenges, we remained true to our commitment to support the local agriculture industry thru our Yaman Sa Kaban and Pangkabuhayan Sa Barrio program as part of our sustainable development goals.

Despite our remarkable achievements in loan releases, we faced challenges that impacted loan operations as previously mentioned. Past due ratio stood at 12.29% which fell short by 3% from target, primarily due to the adverse effects of climate change, ASF and lingering effect of pandemic to some industries. However, staying true to its mission and vision, the Bank has continually extended its loan Recovery Program to distressed clients for them to overcome these challenging times.

Over the years, we have significantly surpassed our loan targets through great collaborative teamwork of dedicated employees of the bank especially in lending operations. Such result could not be achieved sustainably without the commendable efforts of employees in giving quality services to our loyal borrowers who contribute greatly to the increase in number of borrowers. Through collaborative teamwork and shared commitment to excellence, we were able to capitalize on opportunities and overcome obstacles. Importantly, when faced with challenges or when strategies did not yield desired results, we promptly re-calibrated and devised new approaches to ensure achievement of set goals and objectives.

REPORT ON PAST DUE

	2022	2023
Past Due Amount	101,740,009.25	101,087,898.29
Past Due Ratio	0.14	0.12

Three years after the onset of the COVID-19 pandemic, the economy continues its trajectory of recovery and is geared towards a more productive and promising business outlook. However, some industries are still in the recovery phase and settling of obligations for those who are greatly affected by the pandemic has become challenging. In 2023, the threat of climate change also affected people's livelihood and communities, especially our farmers. The Bank relaxed some of its policy in collection particularly on secured loans to give chance to our clients to pull through and improve their financial conditions.

In an attempt to help our farmers recover, at the same time, intensify collection on Yaman sa Kaban (YSK) and Pangkabuhayan sa Barrio (PSB) Loan, the Board of Directors approved the Clean-up Program and Amnesty on Written-off accounts. Through these programs, the bank was able to collect and close a total of 63 accounts with an outstanding principal balance of P 1,535,871.73 and generate income amounting to P 1,104,916.25. Further, these programs helped qualified farmers settle their obligation, clean-up their records and avail of a loan to start over again. The faster response of the Phil Guaranty in acting on our claims is also noteworthy, with total guaranty claims paid amounting to P 35,277,970.91 for the year. As a result, there is a decrease of 1.88% on the past due ratio (PDR) from 2022 to 2023 as shown in the table above.

Despite the challenges the Bank has undergone, RBSolano continues on developing programs to help revive our valued clients and the local economy. True to our vision and mission and in line with our core values of trust, integrity, 100% commitment, and unconditional love.

ACPC PROGRAMS

The Department of Agriculture through the Agricultural Credit Policy Council (DA-ACPC) continues to play a pivotal role in bolstering the agricultural sector in the Philippines through its steadfast support and financial initiatives. In 2022, Rural Bank of Solano (N.V.), Inc. (RBSolano) in partnership with DA-ACPC reached a notable loan portfolio of PHP 89,048,409.68, reflecting a dedicated effort to provide accessible credit facilities to rural communities, particularly in Solano and its surrounding municipalities. This financial assistance has been instrumental in empowering small marginal farmers, fisherfolk, and micro and small enterprises (MSEs) within the agri-fishery sector, thereby fostering economic growth and sustainability.

Building upon the successes of the previous year, the collaboration between RBSolano and DA-ACPC further flourished in 2023, with the loan portfolio witnessing a substantial increase to PHP 124,001,699.76. This significant growth underscores the effectiveness of the partnership in meeting the evolving financial needs of the agricultural community and driving progress in rural development initiatives.

In 2023, RBSolano received a noteworthy allocation of PHP 45 million from the DA-ACPC, reinforcing the commitment to providing vital financial resources to local farmers, fisherfolk, and MSEs. This infusion of funds has been instrumental in facilitating agricultural activities, expanding cooperatives, associations and farmers associations operations, and improving livelihoods within the served communities.

Among the beneficiaries of the ACPC's programs is a Kapital Access for Young Agripreneurs (KAYA) borrower hailing from Maddela, Quirino. This individual represents the embodiment of the KAYA program's objectives, which aim to empower young agri-preneurs aged 18 to 30 to actively engage in agricultural ventures and entrepreneurial endeavors. By supporting the aspirations of young individuals like the borrower from Maddela, Quirino, RBSolano and DA-ACPC contribute to nurturing a new generation of agricultural leaders and innovators. The details of the releases were as follows:

ANYO	Number of Clients	Amount
Small Farmers and Fisherfolks	610.00	27,600,000.00
Coopratives	2	15,000,000.00
Farmer Association	1	2,000,000.00
KAYA	1	400,000.00

Through strategic collaborations with DA-ACPC, RBSolano continues to uphold its commitment to promoting inclusive growth and sustainable countryside development in the agricultural sector. By providing tailored financial solutions, fostering entrepreneurship, and supporting local initiatives, the partnership between RBSolano and DA-ACPC remains instrumental in driving positive change and prosperity in rural communities across the Philippines.



FINANCIAL SECTION



COMPARATIVE STATEMENT OF CONDITION

	31/12/2023	31/12/2022	Increase(Decrease)	
			Amount	%
ASSETS				
Cash on Hand	3,307,976.00	3,444,900.00	(136,924.00)	-3.97%
Check and Other Cash Items	5,308,842.00	6,694,246.00	(1,385,404.00)	-20.70%
Due from BSP	10,491,406.00	11,260,872.00	(769,466.00)	-6.83%
Due from Other Banks	184,374,595.00	80,272,787.00	104,101,808.00	129.69%
Total Cash and Due from Banks	203,482,819.00	101,672,805.00	101,810,014.00	100.13%
Held-To-Maturity Financial Assets	35,136,000.00	29,000,000.00	6,136,000.00	21.16%
Loans and Receivables-Current	721,730,401.00	608,451,880.58	113,278,520.42	18.62%
Loans and Receivables-Past Due/Items in Litigation	101,087,898.00	101,740,009.25	(652,111.25)	-0.64%
Unamortized Discounts	-	(33.00)	33.00	-100.00%
Loans and Receivable, Gross	822,818,299.00	710,191,856.83	112,626,442.17	15.86%
Less: Allowance for Credit Losses	51,009,189.00	37,829,546.00	13,179,643.00	34.84%
Net Loan Portfolio	771,809,110.00	672,362,310.83	99,446,799.17	14.79%
Sales Contract Receivable, Net	11,950,292.00	9,881,193.00	2,069,099.00	20.94%
Accrued Interest Receivables	18,695,086.00	18,379,138.00	315,948.00	1.72%
Bank Premises, Furniture, Fixtures & Equipment, Net	42,863,093.00	45,403,556.00	(2,540,463.00)	-5.60%
Real and Other Properties Acquired, Net	15,879,667.00	17,798,774.00	(1,919,107.00)	-10.78%
Deferred Tax Assets	13,421,429.00	10,009,656.00	3,411,773.00	34.08%
Other Assets	1,038,490.00	1,479,262.00	(440,772.00)	-29.80%
TOTAL ASSETS	1,114,275,986.00	905,986,694.83	208,289,291.17	22.99%
LIABILITIES AND EQUITY				
LIABILITY ACCOUNTS				
Demand Deposit	33,110,285.00	38,857,045.00	(5,746,760.00)	-14.79%
Savings Deposit	352,377,352.00	337,856,270.00	14,521,082.00	4.30%
Time Deposit	273,199,858.00	185,738,017.00	87,461,841.00	47.09%
Total Deposit Liabilities	658,687,495.00	562,451,332.00	96,236,163.00	17.11%
Bills Payable	96,275,000.00	19,400,000.00	76,875,000.00	396.26%
Accrued Interest Expense	2,427,659.00	1,246,224.00	1,181,435.00	94.80%
Income Tax Payable	8,724,855.00	6,941,885.00	1,782,970.00	25.68%
Other Liabilities	18,419,386.00	21,677,417.83	(3,258,031.83)	-15.03%
TOTAL LIABILITIES	784,534,395.00	611,716,858.83	172,817,536.17	28.25%
EQUITY ACCOUNTS				
Common Stock	202,812,000.00	182,558,600.00	20,253,400.00	11.09%
Retained Earnings Free	79,316,803.77	76,282,424.00	3,034,379.77	3.98%
Retained Earnings - Reserves	1,625,578.23	157,867.00	1,467,711.23	929.71%
Undivided Profit	45,987,209.00	35,270,945.00	10,716,264.00	30.38%
TOTAL EQUITY	329,741,591.00	294,269,836.00	35,471,755.00	12.05%
TOTAL LIABILITIES AND EQUITY	1,114,275,986.00	905,986,694.83	208,289,291.17	22.99%

COMPARATIVE STATEMENT OF INCOME AND EXPENSES

	31/12/2023	31/12/2022	Increase (Decrease)	
			Amount	%
INCOME				
Interest Income				
Loans and Receivables	110,341,453.00	88,330,696.00	22,010,757.00	24.92%
Held-to-Maturity Financial Assets	1,292,436.00	1,129,303.00	163,133.00	14.45%
Due from Other Banks	404,189.00	371,852.00	32,337.00	8.70%
Total Interest Income	112,038,078.00	89,831,851.00	22,206,227.00	24.72%
Interest Expense				
Deposit Liabilities	8,585,533.00	6,518,871.00	2,066,662.00	31.70%
Borrowed Funds	1,827,482.00	107,278.00	1,720,204.00	1603.50%
Total Interest Expense	10,413,015.00	6,626,149.00	3,786,866.00	57.15%
NET INTEREST INCOME	101,625,063.00	83,205,702.00	18,419,361.00	22.14%
PROVISION FOR CREDIT LOSSES	18,548,692.00	12,721,631.00	5,827,061.00	45.80%
NET INTEREST INCOME AFTER PROVISIONS	83,076,371.00	70,484,071.00	12,592,300.00	17.87%
Other Operating Income				
Gain/(Losses) from Sale/Derecognition of Non Financial Assets				
Real and Other Properties Acquired	8,677,879.00	5,426,859.00	3,251,020.00	59.91%
Fees and Commissions Income	5,474,723.00	4,348,919.00	1,125,804.00	25.89%
Rent Income	846,889.00	820,633.00	26,256.00	3.20%
Recovery on Charged-Off Assets	965,938.00	251,239.00	714,699.00	284.47%
Miscellaneous Income	20,295,799.00	19,893,173.00	402,626.00	2.02%
NET INCOME BEFORE OPERATING EXPENSES	119,337,599.00	101,224,894.00	18,112,705.00	17.89%
Other Operating Expenses				
Compensation and Fringe Benefits	29,535,167.00	27,382,069.00	2,153,098.00	7.86%
Taxes and Licenses	8,344,447.00	7,076,739.00	1,267,708.00	17.91%
Depreciation Expense	4,268,705.00	4,641,827.00	(373,122.00)	-8.04%
Security, Clerical, Messengerial and Janitorial Services	2,222,896.00	2,145,150.00	77,746.00	3.62%
Power, Light and Water	842,195.00	1,172,265.00	(330,070.00)	-28.16%
Insurance	1,698,452.00	1,609,508.00	88,944.00	5.53%
Fuel and Lubricants	1,663,306.00	2,171,372.00	(508,066.00)	-23.40%
Repairs and Maintenance	1,304,329.00	873,302.00	431,027.00	49.36%
Representation and Entertainment	294,700.00	296,922.00	(2,222.00)	-0.75%
Rent	72,626.00	68,350.00	4,276.00	6.26%
Advertising and Publicity	50,306.00	26,337.00	23,969.00	91.01%
Supervision Fees	182,558.00	171,212.00	11,346.00	6.63%
Litigation Expenses	104,699.00	7,460.00	97,239.00	1303.47%
Donation and Charitable Contributions	67,000.00	25,020.00	41,980.00	167.79%
Others	7,794,090.00	6,904,723.00	889,367.00	12.88%
TOTAL OTHER OPERATING EXPENSES	58,445,476.00	54,572,256.00	3,873,220.00	7.10%
NET INCOME BEFORE TAX	60,892,123.00	46,652,638.00	14,239,485.00	30.52%
Income Tax Expense	14,904,914.00	11,381,693.00	3,523,221.00	30.96%
NET INCOME AFTER TAX	45,987,209.00	35,270,945.00	10,716,264.00	30.38%

FINANCIAL HIGHLIGHTS

I. BALANCE SHEET STRUCTURE				
	December 31, 2023	December 31, 2022	Increase (Decrease)	Industry Ratio
A. ASSETS				
Cash & Due from Banks	18.26%	11.22%	7.04%	18.00%
Loans & Receivables, Net	69.27%	74.21%	-4.95%	57.38%
Accrued Interest Receivable	1.68%	2.03%	-0.35%	
Investments	3.15%	3.20%	-0.05%	15.89%
Bank Premises, FFE, Transp. Equipment, Net	3.85%	5.01%	-1.16%	
ROPA, Net	2.50%	3.06%	-0.56%	2.50%
Deferred Tax Asset	1.20%	1.10%	0.10%	
Others	0.09%	0.16%	-0.07%	6.23%
TOTAL ASSETS	100.00%	100.00%	0.00%	100.00%
B. LIABILITIES				
Deposits	59.11%	62.08%	-2.97%	71.01%
Bills Payable	8.64%	2.14%	6.50%	6.19%
Other Liabilities	2.65%	3.30%	-0.64%	4.47%
TOTAL LIABILITIES	70.41%	67.52%	2.89%	81.67%
C. CAPITAL ACCOUNTS				
Capital Stock	18.20%	20.15%	-1.95%	11.11%
Retained Earnings-Free/Reserves	11.39%	12.33%	-0.94%	7.23%
TOTAL CAPITAL ACCOUNTS	29.59%	32.48%	-2.89%	18.33%
TOTAL LIABILITIES & CAPITAL ACCOUNTS	100.00%	100.00%	0.00%	100.00%
II. ACCOUNT LEVELS & KEY RATIOS				
NET INTEREST INCOME	101,625,063	83,205,702	18,419,361	
OTHER INCOME	36,261,228	30,740,823	5,520,405	
OPERATING EXPENSES	58,445,476	54,572,256	3,873,220	
PROVISION FOR CREDIT LOSSES	18,548,692	12,721,631	5,827,061	
TOTAL INCOME	148,299,306	120,572,674	27,726,632	
TOTAL EXPENSES	102,312,097	85,301,729	17,010,368	
NET INCOME	45,987,209	35,270,945	10,716,264	
TOTAL EXPENSES TO TOTAL INCOME	68.99%	70.75%	-1.76%	
NET INCOME TO TOTAL INCOME	31.01%	29.25%	1.76%	
RETURN ON AVERAGE EQUITY	14.74%	12.33%	2.41%	12.15%
RETURN ON AVERAGE ASSETS	4.36%	3.80%	0.56%	2.25%
NET INTEREST MARGIN	10.58%	9.89%	0.69%	10.29%

FINANCIAL HIGHLIGHTS

	December 31, 2023	December 31, 2022	Increase (Decrease)	Industry Ratio
Liquid Assets	203,482,819.00	101,672,805.00	101,810,014.00	
Total Assets/Resources	1,114,275,986.00	905,986,694.83	208,289,291.17	
Capital Accounts	329,741,591.00	294,269,836.00	35,471,755.00	
Capital Stock	202,812,000.00	182,558,600.00	20,253,400.00	
Retained Earnings	126,929,591.00	111,711,236.00	15,218,355.00	
Capital Accounts to Total Assets	29.59%	32.48%	-2.89%	18.39%
Risk Based Capital Adequacy Ratio	34.64%	31.84%	2.80%	18.77%
Net Earnings per share of common stock	22.67	19.32	3.35	
Book Value per share of common stock	162.58	161.19	1.39	
Liquid Assets to Deposits Ratio	30.89%	18.08%	12.82%	25.35%
Total Loans	822,818,299.00	710,191,856.83	112,626,442.17	
Past Due Loans	101,087,898.00	101,740,009.25	(652,111.25)	
Past Due Ratio	12.29%	14.33%	-2.04%	9.27%
Non Performing Loans to Total Loans	10.71%	12.97%	-2.26%	6.73%
Total Deposits	658,687,495.00	562,451,332.00	96,236,163.00	
Total Loans to Total Deposits	124.92%	126.27%	-1.35%	85.50%

FINANCIAL REVIEW

A. TOTAL RESOURCES

The total resources as of year-end was posted at P1.11B, showing an increase amounting to P208.29M or 22.99% from prior year's P905.99M.

The bulk of the bank's assets are on loans and receivables which is 69.27%.

B. LOAN PORTFOLIO

The bank's loan portfolio at year-end was P822.82M, exhibiting a rise of P112.62M or 15.86% compared to last year's P710.19M.

Past due loans decreased by P652,111.00 resulting to a decrease in past due ratio by 2.04%.

Loans funded by the Agricultural Credit Policy Council (ACPC) under the Department of Agriculture were excluded from the total loan portfolio of the bank.

C. DEPOSIT LIABILITIES

Deposit liabilities at year-end was reported at P658.69M. There was an increase of P96.24M or 17.11% compared to prior year's P562.45M.

D. STOCKHOLDER'S EQUITY

Stockholder's equity as of year-end was P329.74M, showing an increase of P35.47M compared to prior year's P294.27M.

During the year, the bank declared 10% stock dividends amounting to P18,255,860.00 and cash dividends amounting to P11,000,000.00.

Book value per share of common stock as of year-end is P162.58

E. INCOME AND EXPENSES

The bank was able to generate a net income after tax of P45.99M for the year 2023 showing an increase of P10.72M compared to prior year's P35.27M.



RISK MANAGEMENT



RISK MANAGEMENT

Risk Management Culture and Philosophy

Risk management is fundamental part of the bank's commitment to sustainable business growth and operational excellence. The bank believes that effectively managing risk is essential for protecting its resources and achieving its strategic goals.

The Board of Directors takes a leading role in fostering a strong risk management culture in the bank. They are mainly responsible for the overall risk management approach, including the establishment of risk strategies, principles and limits.

Risk Appetite Statement

RB Solano is charged with carrying out the duties of Bangko Sentral ng Pilipinas in the interests of the people of Nueva Vizcaya. This obligation is protected in legislation and is central to the core values of the organization. The Bank's ability to fulfill this mandate effectively rests, among other things, on its reputation as an organization of the highest integrity and professionalism.

This Statement considers the most significant risks to which the Bank is exposed and provides an outline of the approach to managing these risks. All strategic plans and business plans for functional areas need to be consistent with this Statement.

Risk Governance Structure and Risk Management Process

Supporting the Board in its risk management oversight is the Risk Management Committee (RMC). The Risk Management Committee(RMC) comprises two (2) sub-committees, the Credit Committee (CreCom) and the Committee on Banking Operations (CBO). The main function of the Credit Committee is to oversee and make decisions related to the credit and lending activities of the bank. Key responsibilities of the Crecom includes credit approval, credit policy development, evaluation of credit worthiness, portfolio management and problem loan management. The Credit Committee (CreCom) is also responsible for the development of strategies for mitigating potential losses and ensures that all approved credits align with the bank's risk appetite and credit policies. The Committee on Banking Operations (CBO) oversees various operational aspects within the organization, ensuring efficiency, compliance and risk management in day-to-day activities. The Committee on Banking Operations (CBO) is responsible in operational policy development, process improvement, transaction processing oversight and compliance with internal controls and regulatory requirements. In addition to its oversight role, the Committee on Banking Operation (CBO) formulates adequate measures to mitigate operational risks.

The responsibility for implementing the risk management policies and frameworks approved by the Board rest with the Senior Management or Management Committee (ManCom). The Management Committee ensures that risk-taking activities are aligned with the bank's risk strategies. They also promote initiatives and practices designed to enhance risk awareness and understanding among all staff, ensuring that everyone in the bank remains vigilant and proactive in identifying and managing potential risks. Any risk-related issue taken up during ManCom meetings will be brought to the attention of the Risk Management Committee (RMC). The Management Committee (ManCom) also

assists the Risk Management Committee in reviewing and enhancing risk management policies, guidelines and procedures to ensure they remain effective and relevant. During the year, several policies and guidelines were reviewed and enhanced. These include Credit Policy Manual, Environmental & Social Risk Management, Operations Manual on Record Keeping of Bank Deposits, Contingency Funding Plan, Jewelry Loan Guidelines, Internal Credit Risk Rating System, Financial Consumer Protection Policies, Guidelines on Sale of Assets Acquired, ANYO Program and Clean Up Program. Moreover, these modifications and improvement to risk management policies, guidelines and processes are cascaded throughout the organization.

The bank faces a variety of risks, and understanding them is essential for effective risk management. Listed below are some of the common risks that the bank faces:

1. Credit Risk

Credit risk is the risk from a borrower or counter-party failing to meet contractual obligations to the bank or to perform as agreed. The bank manages and controls credit risk by implementing the credit risk management strategies outlined in its Credit Policy Manual. These strategies include credit risk assessment, diversification of loan portfolio, setting limits and controls, credit monitoring, risk-based pricing, loan documentation, loan loss provisioning, stress testing and Account Officer (AO) enhancement training. Additionally, the credit risk management structure of the bank is broadly classified into three functional lines of activities to properly segregate accountabilities and ensuring that no individual is assigned conflicting responsibilities. These three functional lines includes the front office, middle office and back office. The front office is responsible for the initiation, evaluation, underwriting, packaging and collection of loans. The middle office performs risk management and control functions and the back office provides support in the overall credit administration ensuring complete documentation, maintenance of credit and collateral files and compilation of management information reports.

Agricultural loans carry inherent risks due to the sector's exposure to unpredictable weather conditions. Poor weather conditions can lead to reduced crop yield or livestock losses affecting the farmer's ability to repay loans. Market volatility and changes in government policies and regulations can further impact the financial stability of farmers, making it challenging for them to repay their loans. The Banks manages inherent risk in agricultural loans by offering flexible loan structures that align with the agricultural production cycle and and partnering with the Department of Agriculture for its guarantee programs. Inherent risks for business and other loans typically includes operational challenges, economic downturn, market volatility and changes in regulatory environment. These inherent business risks are being managed by applying the credit risk management strategies.

2. Liquidity Risk

Liquidity Risk is 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. The Bank manages liquidity risk by maintaining sufficient reserves, consistently monitoring projected and actual cash flows and matching the maturity profiles of financial assets and liabilities. Stress tests and scenario analyses are also conducted to evaluate the impact of funding disruptions in liquidity positions. Moreover, the bank maintains rediscounting lines with selected depository banks as a source of emergency liquidity support if needed.

3. Market Risk

Market risk is a risk of loss due to adverse movement in financial markets, such as interest rate or exchange rates. The bank adopts a repricing policy as incorporated in the bank's promissory note to protect the bank against exposure to future fluctuations in interest rates. Stress test is also conducted to assess the potential impact of extreme market movement on earnings and capital. Moreover, the bank conducts quarterly reviews to match the maturities of assets and liabilities to monitor interest rate sensitivity.

4. Operational Risk

Operational Risk is a 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
- Human Resource-related Risk
- Legal risk

The Bank manages operational risks by implementing the following risk controls and mitigation measures incorporated in the Operational Risk Management Guidelines of the Bank, as follows:

- Clear arrangement for delegating authority;
- Adequate accounting policies, records and processes;
- Robust physical and environmental control to tangible assets and access controls to information assets; and
- Segregation of conflicting functions.

Information Technology (IT) Risk

Information Technology (IT) Risk is a risk associated with technology-based operations. The Bank manages Information Technology risk by implementing the control measures enumerated in the Bank's IT Risk Management Program. These includes asset classification and control, physical and environmental protections, authentication and access control, system and computer equipment security, network and communication security, remote access, encryption and malicious code protection.

Human Resource-related Risk

Human Resource-related Risk or "people risk" is one of the major operational risks. It refers to the potential risk and vulnerabilities that arise from human actions, behaviors or errors within an organization. The Bank effectively manages human resource-related risk by implementing a thorough risk-focus screening process for applicants, screening the applicant against the BSP records, aligning hiring decisions with the organizational structure and investing in employee training and education programs.

Legal risk

Legal risk is the risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to business, its relationships, processes, products and services. Outlined in the Bank's Legal Risk Management Guidelines are controls and mitigation measures to ensure effective management of legal risk as listed below:

- Commercial insurance is an obvious method of controlling or mitigating loss caused by legal risk;
- Engaging a competent counsel who is knowledgeable in banking, contract, negotiable instruments, labor and other related laws;
- An effective conflict resolution machinery under the Human Resource Manual and the Consumer Protection Program; and
- Day to day control of legal risk will, amongst other things, involve periodic review and updating of documents and forms used by the bank.

The position of Risk Officer (RO) is also established to provide assistance to the Board and Senior Management in establishing and communicating the Bank's risk management principles, objectives and directions throughout the organization. The Risk Officer (RO) works closely with the Compliance Officer (CO) to ensure that the organization complies with relevant laws and regulation and internal policies while effectively identifying, assessing and mitigating risks. Any exceptions, breaches or potential issues noted during this process are promptly reported to Risk Management Committee (RMC) and Audit and Compliance Committee (ACC) for frequent monitoring.

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 earning 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 earning if not managed appropriately.

Management of Interest Rate Risk in the Banking Book (IRRBB) is a 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

To promote high ethical and professional standards and to prevent the Bank from being used, intentionally or unintentionally, for money laundering and terrorism financing, Money Laundering and Terrorist and Proliferation Financing Program (MTPP) has been created. This is adopted to support the government and law enforcement agencies in their efforts to combat money laundering. It serves as a comprehensive operating guideline for the Bank's officers and employees in implementing the Anti-Money Laundering Law, as amended and other rules and regulations issued by the Bangko Sentral ng Pilipinas and the Securities & Exchange Commission to combat money laundering. The program adequately covers pertinent policies and procedures on customer identification, acceptance and monitoring, covered and suspicious transaction reporting, training program, record keeping and self-assessment systems. The program also covers the conduct institutional risk assessment, sanction screening and freezing measures of monetary instruments.

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

1. Know Your Customer (KYC) all times

The Know Your Client (KYC) process is to verify the identity of customers to prevent fraud, money laundering and other illicit activities. The Bank obtains competent evidence of the customer's identity, including their beneficial owners, if applicable.

The rule on Know Your Customer 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

"Know Your Customer Business" focuses on understanding the identity and activities of business entities. This involves collection of information about the company's ownership structure, sources of funds, business activities and beneficial owners. The bank ensures legal existence of customers that are corporations or other business entities before establishing business relationships.

3. Digitization of Customer Records

Rural Bank of Solano (N.V.), Inc. complies with the mandate of Anti-Money Laundering Council (AMLC) to store digitized customer records in its own central database to be able to promptly provide to AMLC the customer records in case of inquiry and investigation.

4. Compliance With Laws

The Bank ensures that business is operated in accordance with high ethical standards high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system, that money laundering and terrorist financing laws and rules are fully complied with by making sure that 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.

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

The Bank fully cooperates with the Anti-Money Laundering Council (AMLC) for the effective implementation and enforcement of the AMLA, as amended, and its RIRR. This includes taking appropriate measures allowed 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 (AMLC).

INTERNAL AUDIT

The Internal Audit Function associated with money laundering and terrorist financing is being undertaken 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 results 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 ensures that the bank adhere to relevant laws, regulations and best practices aimed at preventing money laundering activities. It is her duty to checks the implementation of policies and procedures, reporting of covered and suspicious transactions, conduct risk assessments and provide training to staff. 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.

TRAINING

The Bank provides an annual training to its officers and personnel to enable them to fully and consistently comply with their obligations under the AMLA, as amended and its IRR. Training includes awareness of their respective duties and responsibilities under the MTPP particularly in relation to the customer identification process, record keeping requirements and covered and suspicious transactions reporting. The training also aims to provide employees adequate understanding of the internal processes including the chain of command for the reporting as well as investigation of suspicious and money laundering activities.



CORPORATE GOVERNANCE



CORPORATE GOVERNANCE

Promoting public confidence and maintaining the safety and stability of the banking system are the key priorities emphasized by the Bangko Sentral ng Pilipinas, highlighting the significance of robust corporate governance practices. The Bank's structure and management of processes, as influenced by the board of directors, collectively shape the path towards accomplishing goals and objectives. It embraces the comprehensive management strategy to provide direction and oversee the entire organization's governance activities. They ensure that crucial management information reaching the executive team is thorough, precise and timely for informed decision making. Additionally, they establish regulatory framework to ensure systematic and effective implementation of management strategies and mandates.

The bank upholds principles of transparency, accountability and integrity in its business practices. It deals fairly with clients, investors, stockholders and communities affected by its environmental and social activities, and maintains professionalism among its board, executives and employees in managing the bank. It also respects the laws and regulations governing its business. The bank utilizes a rational system of checks and balances along with a structured approach to oversee its operations. The Board and Senior Management regard corporate governance as a crucial element of effective strategic business management within its operations.

The year 2023 was highly productive. The Corporate Governance Committee's notable actions include the following:

1. Confirmation of Interlocking Directorship
2. Amendment of the Policy on Disturbance Allowance
3. Amendment to the Duties and Responsibilities of Various Positions
4. Amendment to Service Manual
5. Amendment of Motorcycle Loan for Employees
6. Criteria for Performance Bonus
7. Approval of Salary Adjustments
8. Approval of Qualification of YSK/Pangkabuhayan AO Supervisor
9. Amendment of PES and Evaluation Form
10. Salary Adjustment
11. Proposal of Change of Salary Grade of Account Officers
12. Re-alignment of Collectors to Cash Department
13. Approval of Guidelines in Releasing Bonuses

SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

I. BOARD OF DIRECTORS

Prior to election, the candidates undergo a fit and proper assessment to ensure their integrity, probity, education, training, knowledge, 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 encourage 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 Stockholders' 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 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 director 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 Bank's succession plan are as follows:

A. CHAIRMAN

1. Must have attended seminars required for BOD and a seminar on handling board meetings
2. With good reputation in the community

B. VICE-CHAIRMAN

1. Must have attended seminars required for BOD and a seminar on handling board meetings
2. With good reputation in the community

INDUCTION AND TRAINING FOR THE BOARD OF DIRECTORS

The newly elected director will undergo an induction process which includes a detailed briefing of the Board's and individual director's specific duties and responsibilities, review of various committee charters, Bank performance vis-à-vis bank plan, strategic plan and the general direction of the Bank. The Bank also ensures that recently elected 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 Resource 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

To qualify as President and Vice-President of the Bank, candidates must have at least an MBA or an equivalent post-graduate degree and must undertake additional postgraduate programs or studies related to banking operations. He/She must have a good leadership capability, 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 such as 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 or 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.
- To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the Bangko Sentral and where applicable, the requirements of other regulatory agencies.
- Observe confidentiality.
- Attend orientation and training.



BOARD OF DIRECTORS





ROQUE FELIPE M. GRANADA

The Chairman of the Board of Directors of the bank. He has been a director of the bank since 2012. 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 Incorporated 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 40,208 shares of common stocks or 1.98% stockholdings of the bank.



SYLVIA DORETA JACQUELINE T. GOMEZ

The Vice-Chairman of the Board of Directors. She has been a director of the bank since 2013 and a member of the Committee on Banking Operations, Audit and Compliance Committee and Corporate Governance Committee. She also holds a directorship at Corporate Int'l Travel and Tours. From 2012 to 2017, and FY 2022-2023, 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 146,137 shares of common stock or 7.21% stockholdings of the bank.



TERESITA G. VENTURINA

The Treasurer of the Corporation. She has been a director since 2012 and a member the Credit Committee and Committee on Banking Operations. 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 11 years from 1978 to 1989. She holds a degree in Bachelor of Science in Commerce - Major in Banking and Finance from the University of Santo Tomas. She owns 8,051 shares of common stocks or .40% stockholdings of the bank.



ATTY. MARY ANN ELIZABETH M. TUPASI-SADDUL

The President/CEO of the bank for twenty four (24) 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 has held several directorships with the Rural Bankers' Association of the Philippines (RBAP) and served as President from July 1, 2022 to December 31, 2023. She was also a Director of the Agricultural Guarantee Fund Pool (AGFP) from 2017 to 2019. She holds a degree a 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 431,638 of common stocks or 21.28% stockholdings of the bank.



HECTOR VICENTE M. TUPASI

The Vice-Chairman of the Board of Directors. He as 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 Risk Management Committee and Credit Committee. He is a graduate of Saint Marys' College with a degree of Bachelor of Science in Commerce Major in Business Management. He owns 197,381 shares of common stocks or 9.73% stockholdings of the bank.



CORAZON G. RAMOS

She was elected as Director of the Bank in June 2023. She serves as Chairman of the Credit Committee and is a member of the Corporate Governance Committee. Dir. Ramos has been with the Bank since 1997 up to 2022, holding various positions from Savings Solicitor to AVP for General Services. She holds a Bachelor of Science in Commerce degree Major in Accounting from Aldersgate College. She owns 1 share of common stock of the bank.



PATRICIA ANNE T. SEVILLA

An Independent Director of the bank. She is the Chairman of Audit and Compliance Committee and member of the Corporate Governance Committee and Committee on Banking Operations. 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 served as a Merchandising Supervisor at Supervalu Incorporated up until 2014. Also, she was associated with St. Luke's Medical Center Global City as Therapeutic Dietitian for more than a year. She owns 389 shares of common stocks or .02% stockholdings.



ALFRED DANIEL T. DE GUZMAN

He was elected as Independent Director of the bank in June 2023. He serves as Chairman of the Corporate Governance Committee and is a member of the Risk Management Committee. He graduated from the University of Santo Tomas with a degree in BSBA- Major in Marketing in 2015. He has been the Manager of their family-owned Buildhaus Centre, Inc. from 2015 to the present and has served as the CEO of Rost Coffee House since January, 2024. He owns 193 shares of common stocks or .01% stockholdings.



MARK STEPHEN T. TIONGSON

He has served as an Independent Director since May 2019. He is the Chairman of the Risk Management Committee and a member of the Audit and Compliance Committee. He earned his Bachelor's degree in Pharmacy from University of Santo Tomas in 2009. As a young entrepreneur, he is involved in various business ventures. From 2011 to 2012, he managed the family-owned enterprise Tiongson Drugstore. Additionally, he owned and operated the Tiongson Farm Supply from 2014 to 2023. At present, he is the proprietor and manager of Better Health Pharmacy since 2019. He owns 306 shares of common stocks or .02% stockholdings.

BOARD QUALIFICATION

A director of Rural Bank of Solano (N.V.) Inc., shall have the following qualifications;

1. He/she shall be college graduate or with at least five (5) year experience in business
2. He/she shall be a shareholder of at least one (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 except for grant of emeritus status for chairman
4. He/She has filed a nomination form one month prior to the Annual Stockholders' Meeting and shall be duly elected.
5. He/she must have attended the following seminars:

Board in General

- Orientation Seminars (budget/operations)
- To be done prior to the first BOD meeting facilitate by the MANCOM
- Corporate Governance
- Within the first three (3) months. A repeat BOD must take refresher course every three (3) years
- 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 on Banking Operation	Strategic Planning, MTP and TOL
Risk Management Committee	Risk Management and Internal Audit
Corporate Governance Committee	Risk Management, Internal Audit and TOL
Credit Committee	Cash Flow and Property Appraisal
Audit and Compliance Committee	Risk Management and Internal Audit

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

An Independent Director (Under Section 131 of the MORB) shall mean a person who:

- is not or has not been an officer or employee of the bank (Under Art V Sec 1 of the Corporate By-laws, "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 interest 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 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 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 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 judgment.

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairperson of the Board leads the Board of Directors to ensure effective decision-making process. He fosters and facilitates critical discussions, ensuring board members receive precise, timely and relevant information. He manages proper orientation for new directors and offers training opportunities for all directors. Additionally, he ensures that the board's performance is evaluated at least once a year.

POLICY ON INTERLOCKING POSITIONS

On January 28, 2022, the bank has adopted policies and guidelines on interlocking directorship and/or officership 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 financial institutions.

The approval of interlocking directorship and officership 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 directors or 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.

For practical purposes and in view of the congruence of function, if the offices of the Chairman of the Board and Chief Executive Officer are held by the same person, the board of directors will annually elect an independent director to serve in a lead capacity (the Lead Independent Director).

The qualification of an independent director must be wholistic, in the sense that one must be qualified as independent director in all related/affiliated institutions in order to qualify as independent director in Rural Bank of Solano (N.V.), Inc.

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.

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

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 market 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
2023-2024**

Approved by BR No. 23-97, Date June 17, 2023

1. RISK MANAGEMENT COMMITTEE

Chairman	---	MARK STEPHEN T. MEJIA
Vice-Chairman	---	MARY ANN E.M. TUPASI
Member	---	ALFRED DANIEL T. DE GUZMAN HECTOR M. TUPASI (alternate of MARY ANN E. 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
4. SYLVIA DORETA JACQUELINE T. GOMEZ (alternate)

Staff and Advisory- CATHERINE F. TUPASI

b. Credit Committee (CRECOM)

Members:

1. CORAZON G. RAMOS
2. HECTOR V.M. TUPASI
3. TERESITA G. VENTURINA

Staff & Advisory --- JAYSON B. ACOSTA

2. AUDIT AND COMPLIANCE COMMITTEE

Chairman	---	PATRICIA ANNE T. SEVILLA
Vice-Chairman	---	MARK STEPHEN T. MEJIA
Member	---	SYLVIA DORETA JACQUELINE T. GOMEZ
Ex-Officio	---	EVELYN C. GARCIA
Staff & Advisory	---	MA. CHERIL C. DEL ROSARIO

3. CORPORATE GOVERNANCE COMMITTEE

Chairman	---	DANIEL DE GUZMAN
Vice-Chairman	---	PATRICIA ANNE T. SEVILLA
Members	---	CORAZON G. RAMOS SYLVIA T. GOMEZ (Alternate of CORAZON G. RAMOS)
Staff & Advisory	---	ELOISA A. ATENCIO

BOARD ATTENDANCE

July 2023 to June 2024

Name of Director	Board Meetings		Risk Management Committee (RMC)		Credit Committee Meeting (Crecom)		Audit and Compliance Committee (ACC)		Corporate Governance Committee (CGC)	
	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%
Roque Felipe M. Granada	9	75.00%								
Sylvia Doreta Jacqueline T. Gomez	9	75.00%					10	83.33%	12	100.00%
Teresita G. Venturina	12	100.00%			11	91.67%				
Atty. Mary Ann E. M. Tupasi	8	66.67%	7	58.33%						
Hector Vicente M. Tupasi	12	100.00%			12	100.00%				
Corazon G. Ramos	12	100.00%			12	100.00%			12	100.00%
Patricia Anne T. Sevilla	11	91.67%					9	75.00%	11	91.67%
Mark Stephen T. Mejia	12	100.00%	12	100.00%			11	91.67%		
Alfred Daniel T. De Guzman	12	100.00%	11	91.67%						
Total Number of Meetings Held During the Year	12		12		12		11		12	

AUDIT AND COMPLIANCE COMMITTEE

Rural Bank of Solano's Audit and Compliance Committee (ACC) is composed of three non-executive directors, two (2) of whom are independent directors including its Chairman, Dir. Patricia Anne T. Sevilla. The other members are Independent Director Mark Stephen T. Mejia and Director Sylvia Doreta J.T. Gomez. All of them have concurrent roles in the bank, as follows: Dir. Patricia Anne T. Sevilla as Vice-Chairman of the Corporate Governance Committee and member of the Committee on Banking Operations; Dir. Mark Stephen T. Mejia as Chairman of the Risk Management Committee; and Dir. Sylvia Doreta J.T. Gomez as alternate member of the two (2) committees: Committee on Banking Operations and Corporate Governance Committee.

The ACC members were selected based on their expertise and experiences commensurate to the Bank's size, complexity of operations and risk profile. For the effective discharge of their duties, they were assisted by two (2) senior officers, CEHAC Evelyn C. Garcia and Compliance Officer Cheril C. Del Rosario.

The ACC function is oversight on financial reporting and disclosures, internal control system, management of the internal audit function, external audit function and compliance function, and implementation of corrective actions and investigation of significant issues and concerns.

INTERNAL AUDIT

The Internal Audit (IA) reports directly to the Audit and Compliance Committee. The IA function constitutes the third line of defense in the internal control system. The IA examines and evaluates the effectiveness of the internal control, risk management and governance systems and processes of the bank. It reviews and evaluates the bank's compliance with laws, rules and regulations including internal policies. The assurance and consulting function of IA helps management and the board of directors in protecting the bank and its reputation. Throughout the year, the IA actively responded to bank management's requests and concerns. IA assisted in resolving issues with regulatory agencies but without compromising its independence.

The IA has the authority independent from the units they review. The process of internal audit activity goes beyond examining accounting controls, records, financial statements and reports. To be effective in the discharge of their function, there is a need for the IA team to be knowledgeable about the different areas of operations of the bank. Thus, they participated in in-house briefings and attended external seminars which are necessary in the conduct of audit.

During the year, IA conducted an independent credit review of top borrowers' accounts in order to assess the quality of the individual credits, appropriateness of credit risk rating, classification and adequacy of allowance for loan losses. Loan documents and processes were scrutinized. Substantive review of credit files was done to establish if the borrowers are credit worthy. Other areas of operations were also audited as planned. Operational risk issues for the identified lapses and weaknesses were raised to the attention of management for proper actions. Recommendations to correct and address the findings were forwarded to the Board for approval and implementation.

A major highlight for the year is the outsourcing of the IA function. Recruitment and retention of skilled IA staff has been a challenge, thus, the bank's decision to turn to outsourcing arrangement is indeed a great initiative. The engaged third party service provider will be joined by our existing in-house audit personnel.

COMPLIANCE FUNCTION

In response to the increasing pressure to adhere to laws, regulation and industry standards, the role of Compliance Officer has become crucial. The primary duty of the Compliance Officer is to ensure that the bank is adhering to governmental regulations and laws. The Compliance Officer collaborate 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, identifies risks and establishes effective controls to mitigate them.

One of the primary responsibilities of the Compliance Officer is to keep informed of regulatory developments and industry best practices. This requires ongoing monitoring of changes in laws, rules and regulations that are relevant to the Bank's operations. The Compliance Officer also oversees the design of an appropriate compliance system, promote its effective implementation, addresses breaches that may arise and responsible in ensuring the integrity and accuracy of all documents submitted to BSP and other regulatory bodies.

A library of all relevant laws, rules and regulations issued by regulatory bodies and the respective implementing guidelines of said laws and issuances is also maintained by the Compliance Department. The Compliance Officer 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.

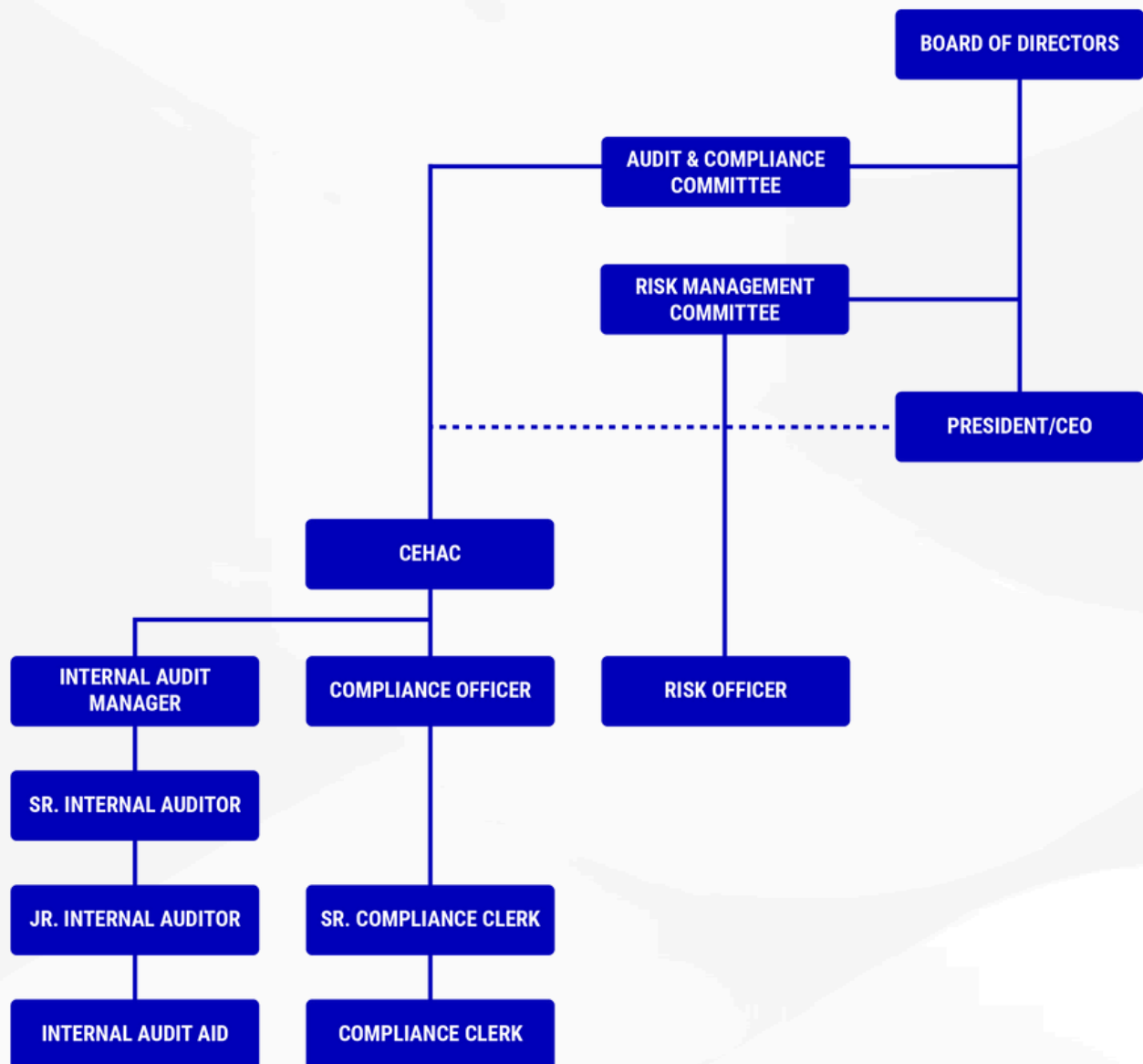
To guarantee adherence to the latest AML laws, the Compliance Officer consistently updates the Bank's MTPP and disseminates it to all employees.

Another function of the Compliance Officer is to provide training and guidance to employees on compliance-related matters. This includes educating employees about regulations, bank policies and reporting procedures.

The Compliance Office is manned by four (4) personnel, the Compliance Officer, Senior Compliance Clerk, Compliance Clerk and the Risk Officer. The Risk Officer works under the oversight of the Compliance Officer.

To acquire insights into diverse compliance best practices and stay updated on new laws and the continuously evolving regulatory landscape, the Compliance Officer consistently monitors issued advisories and announcement from the Compliance Officer and Internal Auditor Group. Additionally, the Compliance Officer also joins the Association of Compliance Officer of the Federation CVRCB.

AUDIT AND COMPLIANCE COMMITTEE STRUCTURE



DATA PRIVACY

Rural Bank of Solano (N.V.) Inc. respects and values the data privacy rights of its customers and employees, and promotes the protection of their personal data. Hence, the Bank adopted this Privacy Manual in accordance with Republic Act No. 10173, otherwise known as the Data Privacy Act (DPA) of 2012, its Implementing Rules and Regulations (IRR) and other relevant policies and issuances of the National Privacy Commission and the Bangko Sentral ng Pilipinas.

This Data Privacy Manual outlines the Bank's policies and procedures on data protection to ensure that personal data collected by the Bank from its clients and employees are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality. A designated Data Protection Officer (DPO) oversees compliance, conducts privacy impact assessments, and ensures the bank's adherence to data privacy laws and best practices. This comprehensive framework reflects the bank's dedication to protecting personal data and maintaining the highest standards of privacy and security. Additionally, A Data Breach Response Team comprising of five (5) officers shall be responsible for ensuring immediate action in the event of a security incident or personal data breach. The team shall conduct an initial assessment of the incident or breach in order to ascertain the nature and extent thereof. It shall also execute measures to mitigate the adverse effects of the incident or breach.

Rural Bank of Solano (N.V.), Inc. remains steadfast in its commitment to protecting, safeguarding customer data and upholding trust in the banking system. By prioritizing data privacy, complying with regulatory requirements, and fostering a culture of privacy awareness, we aim to continue strengthening customer confidence and loyalty in the years to come.

LIST OF EXECUTIVE OFFICERS/SENIOR MANAGEMENT/KEY OFFICERS



ATTY. MARRY ANN E. M. TUPASI
PRESIDENT/CEO/CHAIRMAN OF THE BOARD
57 years old

EDUCATIONAL BACKGROUND
BS HRM; Juris Doctor Bachelor of Law



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

EDUCATIONAL BACKGROUND
BSC - Accounting; CPA; Master in Business Administration

PAST POSITION IN THIS INSTITUTION AND WORK EXPERIENCE

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



CATHERINE F. TUPASI
AVP-Operations
50 years old

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 - Head-Savings Bookkeeper
RBS - Audit Aide



JAYSON B. ACOSTA

AVP-Loans
43 years old

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



MA. CHERIL C. DEL ROSARIO

Compliance Officer
55 years old

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

Conducting an annual self-assessment on the Board and Board-level Committee performances is an essential process to fulfill their duties and responsibilities in achieving the bank's mission and vision and to seek opportunities for improvement. Board self-evaluation and board-level committee assessment is preferably done before the annual stockholders' meeting and the results shall establish the continuing improvement efforts of the board of directors and various committees.

Aside from this 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 presents the summary of the overall rating/performance of the Board of Directors and various committees to the stockholders during the Annual Stockholder's Meeting.

With regard to officers and employees, the Human Resource Department conducts employee evaluation using the Performance Evaluation System (PES) of the bank. The PES serves as the basis for all personnel actions such as promotion, transfer, re-assignment, demotion and separation. It also serves as reference in the grant of performance-based salary step increment and for other incentives and rewards that maybe provided by the bank. Aside from the PES, the Senior Officers/Management Committee shall also be evaluated based on the factual information as mentioned in Letter C above.

ORIENTATION AND EDUCATION PROGRAM

As technology advances and workplace improvement strategies develop, it is essential for employers and employees to keep their skills and knowledge up to date through comprehensive training programs. The Rural Bank of Solano, Inc. is committed to creating a strong learning and development culture within the organization.

The Human Resource Department plays a key role by organizing a variety of capacity-building programs and seminars for all bank personnel. This ensures that the entire team, department and branch managers, accounts officers, and support staff, can perform their duties effectively and efficiently. For entry-level and newly hired employees, an INDUCTION PROGRAM is being held to provide an introduction to the company, including its history and an overview of each department's functions. To equip managers and supervisors with the necessary skills, a MANAGEMENT TRAINING PROGRAM (MTP) has been developed and implemented. Account officers receive enhanced MABSTER training to prepare them in the performance of their functions.

Furthermore, the Board of Directors and management officers and employees are encouraged to attend training sessions or seminars organized by the Bangko Sentral ng Pilipinas and/or the Rural Bankers' Association of the Philippines. Additionally, the Compliance Officer initiates an annual Anti-Money Laundering training program to ensure that all officers and personnel receive continuous and comprehensive education. This program helps them to consistently meet their responsibilities under the Anti-Money Laundering Act.

MANAGEMENT TRAINING PROGRAM

The Rural Bank of Solano, Inc.'s Management Training Program (MTP) plays a vital role in developing the leadership capabilities of our managers and driving organizational success. It is designed to equip the employees with the essential skills and competencies required for effective leadership and to enhanced decision making and problem solving abilities among leaders. This Program contributes to the professional development of our managers by nurturing a philosophy of excellence, innovation, and continuous improvement that will benefit the organization for years to come.

The Management Training Program nurtures the culture of improvement and flexibility to foster the right person in evolving organizational requirements. It also emphasizes setting of performance expectations and coaching team members for the success of the bank.

The Program is composed of a series of trainings that help the Bank to identify the 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 before undergoing the eight (8) week Management Training Program. Upon completion, they will undergo a work immersion program in the different areas of operation for at least ten (10) days with a minimum of

three (3) in any given departments in a year. All Trainees must complete the Management Training Program and immersions for six (6) months. The Trainees shall take further qualifying (written and oral) test and pass to qualify for position. In the year 2023, Management Training Program was conducted last November 17, 2023 and there were nine (9) trainees who participated.

Management utilizes individual performance evaluation to measure each employee's growth and abilities. This assessment assists management in identifying the competencies of the staff members as well as the skills and training that they need to better equip them in the performance of their duties.

RBSolano assimilates learning in different ways, including but not limited to mentoring, cross-training, job enlargement or enrichment, job shadowing, job rotation, training and seminar as sources for enhancing employee skill sets. This is to ensure that employees continuously possess the qualification desired for the esteemed positions and are updated with the latest practices in the banking institution.

ADDRESSING SUCCESSION PLAN

This outlines the succession plan for Rural Bank of Solano (N.V), Inc. which is designed to ensure smooth transitions in leadership roles and maintain operational continuity. Succession planning is critical for the long-term sustainability and success of any organization, providing a framework to identify, develop, and retain talented individuals capable of assuming key positions within the company.

The purposes of the succession plan to identify key management positions within the organization. It assesses current ability and potential individual for future leadership roles and develops strategies to prepare the successors for their future responsibilities to ensure a seamless switch of leadership when vacancies occur. These positions may include executive roles, department heads, and other key decision-makers whose absence could significantly impact operations.

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 to have ample time to evaluate their qualifications and attendance of seminars required for directors.

To be suitable as director of the Bank, he/she must be a college graduate or with at least five (5) years' experience in business and banking operations 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.

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 skilled to organize a workforce of abled 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. Moreover, any stockholder who aims 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.

REMUNERATION POLICY

Board compensation and salaries of Executive Officers of the RB Solano 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 to committee allowance in excess of the regular committee meeting prior to board meeting, transportation allowance, telecommunication allowance and per diem for attending seminars and trainings. The Bank also provides allowance for a trainee Director and the compensation for the Corporate Secretary was likewise set up.

The Corporate Governance Committee (CGC) initiates the review of the compensation structure for both Board of Directors and Executive Officers prior to the close of each fiscal year. An annual review of the compensation structure for rank and file is likewise to be done by the Committee on Banking Operations (CBO) and Human Resource Manager.

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.

The remuneration of Senior Officers 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.

RELATED PARTY TRANSACTION

The Board has approved a policy for managing related party transactions to ensure transparency, fairness and compliance with the legal and regulatory requirements. The Senior Management supervises the approval process for related party transactions and ensures that they are conducted on arm's length terms. Audit and Compliance function assess the effectiveness of controls related to the identification, approval and monitoring of related party transactions.

All related parties are properly identified and related party transactions are properly evaluated by the approving authorities. Actual exposure of the bank on related party transactions includes borrowings, sales contract receivable, sale of assets acquired and sale of bank asset. These transactions are all reported electronically to the Bangko Sentral ng Pilipinas as there is no materiality threshold set by the Board.

To avoid conflict of interest, 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 not take part from the decision-making process and abstain from the discussion, approval and management of such transactions or matters affecting the bank.

In 2023, all related party transactions were conducted impartially and at arm's length. The approving authorities were provided with details of related party transactions, including the terms of the transaction, relationship between the parties and the business purpose or reasons for entering into the transaction for proper review and assessment.

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 the department are conducted independently and free from influence or control by 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 Audit and Compliance Committee (ACC) conducts regular review to ensure sufficiency of internal controls and address any identified material weaknesses, focusing on preventing and detecting instances of management override or compromise of internal control. More importantly, the committee is responsible in reporting the effectiveness and adequacy of internal control to the Board of Directors.

DIVIDENDS POLICY AND DIVIDENDS DECLARED

As stated in the Bank's By-Laws, Article VII- Miscellaneous Provisions Section 5. Earnings- "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 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.

On March 17, 2023, the Bank through Board Resolution No. 23-46 declared stock dividends amounting to P18.2M and P11 Million Cash Dividends to its stockholders on August 18, 2023.

SUSTAINABLE FINANCING

Rural Bank of Solano supports the vital and urgent need to transform into a more sustainable and environmentally mindful society and move to a more “circular economy”, a system in which resources are used to their maximum extent before being disposed of. This transformation is inevitable as the Philippines is faced with an increasing population, limited availability of natural resources, and extreme vulnerability to climate change. Transitioning to a circular economy will likewise create opportunities for investments, growth, and employment.

The Board of Directors and Management of RBSolano identified the following Sustainable Development Goals (SDG) initiatives as its priority, as follows: **1- No Poverty**, **2- Zero Hunger**, **6- Clean Water**, **7- Decent Work & Economic Growth**, **13- Climate Actions**.



The aforementioned prioritization is aligned with the Bank’s Mission of PROGRESS resulting to the main sustainability principles, as follows:

- Provide for services that uplift lives such as Micro Financing, Micro Insurance, and Financial Literacy Trainings.
- Allocate credit up to 50% portfolio for agriculture sector including agri-value chain financing that promotes food security.
- Assist to programs that protect water as a vital resource.
- Provide a work space conducive for work and economic growth and partner with like enterprises.
- Create products that does not adversely affect nature or support programs that protects and preserves it.

In line with its vision, the Bank fosters products and services that promote 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.

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 energy system provider for fast and affordable electricity. As part of its corporate social responsibility, a short briefing on Financial Literacy is being conducted prior to loan releases particularly to micro clients to contribute to the enhancement of their financial management skills.

Being guided by its principles and standards, RBSolano 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, RBSolano 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 RBSolano is now in the process of developing products to secure a sustainable future in partnership with dedicated organizations like Water.org. To give you a glimpse, Water.org is a global nonprofit organization working to make clean water and sanitation safe, accessible, and cost-effective. By collaborating with local government units (LGUs), the bank could bridge the gap through small loans that would help people get access with this basic human needs. In addition, participation in government initiatives like the DA-ACPC is continually pursued by the bank to give the agriculture sector additional access to government programs.

As the bank recognizes 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", "Basura Clean Up", donation of garbage bins to communities and conducting tree-planting activities. This provides the bank with a proactive approach to eco-friendly sustainability while promoting environmental awareness.

In support of Green Energy, RBSolano is committed to using energy-efficient Furniture and Fixture, Equipment (FFE) and devices that is not detrimental to the environment, such as replacing light bulbs with LED. Moreover, the bank had undergone the installation of solar energy system at its Head Office, Bayombong and Bambang branches for energy conservation. Bagabag branch is also scheduled for solar energy system installation this coming year. This has resulted to a considerable savings in electric consumption/expenses and contributes in the reduction of carbon footprint of the Bank.

Gearing towards paperless transactions, RBSolano, in fulfillment of AMLC Regulatory Issuances A, B, and C No. 2, Series of 2018, successfully digitized files and records from the previous years and aims to maintain updated digitization for the upcoming years. Moreover, the practice of three (3) R's (Reduce, Reuse, Recycle) is institutionalized to optimize the use of valuable resources. Indeed, RBSolano has operated in a way that respects what is environmentally acceptable.

The Bank likewise aims to create a diverse and inclusive environment for its employees by adopting a gender inclusive hiring policy. Furthermore, occupational health and safety trainings are consistently held as an integral part of social sustainability. The bank ensures its employees sustained fitness thru the board-approved Medical Reimbursement Policy to provide employees with medical benefits which includes purchase of immune building supplements. Additionally, activities that promotes health and wellness are implemented to enable the employees adapt not only physically but mentally as well.

CONSUMER PROTECTION

i. Role and responsibility of the Board and Senior Management for the development of consumer protection strategy and establishment of an effective oversight over the bank's consumer protections programs

The Board is ultimately responsible in ensuring that the bank has an established consumer protection programs that are embedded in the bank's business operations. It 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 said policies. It shall establish an effective oversight over the bank's consumer protection programs; to promote and protect the rights and interest of consumers, and to address conflicts that are inimical to the interest of the financial consumer, in accordance with BSP's Financial Consumer Protection Framework.

The Senior Management is responsible for the implementation of the consumer protection policies and standards adopted by the board.

ii. The Consumer Protection Risk Management System of the bank

The Rural Bank of Solano acknowledges the importance of an effective Risk Management System to effectively identify risks inherent to the bank operations at the onset to ensure that weaknesses are addressed and corrective actions are taken in a timely manner. Controlling risks has become essential as new technologies, product innovation and the size of financial transactions have changed the nature of financial service markets of banks. Accordingly, risk incidences are evaluated to guide management in assessing the effectiveness of the implementation of the risk management system and corresponding actions are undertaken to improve its policies.

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 Program is a fundamental component of the Consumer Protection Risk Management System which 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 ensure 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 Protection Standards

The Bank's Consumer Protection Standards adopt the core principles the Board, Management, Officers and Staff are expected to observe at all times in dealing with its financial consumers. As embedded in the corporate culture, this defines governance framework while addressing conflicts that are inimical to the interests of the financial consumer. These standards are as follows:

1. Disclosure and Transparency

The Bank ensures that the consumers have a reasonable holistic understanding of the products and services they are acquiring or availing. Full disclosure and transparency are the critical elements that empower the consumer to make informed financial decisions. Hence, they are provided with ready access to information that accurately represents the nature and structure of the product or service, its terms and conditions, as well as its benefits and risks. These includes: Key information of products and services, Advertising, Marketing and Promotions and Conflict of Interest.

2. Privacy, Confidentiality and Safeguarding Information

It is the right of Financial Consumers to expect that their financial transactions, as well as relevant personal information disclosed in the course of a transaction, are kept confidential. The Bank ensures that all customer records containing personal information that is in the possession of the Bank will be used only for the purpose directly related to the bank business. Customer's information will be disclosed to outside parties only with the customer's permission or upon court order.

3. Fair Treatment to Consumers

Fair treatment makes sure that financial consumers are treated fairly, honestly, professionally and are not sold inappropriate and harmful financial products and services. The Bank ensures that necessary resources and procedures are in place, internal monitoring, and control mechanisms, for safeguarding the best interest of customers. These include general rules, such as those addressing ethical staff behavior, acceptable selling practices as well as regulating products and practices where customers are more likely to be offered services that are inappropriate for their circumstances.

4. Effective Recourse

Financial consumers are provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for solving complaints with their financial transactions. The Bank has in place mechanisms for complaint handling and redress, as embodied in the bank's Consumer Assistance Management System (CAMS).

5. Financial Education and Awareness

Financial education initiatives give consumers the knowledge, skills, and confidence to understand and evaluate the information they receive and empower them to make informed financial decisions. Because BANKs deal directly with financial consumers, they have the reach, expertise, and established relationships necessary to deliver education. Financial education should be integral to the good governance of the Bank.

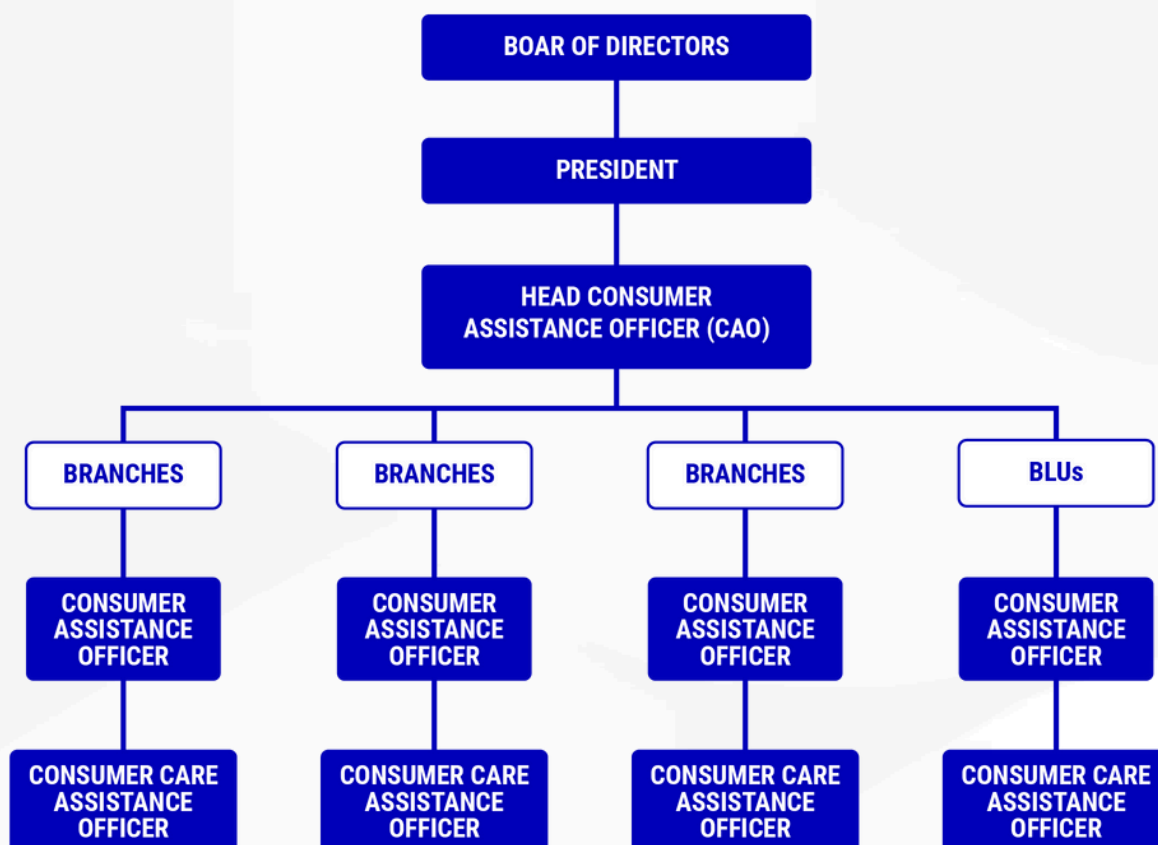
iii. Consumer Assistance Management System (CAMS)

The Bank's Consumer Protection Assistance System aims to handle consumer complaints, inquiries and request from financial consumers. 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 AVP for Operations is designated as the Head Consumer Assistance Officer (CAO) of the bank 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 consumer assistance helpdesk is manned by the customer service representatives of the Bank. They are tasked with the duty to attend to customer complaints & request, queries, 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.

Consumer Protection Organizational Structure



RBSolano adopted the following procedures to properly address and ensure immediate resolution of customer concerns:

1. Receiving the complaint
2. Gathering/ Investigating the details of complaints
3. Reporting of findings
4. Making recommendations for Complaint Resolution
5. Implementing actions/ resolutions
6. Reporting of summary of complaints for Policy creation/changes, as needed

	Simple	Complex
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate and resolve)	Within 7 days	Within 45 days
Communication and Resolution	Within 9 days	Within 47 days

CONSUMER ASSISTANCE CHANNELS

Consumers may lodge/submit their concerns through the following channels:

1. Personal visit to Banking Offices
2. Send letter to the Bank's Customer Assistance Officer
3. Send message to the Bank Website/ official e-mail address
4. Thru telephone call

SUMMARY OF COMPLAINTS AND RESOLUTIONS FOR THE YEAR 2023

Reference Quarter	Volume of Complaints	Complaints Resolution (Settled/Closed)	Outstanding/ Unresolved
Q1 2023	2	2	0
Q2 2023	0	0	0
Q3 2023	0	0	0
Q4 2023	0	0	0



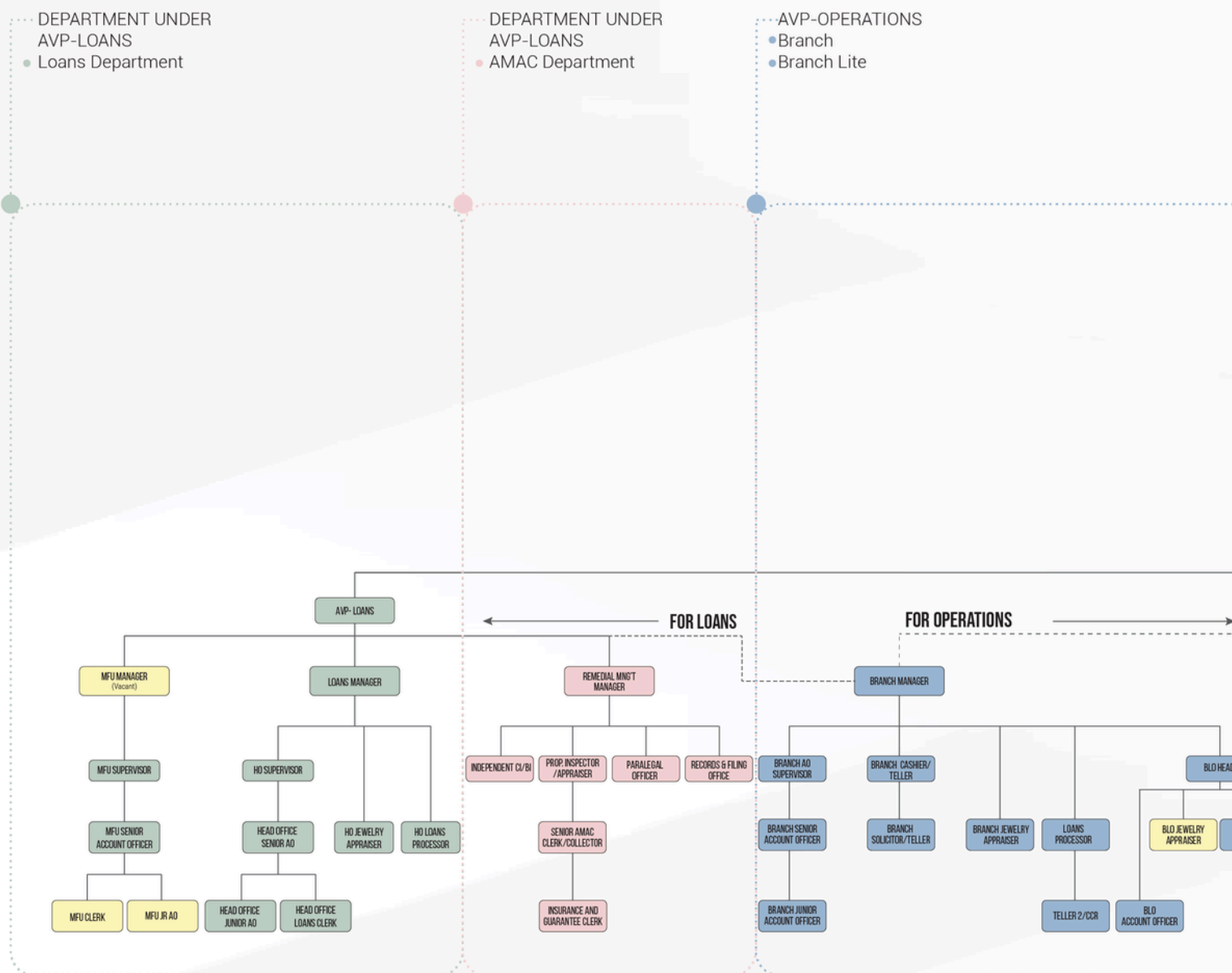
CORPORATE INFORMATION





RURAL BANK OF SOLANO
Your Home Bank

ORGANIZATION





RURAL BANK OF SOLANO (N.V.), INC.

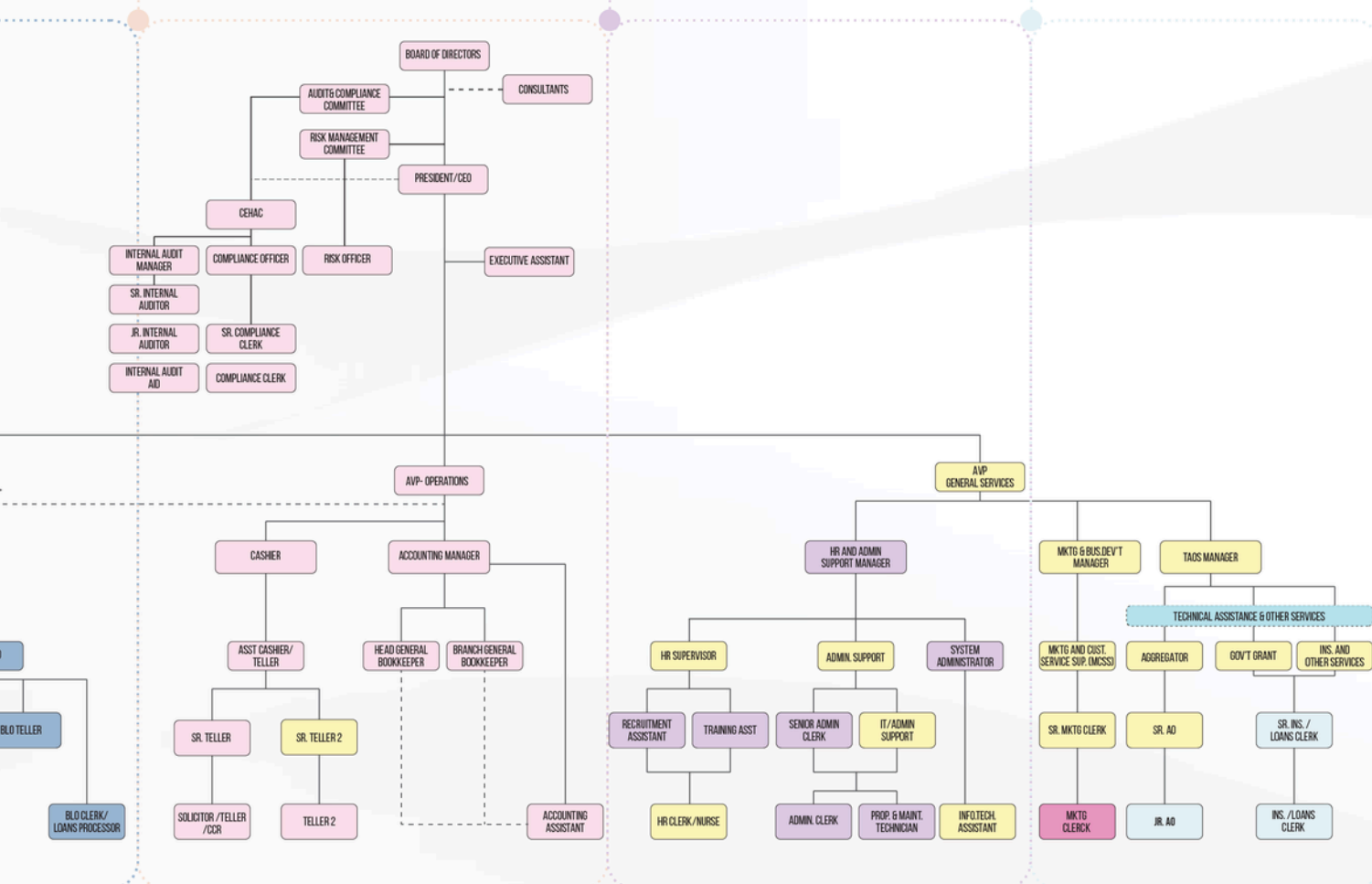
town Bank

ORGANIZATIONAL CHART

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

- DEPARTMENT UNDER
- AVP-GENERAL SERVICES
- HR and Admin

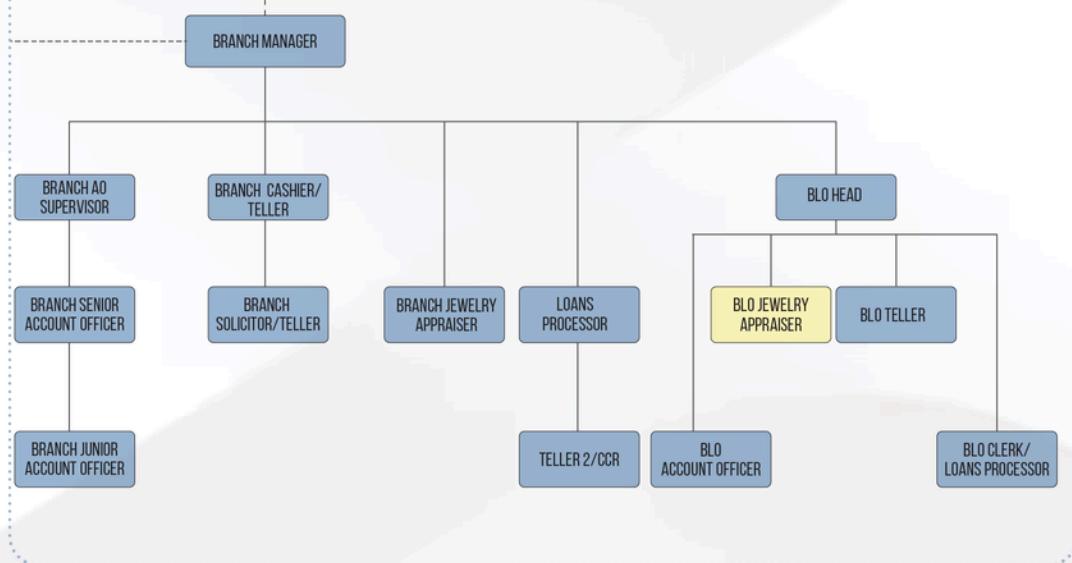
- DEPARTMENT UNDER
- AVP-GENERAL SERVICES
- Technical Assistance and Other Services



AVP-OPERATIONS

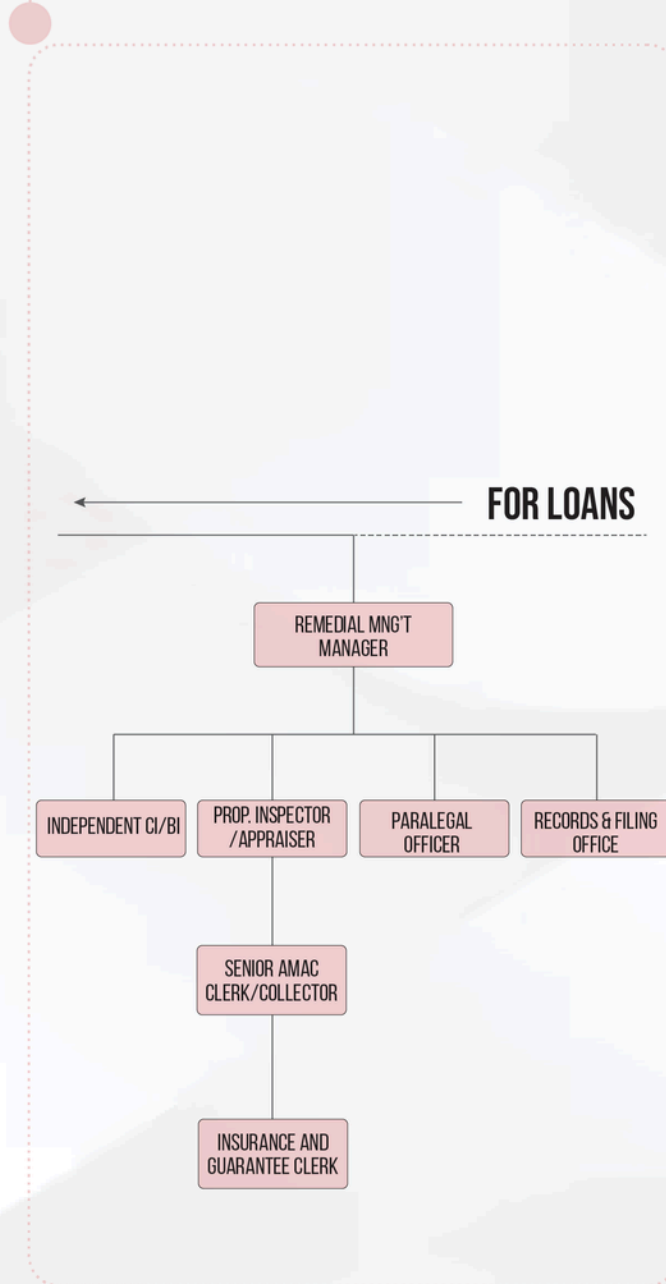
- Branch
- Branch Lite

FOR OPERATIONS



DEPARTMENT UNDER
AVP-LOANS

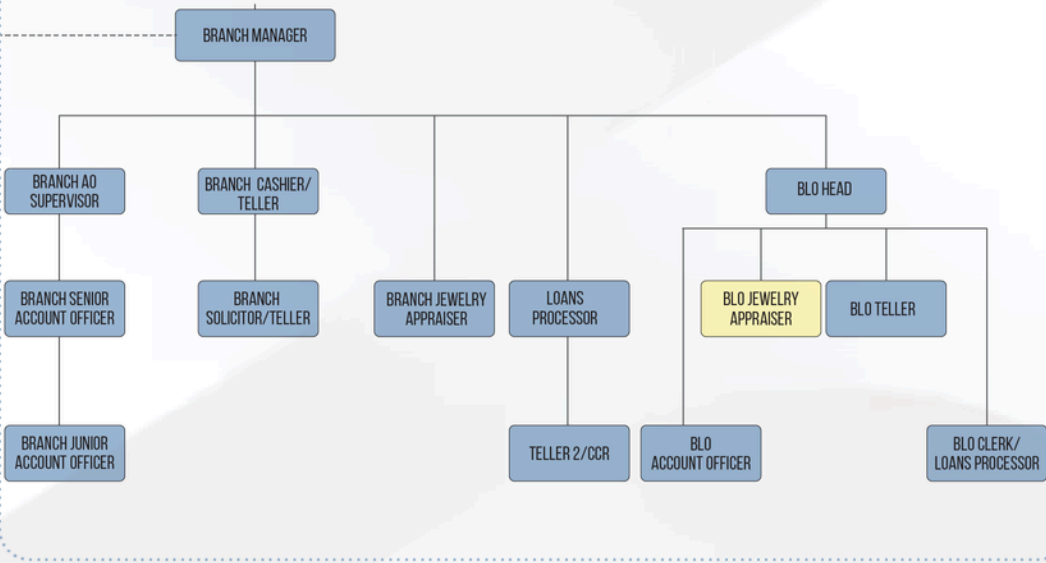
- AMAC Department



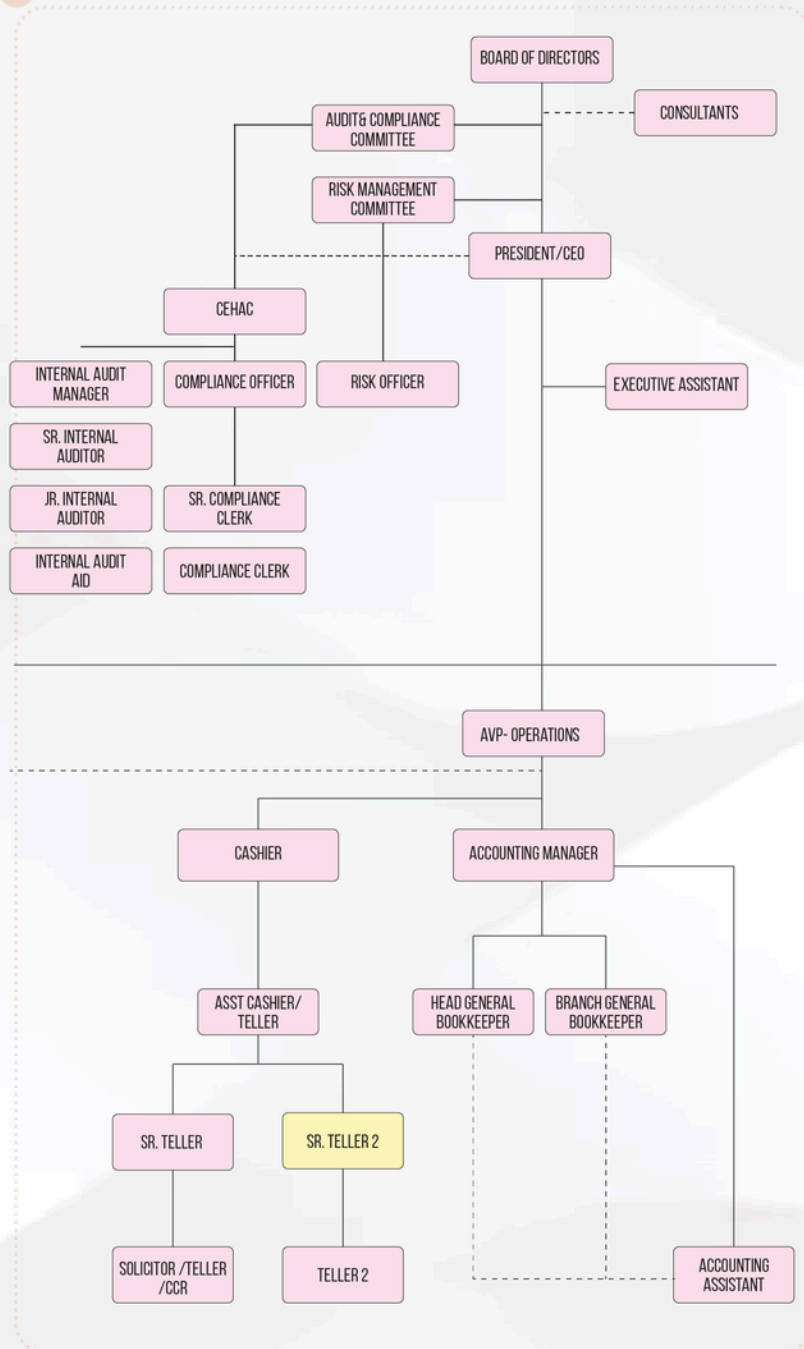
AVP-OPERATIONS

- Branch
- Branch Lite

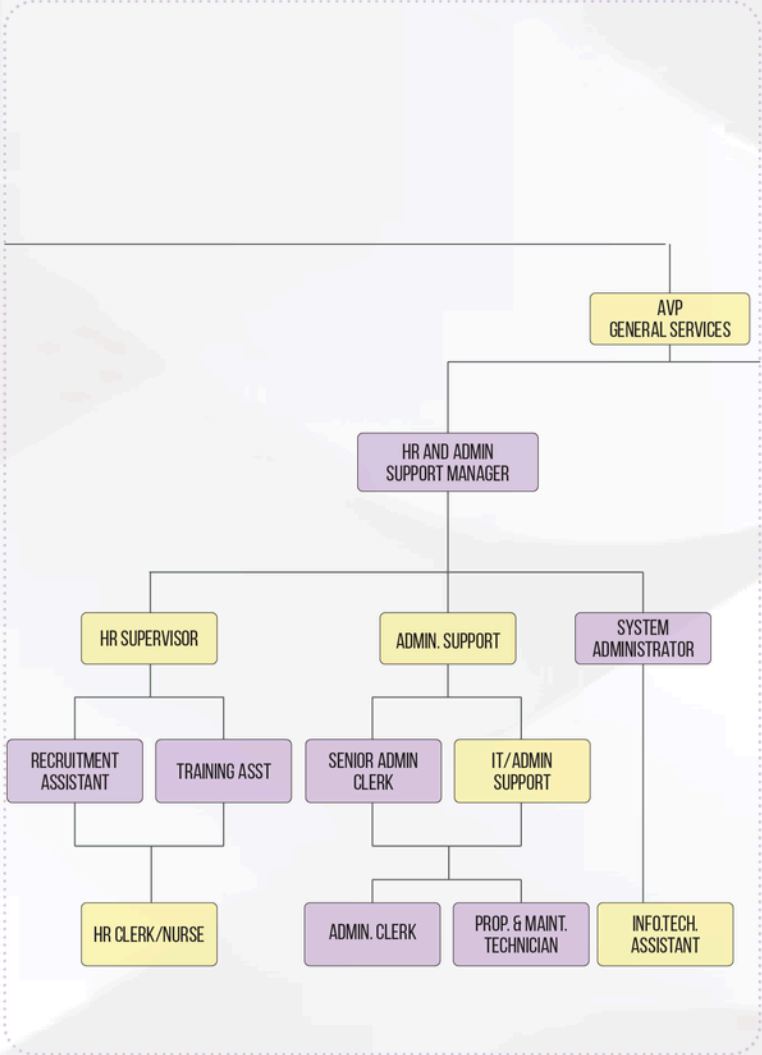
FOR OPERATIONS



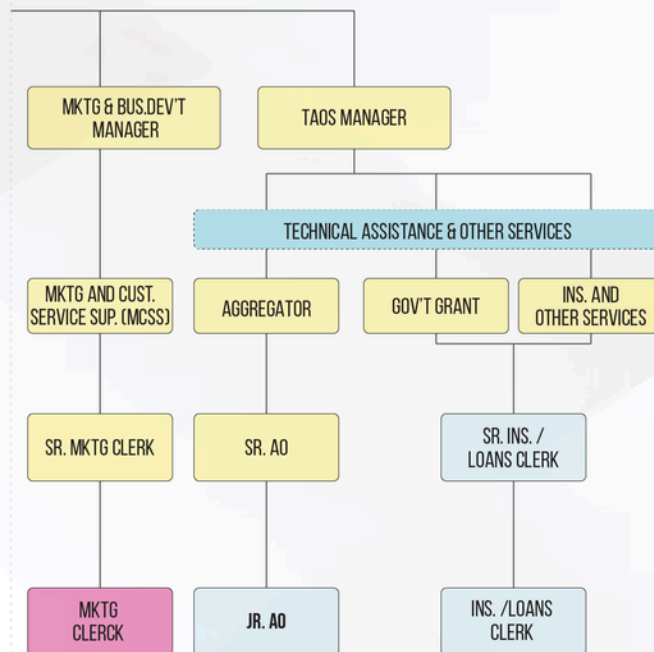
- Board of Directors
- Corporate Governance Comm.
- Credit and Collection Comm.
- Committee on Banking
- AVP-Operations
- Accounting Department
- Cash Department



- DEPARTMENT UNDER
- AVP-GENERAL SERVICES
 - HR and Admin



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



CONSOLIDATED LIST OF STOCKHOLDERS AND THEIR STOCKHOLDINGS

As of December 31, 2023

NAME OF STOCKHOLDER	Nationality	No. of Shares	% of Ownership
1. MARY ANN M. TUPASI	Filipino	431,638	21.28%
2. ESTATE OF F. TUPASI	--	242,455	11.95%
3. RBS PROVIDENT FUND	--	220,255	10.86%
4. HECTOR VICENTE M. TUPASI	Filipino	197,381	9.73%
5. SYLVIA T. GOMEZ	Filipino	146,137	7.21%
6. GRACIA ANNE T. TIONGSON	Filipino	118,115	5.82%
7. FLORANTE GIL M. TUPASI	Filipino	101,822	5.02%
8. NATIVIDAD M. GRANADA	Filipino	77,372	3.81%
9. ROQUE F. M. GRANADA	Filipino	40,208	1.98%
10. KAREN MARIE P. TULFO	Filipino	34,585	1.71%
11. JOSE LUIS B. SADDUL	Filipino	33,722	1.66%
12. ROSALIE T. TIZON	Filipino	28,204	1.39%
13. NESTOR A. TIONGSON	Filipino	28,204	1.39%
14. AIDA T. MEJIA	Filipino	27,897	1.38%
15. IMELDA T. SEVILLA	Filipino	27,821	1.37%
16. GLORIA T. DE GUZMAN	Filipino	27,545	1.36%
17. SONIA TIONGSON	Filipino	26,533	1.31%
18. LYDIA M. VILLANUEVA	Filipino	21,815	1.08%
19. CATHERINE F. TUPASI	Filipino	20,097	0.99%
20. PACITA DUMPIT	Filipino	17,229	0.85%
21. FLORAN'S MINI FARM	--	14,414	0.71%
22. RODOLFO HERMOSO	Filipino	14,005	0.69%
23. JOSEPH G. MERCADO	Filipino	11,767	0.58%
24. JOHN PAUL G. MERCADO	Filipino	11,371	0.56%
25. FELICIDAD G. ANG	Filipino	9,727	0.48%
26. MARIE THERESE G. SANTOS	Filipino	8,420	0.42%
27. MA. LOURDES D. TUPASI	Filipino	8,282	0.41%
28. TERESITA G. VENTURINA	Filipino	8,051	0.40%
29. MILAGROS M. DELA CRUZ	Filipino	6,771	0.33%
30. LOUIE TIONGSON	Filipino	5,127	0.25%
31. LEE ANDREW T. TIONGSON	Filipino	5,030	0.25%
32. KATRINA ISABEL T. GOMEZ	Filipino	4,894	0.24%
33. EMILIO VICENTE T. GOMEZ	Filipino	4,472	0.22%
34. ESTATE OF A. M. TUPASI	--	3,113	0.15%
35. SERGIA ARREOLA	Filipino	2,995	0.15%
36. TEODORICA G. TIONGSON	Filipino	2,560	0.13%
37. MIGUELITA G. TIONGSON	Filipino	2,560	0.13%
38. ROMULO G. TIONGSON	Filipino	2,560	0.13%
39. CLARO G. TIONGSON	Filipino	2,560	0.13%
40. CATALINO G. TIONGSON JR.	Filipino	2,560	0.13%
41. DAVID G. TIONGSON	Filipino	2,560	0.13%
42. ESTATE OF M. SERENILLA	--	2,361	0.12%
43. GENOVEVA DELOS TRIÑOS	Filipino	1,996	0.10%
44. KRISTOPHER DELOS TRIÑOS	Filipino	1,996	0.10%
45. KRISTIAN DELOS TRIÑOS	Filipino	1,996	0.10%
46. ESTELITA M. BALUT	Filipino	1,740	0.09%
47. JOSE ANTONIO G. SANTOS	Filipino	1,745	0.09%
48. PAOLO NICCOLO G. SANTOS	Filipino	1,745	0.09%
49. GABRIELLE A. G. SANTOS	Filipino	1,745	0.09%
50. EDUARDO G.D. GRANADA	Filipino	1,586	0.08%

51. JERILEE ANN G. SAMANIEGO	Filipino	1,377	0.07%
52. DIWA Q. TIONGSON	Filipino	1,279	0.06%
53. ANGELO Q. TIONGSON	Filipino	1,278	0.06%
54. FLORAMANTE GV C. TUPASI	Filipino	1,262	0.06%
55. JOHN LORENZO C. TUPASI	Filipino	1,215	0.06%
56. EDGARDO S. DE GUZMAN	Filipino	458	0.02%
57. MADONNA M. A. SERENILLA	Filipino	444	0.02%
58. PATRICIA ANNE T. SEVILLA	Filipino	389	0.02%
59. MARK STEPHEN T. MEJIA	Filipino	306	0.02%
60. ALFRED D. T. DE GUZMAN	Filipino	193	0.01%
61. MARY ANN P. PADILLA	Filipino	121	0.01%
62. ERLINDA M. PEREZ	Filipino	33	0.00%
63. CESAR M. SERENILLA	Filipino	16	0.00%
64. THOMAS GARINGAN	Filipino	4	0.00%
65. CORAZON G. RAMOS	Filipino	1	0.00%
		2,028,120	100%

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.

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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%). Expressed as a formula, the Capital Adequacy Ratio is equal to the sum of bank's Tier One (1) capital plus Tier 2 Capital, divided by the bank's risk weighted assets.

A. Calculation of Qualifying Capital

A.1 Tier 1 Capital

Core Tier 1 Capital

Paid-Up Capital - Ordinary	P	202,812,000
Additional Paid in Capital		
Retained Earnings		126,929,591

Deductions from Core Tier 1 Capital

Total Outstanding Unsecured Credit Accommodations		
Deferred tax asset, net of Deferred Tax Liability		13,421,429

Total Tier 1 Capital	316,320,162
-----------------------------	--------------------

A.2 Tier 2 Capital

Upper Tier 2 Capital

Paid-up perpetual and cumulative preferred share		
Appraisal Increment Reserve		
General Loan Loss Provision		6,690,932

Total Upper Tier 2 Capital	6,690,932
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Total Qualifying Capital	323,011,094
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B. Calculation of Risk-Weighted Assets

B.1 Credit Risk-Weighted Assets

0% Risk Weight

Cash on Hand	3,307,976
Due from BSP	10,491,406
Held-to-Maturity Financial Assets	35,136,000
Unquoted Debt Securities Classified as Loans	
Loans to the extent covered by hold out	457,310
Policy Council (ACPC)	124,001,700

by the Agricultural Guarantee Fund Pool (AGFP) created under Administrative Order No. 225-A dated 26 May 2008, prior to the transfer of the administration of the AGFP to the Philguarantee.	93,470,840
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X Risk Percentage	0%
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Risk Weighted Amount	-
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20% Risk Weight	
Checks and Other Cash Items	5,308,842
Loans to farmer and fisherfolk	
X Risk Percentage	20%
Risk Weighted Amount	1,061,768
50% Risk Weight	
Loans to individuals for housing purposes	146,736,102
X Risk Percentage	50%
Risk Weighted Amount	73,368,051
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	5,821,532
X Risk Percentage	100%
Risk Weighted Amount	5,821,532
150% Risk Weight	
All Non Performing Loans	45,137,940
Real and Other Properties Acquired	15,879,667
X Risk Percentage	150%
Risk Weighted Amount	91,526,409
100% Risk Weight	
Other Assets	
Total Assets per Balance Sheet	1,114,275,986
General Loan Loss per Balance Sheet	6,690,932
Less: Total Exposures Excluding Other Assets	485,749,313
Sub- total	635,217,604
Deductions from Other Assets	
Total Outstanding Unsecured Credit Accommodations	-
Deferred Tax Assets	13,421,429
Financial Assets Held for Trading	-
Net Other Assets	621,796,175
X Risk Percentage	100%
Risk Weighted Amount	621,796,174.60
B.2 Operational Risk-Weighted Assets	139,030,168
Total Risk Weighted Assets	932,604,103
Capital Adequacy Ratio (CAR)	34.64%



AUDITED FINANCIAL STATEMENTS



RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023



EDGARDO M. MOLINA, CPA

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

Tunasan, Muntinlupa City

Email: emmolinaconsultancy@gmail.com

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, 2023, 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, 2023 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 it does not provide 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

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



RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023



EDGARDO M. MOLINA, CPA

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

Tunasan, Muntinlupa City

Email: emmolinaconsultancy@gmail.com

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

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EDGARDO M. MOLINA, CPA

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Tunasan, Muntinlupa City

Email: emmolinaconsultancy@gmail.com

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, 2023 which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the Accounting Profession and duly registered with the Board of Accountancy (BOA).
2. That the financial statements are presented in conformity with the Philippine Financial Reporting Standards, 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.



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. 08-005012-001-2020, valid until September 27, 2025

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, 2024 at Muntinlupa City

March 22, 2024



EDGARDO M. MOLINA, CPA

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

**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, 2023 on which I issued my report thereon dated March 22, 2024. My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness indicators including their definitions, formulas, and calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management.

These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other banks. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 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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PTR No. 4347773, Issued January 4, 2024 at Muntinlupa City

March 22, 2024



RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.

FINANCIAL HIGHLIGHTS

As of December 31, 2023

	2023	2022	Increase (Decrease)
FOR THE YEAR			
TOTAL INCOME	148,299,306	120,572,674	27,726,632
TOTAL EXPENSES	102,312,097	85,301,729	17,010,368
NET INCOME	45,987,209	35,270,946	10,716,264
EARNINGS PER SHARE			
Ordinary Shares	22.67	19.32	3.35
RETURN ON AVERAGE EQUITY	14.74%	12.33%	2.41%
RETURN ON AVERAGE ASSETS	4.36%	3.80%	0.56%
NET INTEREST MARGIN	10.58%	9.89%	0.69%
AT YEAR END			
TOTAL ASSETS	1,114,275,986	995,035,105	119,240,881
LOANS AND RECEIVABLES (NET)	802,454,488	789,671,052	12,783,435
LIQUID ASSETS	1,041,073,307	920,343,858	120,729,450
FIXED ASSETS	42,863,093	45,403,556	(2,540,463)
DEPOSIT LIABILITIES	658,687,495	562,451,332	96,236,163
EQUITY ACCOUNTS	329,741,591	294,269,836	35,471,755
BOOK VALUE PER SHARE			
Ordinary Shares	162.58	161.19	1.39
CAPITAL ADEQUACY RATIO	34.64%	31.84%	2.80%
PAST DUE RATIO	12.29%	14.17%	-1.88%
RATIO OF LIQUID ASSETS OVER DEPOSITS	158.05%	163.63%	-5.58%
DEBT TO EQUITY RATIO	2.38:1	2.38:1	-
RATIO OF TOTAL FIXED ASSETS OVER EQUITY ACCOUNTS	13.00%	15.43%	-2.43%

(See Notes to Financial Statements)



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

		As at December 31	
		2023	2022
ASSETS			
Cash and Other Cash Items (Note 6.1)	P	8,616,818	P 10,139,146
Due from BSP (Note 6.2)		10,491,406	11,260,872
Due from other Banks (Note 6.2)		184,374,595	80,272,787
Debt Securities Measured at Amortized Cost (Note 7)		35,136,000	29,000,000
Loans & Receivable, Net (Note 8)		802,454,488	789,671,052
Bank Premises, Furniture, Fixtures and Equipment, Net (Note 9)		42,863,093	45,403,556
Investment Properties (Note 10)		15,879,667	17,798,773
Deferred Tax Asset (Note 24)		13,421,429	10,009,656
Other Assets (Note 11)		1,038,490	1,479,262
TOTAL ASSETS		1,114,275,986	995,035,105
LIABILITIES & SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposit Liabilities (Note 12)		658,687,495	562,451,332
Bills Payable (Note 13)		96,275,000	19,400,000
Accrued Interest, Taxes and Other Expenses Payable (Note 14)		2,427,659	1,246,224
Other Liabilities (Note 15)		18,419,386	110,725,828
Income Tax Payable (Note 24)		8,724,855	6,941,884
TOTAL LIABILITIES		784,534,395	700,765,269
SHAREHOLDERS' EQUITY (Note 16)			
Share Capital (Note 16.1)			
Ordinary Share Capital		202,812,000	182,558,600
Retained Earnings (Note 16.2)		126,929,591	111,711,236
TOTAL SHAREHOLDERS' EQUITY		329,741,591	294,269,836
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	P	1,114,275,986	P 995,035,105
BOOK VALUE PER SHARE	P	162.58	P 161.19

See accompanying Notes to Financial Statements.



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

	For the Years Ended December 31			
	2023		2022	
INTEREST INCOME				
Loans & Other Receivables (Note 8)	P	110,341,453	P	88,330,696
Debt Securities Measured at Amortized Cost (Note 7)		1,292,436		1,129,303
Due from Other Banks (Note 6)		404,189		371,852
TOTAL INTEREST INCOME		112,038,077		89,831,851
INTEREST EXPENSE				
Interest on Deposit Liabilities (Note 12)		8,585,533		6,518,871
Interest on Bills Payable (Note 13)		1,827,482		107,278
TOTAL INTEREST EXPENSE		10,413,015		6,626,149
NET INTEREST INCOME		101,625,062		83,205,702
PROVISIONS FOR CREDIT LOSSES (Note 8 and 11)		18,548,692		12,721,631
NET INTEREST INCOME AFTER PROVISION		83,076,370		70,484,071
OTHER INCOME (Note 17)		36,261,228		30,740,823
TOTAL INCOME BEFORE OPERATING EXPENSES		119,337,599		101,224,894
OTHER OPERATING EXPENSE				
Compensation and Fringe Benefits (Note 18)		29,535,167		27,382,069
Other Operating Expenses (Note 20)		16,391,988		15,471,621
Taxes and Licenses (Note 25)		8,344,447		7,076,739
Depreciation and Amortization (Note 21)		4,173,874		4,641,827
TOTAL OPERATING EXPENSE		58,445,476		54,572,256
NET INCOME BEFORE INCOME TAX		60,892,123		46,652,639
INCOME TAX EXPENSE (Note 24)		14,904,914		11,381,693
NET INCOME AFTER INCOME TAX	P	45,987,209	P	35,270,946
EARNINGS PER SHARE	P	22.67	P	19.32

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, 2023 and 2022

	ORDINARY SHARE CAPITAL (Note 16.1)	RETAINED EARNINGS - RESERVE	RETAINED EARNINGS - FREE (Note 16.2)	Total
Balance at January 1, 2023	P 182,558,600	P 157,867	P 111,553,369	P 294,269,836
Issuance of shares thru subscription	2,000,000			2,000,000
Stock Dividend Distributed (Note 16.3)	18,253,400			18,253,400
Stock Dividend Declared (Note 16.3)			(18,255,860)	(18,255,860)
Cash Dividends Declared (Note 16.3)			(11,000,000)	(11,000,000)
Total comprehensive income for the year		1,467,711	45,987,209	45,987,209
Provision and Adjustments		(2,980,705)		(1,512,994)
Balance at December 31, 2023	P 202,812,000	P 1,625,578	P 125,304,013	P 329,741,591
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 Dividend 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			35,270,946	35,270,946
Provisions for Adjustments			(2,074,050)	(2,074,050)
Balance at December 31, 2022	P 182,558,600	P 157,867	P 111,553,369	P 294,269,836

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	
	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	P 60,892,123	P 46,652,639
Adjustment to reconcile Net Income to		
Net cash provided by operating activities:		
Depreciation/Amortization (Note 9,10 and 21)	4,173,874	4,641,827
Prior Period Adjustments	(2,980,705)	(2,074,050)
Non-Cash Additions to ROPA (Note 10)	40,338	100,754
Gain from Sale of Non-Financial Assets (Note 19)	(7,906,738)	(5,426,859)
Provisions	18,548,692	12,721,631
Gain From Sale of Bank Premises and FFE	(771,141)	-
Interest Income (Note 6,7 and 8)	(112,038,077)	(89,831,851)
Interest Expense (Note 12 and 13)	10,507,846	6,723,570
Operating income before working capital adjustments	P (29,533,789)	(26,492,340)
Decrease/(Increase) in:		
Loans & Receivables (Note 8)	(19,308,609)	(160,199,573)
Other Assets (Note 11)	436,444	(517,167)
Increase / (Decrease) in current liabilities		
Deposit liabilities (Note 12)	96,236,163	73,422,184
Accrued interest, taxes & other liabilities (Note 14)		
Other liabilities (Note 15)	(92,262,673)	21,521,073
Cash generated from operations	(44,432,465)	(92,265,824)
Income Taxes paid/withheld (Note 24)	(16,533,716)	(10,626,486)
Interest received (Note 7,8,9 & 18)	103,206,940	83,543,450
Interest paid (Note 12, 13 and 14)	(9,231,581)	(6,970,889)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	33,009,178	(26,319,749)
CASH FLOW FROM INVESTING ACTIVITIES		
Net (Additions) Disposals of Held-to-Maturity Investments (Note 8)	(6,136,000)	(5,000,000)
Cash payments on Investment Properties (Note 10)	(1,175,253)	(4,611,761)
Cash receipts from Investment Properties (Note 10)	10,290,361	7,535,709
Cash payments on Premises, Furniture, & Equipment (Note 9)	(967,805)	(5,069,595)
Cash receipts from disposals of Premises, Furniture and Equipment	775,934	
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES	2,787,237	(7,145,646)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash Disbursements on Cash Dividends (Note 16.3)	(11,000,000)	(16,596,540)
Payment of leasing liabilities (Note 15.1)	138,599	132,150
Cash proceeds on availment of Bills Payables (Note 13)	76,875,000	19,400,000
NET CASH PROVIDED (USED IN) BY FINANCING ACTIVITIES	66,013,599	2,935,610
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	101,810,014	(30,529,785)
CASH & CASH EQUIVALENTS - BEGINNING	101,672,805	132,202,590
CASH & CASH EQUIVALENTS - ENDING	P 203,482,820	P 101,672,805

See accompanying Notes to Financial Statements.



RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.**NOTES TO FINANCIAL STATEMENTS**

For the years ended December 31, 2023 and 2022

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 - <i>formerly MBO Bambang</i>	Bernabe Valley Homes Subd., Bambang Nueva Vizcaya	March 20, 2017
Bayombong Branch - <i>formerly MBO Bayombong</i>	Banggot, 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
		March 15, 2012
BLU Maddela	National Highway, Poblacion Norte, Maddela, Quirino	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.

Approval of Financial Statements

The accompanying financial statements of the Bank for the year ended December 31, 2023 were authorized for issue by its Board of Directors on March 22, 2024.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The significant accounting policies applied in the preparation of these financial statements are set out separately



below or explained in the respective notes to these financial statements. These policies have been consistently applied to the periods presented, unless otherwise stated.

Basis of Preparation

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Amendments, and Interpretations Adopted

- Amendments 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.

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

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- 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 requires 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

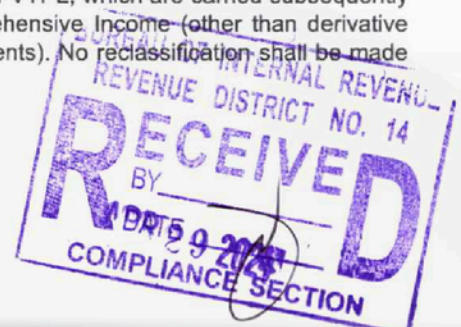
Classification and Measurement

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

Classification as Debt or Equity Instruments

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

Financial Liabilities

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

Impairment of Financial Instruments

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



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

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

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

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

- a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- b) The time value of money; and
- c) Reasonable and supportable 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 collectability 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.

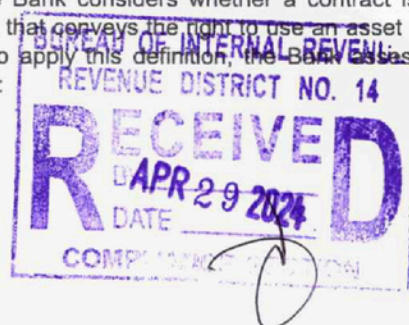
Other Expense

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 assesses 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, 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 if 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

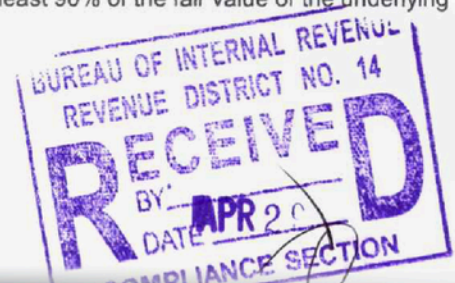
PFRS 16 provides that a lessor shall classify leases as either an operating lease or a finance lease.

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.

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.

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

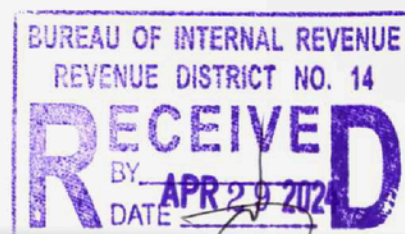
PFRS requires certain financial assets and liabilities to be carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates 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:



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 collectability 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.

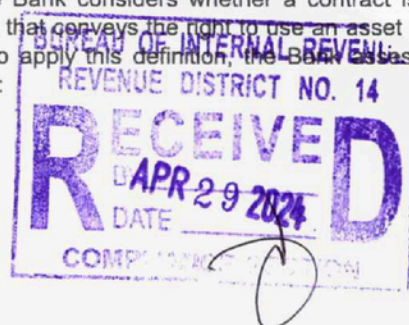
Other Expense

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 through 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, 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 if 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

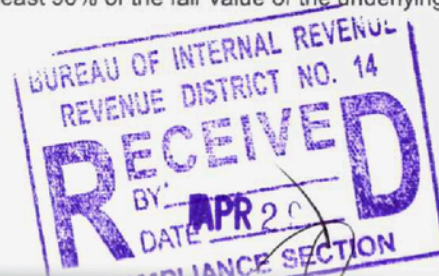
PFRS 16 provides that a lessor shall classify leases as either an operating lease or a finance lease.

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.

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.

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 represents the



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

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

f. Recognition of Retirement Costs

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

g. Recognition of Deferred Tax Assets

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

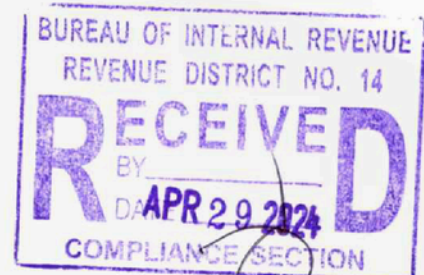
5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit Risk

Credit risk is the risk of financial loss due to the other party's failure to discharge an obligation cited in a binding financial instrument. The Bank faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers, 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, 2023 and 2022:

2023							
	Loans Receivables*		Due from BSP and Other Banks		Debt Securities Measured at Amortized Cost		Total
Agriculture, Forestry and Fishing	P	133,734,778	P	-	P	-	133,734,778
Financial institutions				194,866,001		35,136,000	230,002,001
Mining and Quarrying		792,251					792,251
Manufacturing		11,285,169					11,285,169
Electricity, Gas, Steam and Airconditioning Supply		2,575,112					2,575,112
Water supply, Sewerage, Waste Management and Remediation Activities		-					-
Construction		53,315,800					53,315,800
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal		106,336,692					106,336,692
Accommodation and food service activities		38,237,861					38,237,861
Transportation and storage		25,181,711					25,181,711
Real Estate Activities		313,380,335					313,380,335
Education		1,701,689					1,701,689
Human Health and Social Work Activities		2,761,529					2,761,529
Other Service Activities		56,001,384					56,001,384
Activities of Household as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own use.		77,513,989					77,513,989
Total	P	822,818,300	P	194,866,001	P	35,136,000	1,052,820,301

*amount is net of unamortized discount

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	-	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
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
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
Total	P	799,240,267	P	91,533,659	P	29,000,000	919,528,806

*amount is net of unamortized discount

Credit quality per class of financial assets

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

2023							
	High grade	Standard grade	Past due but not impaired	Impaired			Total
Due from BSP	P	10,491,406	P	-	P	-	10,491,406
Due from other banks		184,374,595		-		-	184,374,595
Debt Securities Measured at Amortized Cost		35,136,000		-		-	35,136,000
Loans Receivable		721,730,401		86,096,614		2,056,982	822,818,300
Sales Contract Receivable		5,928,825		838,093		-	12,788,384
Accrued Interest Receivable		18,695,086		-		-	18,695,086
Other receivables:							
Accounts receivable		191,477		795,283		-	986,761
Accrued Interest Income - Others		244,632		-		-	244,632
Total	P	976,792,423	P	18,955,768	P	87,729,991	1,085,535,164



		2022									
		High grade		Standard grade		Past due but not impaired		Impaired		Total	
Due from BSP	P	11,260,872	P	-	P	-	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	P	102,836,817	P	2,187,652	P	950,662,256	

*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, 2023 and 2022.

	2023							
	1 to 90 Days		91 to 180 days		180 days up		Total	
Receivable from customers:								
Loans Receivables	P	16,127,540	P	5,468,067	P	77,435,309	P	99,030,916
	P	16,127,540	P	5,468,067	P	77,435,309	P	99,030,916
	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

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 2023 and 2022, respectively. The Bank's interest rate on its deposit liabilities is ranging from 0.50% to 6.00% since 2022 to year end 2023.

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:

		2023								
		0 - 3 mos		3 - 6 mos		6 - 12 mos		Beyond 1 year		Total
Financial Liabilities:										
Deposit liabilities	P	521,347,869	P	63,706,794	P	72,606,930	P	1,025,901	P	658,687,495
Bills Payable		-		-		-		96,275,000		96,275,000
Accrued Interest, Taxes and Others Expense Payable		909,235		779,285		695,173		43,966		2,427,659
Other Liabilities:										
Accounts Payable		13,218,854								13,218,854
Finance Lease Payable		11,677		11,677		23,354		1,374,403		1,421,111
Total Financial Liabilities	P	535,487,635	P	64,497,757	P	73,325,457	P	98,719,270	P	772,030,118
Financial Assets:										
Cash and other cash items	P	8,616,818	P	-	P	-	P	-	P	8,616,818
Due from BSP		10,491,406		-		-		-		10,491,406
Due from other banks		170,655,949		-		13,718,646		-		184,374,595
Debt Securities Measured at Amortized Cost		10,136,000		-		-		25,000,000		35,136,000
Loans receivable (a)		56,477,203		58,842,426		39,095,225		580,249,849		734,664,702
Sales Contract Receivable		6,892,084				239,479		5,656,821		12,788,384
Accrued Interest Receivable		3,272,874		2,019,925		1,315,970		12,086,317		18,695,086
Other Assets										
Accounts receivable		986,761								986,761
Accrued Interest Income - Others		244,632								244,632
Total Financial Assets	P	267,773,727	P	60,862,351	P	54,369,320	P	622,992,987	P	1,005,998,385
Liquidity Position (Gap)	P	267,713,908	P	3,635,406	P	18,956,137	P	(524,273,717)	P	(233,968,266)

(a) Net of unamortized loan discount, specific and general loan loss provision

		2022								
		0 - 3 mos		3 - 6 mos		6 - 12 mos		Beyond 1 year		Total
Financial Liabilities:										
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 Expense		474,645		451,898		316,585		3,098		1,246,224
Other Liabilities:										
Accounts payable		105,966,898								105,966,898
Finance Lease Payable		10,677		10,852		22,240		1,421,112		1,464,881
Total Financial Liabilities	P	577,451,212	P	44,061,872	P	48,156,140	P	20,860,111	P	690,529,335
Financial Assets:										
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 and 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		11,086,261		16,379,139
Other Assets										
Accounts Receivable		1,628,605		-		-		-		1,628,605
Accrued Interest Income - Others		227,388								227,388
Total Financial Assets	P	163,506,017	P	71,099,112	P	83,185,283	P	613,064,830	P	900,855,043
Liquidity Position (Gap)	P	413,945,195	P	(27,037,240)	P	(35,029,143)	P	(622,204,520)	P	(797,983,296)

(a) Net of unamortized loan discount P373



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:

- a. Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- b. Requirements for the reconciliation and monitoring of transactions;
- c. Compliance with regulatory and other legal requirements;
- d. Documentation of controls and procedures;
- e. Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- f. Requirements for the reporting of operational losses and proposed remedial action;
- g. Development of contingency plans;
- h. Training and professional development;
- i. Ethical and business standards; and
- j. 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.

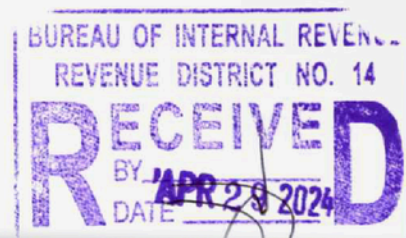
Minimum Liquidity Ratio (MLR)

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, 2023, the Bank has a Minimum Liquidity Ratio of 39.453%.

	2023	2022
PART I. MINIMUM LIQUIDITY RATIO (MLR)		
A. Stock of Liquid Assets	P 233,309,978	P 123,978,559
B. Qualifying Liabilities	590,779,106	610,249,375
Minimum Liquidity Ratio	39.492%	20.316%
PART II. STOCK OF LIQUID ASSETS		
Cash on Hand	3,307,976	3,444,900
Bank Reserves in the BSP	10,491,406	11,260,872
Debt Securities representing claims on or guaranteed by the Philippine National Government and the BSP	35,136,000	29,000,000
Deposits in Other Banks	184,374,595	80,272,787
	233,309,978	123,978,559



PART III. QUALIFYING LIABILITIES

A. Qualifying Liabilities

1. Retail current and regular savings deposits with outstanding balance per account of ₱500,000 and below	194,960,578	97,480,289	181,031,788	90,515,894
2. Borrowings that are non-callable in, or have contractual maturity dates beyond, the next 30 calendar days	96,275,000	-		
3. Total on Balance Sheet Liabilities	784,534,395		700,765,269	
4. Deduct: [Sum of A1 to A2]	291,235,578	97,480,289	181,031,788	90,515,894
B. Other non-balance sheet liabilities (Item A.3 less A.4)	493,298,817	493,298,817	519,733,482	519,733,482
D. Total (Sum of Adjusted Amount of Item A(1), A(2), B and C)		590,779,106		610,249,375

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:

	2023	2022
6.1. Cash and Other Cash items		
Cash on Hand and in Vault	P 3,307,976	P 3,444,900
Check and Other Cash Items	5,308,842	6,694,246
Total cash and other cash items	8,616,818	10,139,146
6.2. Due from BSP and other Banks		
Due from Bangko Sentral ng Pilipinas	10,491,406	11,260,872
Due from Other Banks	184,374,595	80,272,787
Total	194,866,001	91,533,659
Total Cash and Cash Equivalents	P 203,482,820	P 101,672,805

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

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

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

Name of Banks	2023	%	2022	%
Agribusiness Rural Bank, Inc.	P 1,575,186	0.85%	524,338.70	0.28%
Banco De Oro BDO	14,394,145	7.81%	2,909,473.95	1.58%
Bank of the Philippine Island	5,999,053	3.25%	258,446.43	0.14%
China Banking Corporation	3,063,986	1.66%	2,789,313.23	1.51%
Cooperative Bank of Nueva Vizcaya	12,143,460	6.59%	7,001,268.41	3.80%
Cordillera Savings Bank, Inc.	13,419,200	7.28%	4,689,877.58	2.54%
Development Bank of the Philippines	635,282	0.34%	2,069,751.88	1.12%
East West Bank	10,416,977	5.65%	2,644,672.27	1.43%
Land Bank of the Philippines	44,430,975	24.10%	10,075,569.73	5.46%
Metropolitan Bank & Trust Company	10,227,874	5.55%	4,950,681.78	2.69%
Philippine National Bank	13,291,994	7.21%	1,460,658.00	0.79%
Philippine Savings Bank	138,756	0.08%	138,616.97	0.08%
Producers Bank	3,625,716	1.97%	1,970,981.07	1.07%
Rizal Commercial Banking Corporation	50,692,525	27.49%	830,059.59	0.45%
Rural Bank of Bagabag RB	295,665	0.16%	294,485.65	0.16%
Rural Bank of Bayombong Inc.	23,803	0.01%	23,774.33	0.01%
United Coconut Planters Bank	-	0.00%	37,640,817.13	20.42%
Total	P 184,374,595	100.00%	P 101,672,805	



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

As of December 31, 2023, the Bank's SBL was registered at ₱98,922,477 and as per BSP Manual of Regulations, banks are exempted on the ceiling of single borrower's limit (SBL) on deposit/investment placements to government banks, however excess of SBL on private banks are being considered if the accounts are used for clearing operation.

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

Cash in bank represents savings account in local bank. Savings account earns interest at 0.01% to 4.15% for the year 2022 to year end 2023.

Interest income from bank accounts and short-term cash deposits amounted ₱404,189 and ₱371,852 in 2023 and 2022, respectively.

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

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

7. DEBT SECURITIES MEASURED AT AMORTIZED COST

This account consists of:

	2023	2022
Book Value	P 35,136,000	P 29,000,000
Total	P 35,136,000	P 29,000,000

Particular	Interest Rate	2023	2022
Treasury Bonds	3.630%	P 2,000,000	P 2,000,000
Retail Treasury Bond	3.250% to 5.880%	33,136,000	27,000,000
Total Face Amount		P 35,136,000	P 29,000,000

Treasury bonds pertain to investments in Metropolitan Bank Trust Company which bear annual interest rates 3.630% p.a. for 2023 and 2022.

Retail treasury bonds are investment with Metropolitan Bank Trust Company, Land Bank of the Philippines, and Bank of the Philippine Islands which earn interest ranging from 5.10% to 5.88%p.a. for the year 2023 and 2022.

As of December 31, 2023 and 2022, 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 ₱1,292,434 and ₱1,129,303 in 2023 and 2022, 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:

	2023	%	2022	%
Current Loans	P 721,730,401	87.71%	P 686,026,313	85.83%
Past Due Loans				
Performing	12,934,302	1.57%	9,621,525	1.20%
Non-Performing	86,096,614	10.46%	101,404,808	12.69%
Items in Litigation	2,056,982	0.25%	2,187,654	0.27%
Total	822,818,300	100.00%	799,240,300	100.00%
Less: Unamortized Interest and Discount	-		33	
Total, net of discount	822,818,300		799,240,267	
Less: Allowance for Credit Losses				
Specific	44,318,258		32,353,930	
General	6,690,932		5,475,615	
Total Loans Receivables	771,809,110		761,410,721	
Sales Contract Receivables	11,950,292		9,881,192	
Accrued Interest Receivable	18,695,086		18,379,139	
Total Loans Receivables-net	P 802,454,488		P 789,671,052	

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 2023 and 2022, respectively. Total earned interest amounts to ₱110,341,453 and ₱88,330,696 for 2023 and 2022, 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:

	2023	%	2022	%
Due within one (1) year	P 180,586,267	21.95%	P 202,816,107	25.38%
Due beyond one (1) year to five (5) years	384,650,517	46.75%	368,401,843	46.09%
Due beyond five (5) years	257,581,515	31.30%	228,022,316	28.53%
Total Loan Portfolio	P 822,818,300	100.00%	P 799,240,267	100.00%

As to Status

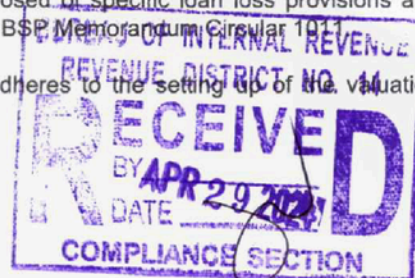
	2023	%	2022	%
Current Loans	P 721,730,401	87.71%	P 686,026,280	87.85%
Past Due Loans	99,030,916	12.04%	111,026,332	10.02%
Items in Litigation	2,056,982	0.25%	2,187,654	2.13%
Total Loan Portfolio	P 822,818,300	100.00%	P 799,240,267	100.00%

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

	2023	2022
Balance at beginning of year	P 37,829,546	P 26,847,828
Provision (IS)	18,376,591	15,705,441
Accounts Written-Off	(2,998,626)	(2,967,506)
Transfers Loans to ROPA	(2,336,404)	(1,756,217)
Transfers sales contract receivable to Loans	138,082	-
Balance at end year	P 51,009,189	P 37,829,546

The total Allowance for Credit Losses of ₱51,009,189 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:

		2023		2022
Performing	P	5,928,825	P	5,565,771
Non- performing		6,859,559		5,141,068
Total		12,788,384		10,706,838
Less: Allowance for Credit Losses		838,093		825,646
Sales Contract Receivable-net	P	11,950,292	P	9,881,192

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

		2023		2022
Balance at beginning of year	P	825,646	P	3,911,908
Provision (IS)		12,446		(3,086,262)
Balance at end year	P	838,093	P	825,646

9. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

This account is consists of:

			2023			
		Cost		Accumulated Depreciation/ Amortization		Net Carrying Amount
Land	P	13,494,253			P	13,494,253
Building		34,590,467		14,329,562		20,260,905
Leasehold Rights and Improvements		3,224,234		1,005,809		2,218,425
Furniture, Fixtures and Equipment		19,939,525		16,553,154		3,386,370
Transportation Equipment		12,252,170		9,889,149		2,363,021
Right-of-Use Assets		1,575,701		435,583		1,140,118
Total	P	85,076,350	P	42,213,257	P	42,863,093

				2022		
		Cost		Accumulated Depreciation/ Amortization		Net Carrying Amount
Land	P	13,494,253	P	-	P	13,494,253
Building		34,398,145		13,097,918		21,300,227
Leasehold Rights and Improvements		3,109,234		838,997		2,270,237
Furniture, Fixtures and Equipment		19,541,757		15,622,368		3,919,390
Transportation Equipment		14,642,170		11,452,260		3,189,910
Right-of-Use Assets		1,575,701		346,162		1,229,539
Total	P	86,761,261	P	41,357,705	P	45,403,556

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2023 and 2022 is shown below:



		2023					
		Balance at beginning of year		Additions	Disposals	Reclassification	Balance at end of year
Cost							
Land	P	13,494,253	P	-	P	-	P 13,494,253
Building		34,398,145		192,320			34,590,465
Leasehold Rights and Improvements		3,109,234		115,000			3,224,234
Furniture, Fixtures and Equipment		19,541,757		660,485	(249,172)	(13,545)	19,939,525
Transportation Equipment		14,642,170			(2,390,000)		12,252,170
Right-of-Use Assets		1,575,701					1,575,701
Total	P	86,761,261	P	967,805	P (2,639,172)	P (13,545)	P 85,076,348
Accumulated Depreciation							
Land	P	-	P	-	P	-	P -
Building		13,097,918		1,231,645			14,329,563
Leasehold Rights and Improvements		838,997		166,811			1,005,807
Furniture, Fixtures and Equipment		15,622,368		1,188,712	(244,381)	(13,545)	16,553,154
Transportation Equipment		11,452,260		826,886	(2,389,999)		9,889,148
Right-of-Use Assets		346,162		89,421			435,583
Total	P	41,357,705	P	3,503,475	P (2,634,380)	P (13,545)	P 42,213,255
Net carrying amount	P	45,403,556	P	(2,535,671)	P (4,793)	P -	P 42,863,093
		2022					
		Balance at beginning of year		Additions	Disposals	Reclassification/ Adjustments	Balance at end of year
Cost							
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
Total	P	81,691,666	P	5,069,595	P -	P -	P 86,761,261
Accumulated Depreciation							
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 Equipment		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
Total	P	37,190,610	P	4,167,095	P -	P -	P 41,357,705
Net carrying amount	P	44,501,056	P	902,500	P -	P -	P 45,403,556

Depreciation amounting to ₱3,503,475 and ₱4,167,095 in 2023 and 2022, respectively, are shown as separate components of operating expenses in the Statements of Comprehensive Income.

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

The value of the Bank premises, furniture, fixtures and equipment of ₱42,863,093, net of accumulated depreciation, as of December 31, 2023 is 13.00% of the Bank's total net worth. This is lower than the 50% maximum ratio required under BSP regulation (MORB Section 109).

The Bank, after due consideration of the assessment of its impairment, believes that there are no indications that the property and equipment as of December 31, 2023 and 2022 are impaired or its carrying amount cannot be recovered.



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 consists of:

	2023	2022
Land	P 13,586,642	P 14,557,886
Building	4,545,586	4,670,451
Other Properties Acquired	967,500	1,280,458
Total	19,099,729	20,508,795
Less: Accumulated Depreciation	3,220,062	2,710,022
Net Carrying Amount	P 15,879,667	P 17,798,773

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

2023	Land	Building	Other Properties Acquired	Total
Cost				
Balance, January 1	P 14,557,886	P 4,670,451	P 1,280,458	P 20,508,795
Additions	1,105,578	69,675		1,175,253
Disposals	(2,076,822)	(194,539)	(312,958.33)	(2,584,319)
Balance, December 31	P 13,586,642	P 4,545,586	P 967,500	P 19,099,729

Accumulated Depreciation

Balance, January 1	P -	P 2,367,912	P 342,110	P 2,710,022
Additions	-	391,152	279,246	670,399
Disposals	-	(61,604)	(139,093)	(200,697)
Adjustments	-	40,338		40,338
Balance, December 31	P -	P 2,737,798	P 482,264	P 3,220,062
Carrying Amount	P 13,586,642	P 1,807,788	P 485,236	P 15,879,667

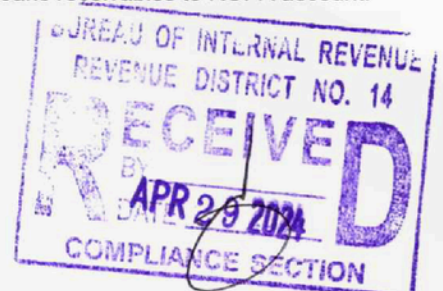
2022	Land	Building	Other Properties Acquired	Total
Cost				
Balance, January 1	P 13,179,729	P 4,411,776	P 520,958	P 18,112,463
Additions	3,046,238	806,023	759,500	4,611,761
Disposals	(1,668,081)	(547,348)	-	(2,215,429)
Balance, December 31	P 14,557,886	P 4,670,451	P 1,280,458	P 20,508,795

Accumulated Depreciation

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

As at December 31, 2023 and 2022, the Bank did not provide additional allowance for credit losses on Investment Property.

As of December 31, 2023 and 2022, no amount of investment in property was used as collateral for liabilities. Additions to investment property during the year are through transfer of loans receivables to ROPA account.



11. OTHER ASSETS

This account consists of:

	2023	2022
Financial Assets		
Accounts Receivables	P 986,761	P 1,628,605
Accrued Interest Income - Others	244,632	227,388
Non-Financial Assets		
Prepaid Expenses	523,182	232,866
Miscellaneous Assets	38,770	38,770
Petty Cash Fund	14,000	14,000
Stationary and Supplies	26,428	111,344
Total	1,833,773	2,252,973
Less: Allowance for Probable Losses	795,283	773,711
Net Other Assets	P 1,038,490	P 1,479,262

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:

	2023	2022
Balance at beginning of year	P 773,711	P 671,259
Provision (IS)	21,573	294,428
Reversal of provisions		(191,976)
Balance at end year	P 795,283	P 773,711

12. DEPOSIT LIABILITIES

This account consists of:

	2023	%	2022	%
Saving Deposit	P 352,377,352	53.50%	P 337,856,270	60.07%
Time Deposit	273,199,858	41.48%	185,738,017	33.02%
Demand Deposit	33,110,285	5.03%	38,857,045	6.91%
Total Deposit Liabilities	P 658,687,495	100.00%	P 562,451,332	100.00%

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 P96,236,163 or 17.11% over the figures of 2022.

For the year 2023 and 2022, savings deposit carries an interest rate of 0.50%. The Bank's time deposit carries interest rate ranging from 1.50% to 6.00%, for the years 2023 and 2022, respectively.

On June 30, 2023, the Monetary Board in its Resolution No. 727 approved a reduction in the reserve requirement (RR) ratios of deposits and deposit substitute liabilities of banks and non-bank financial institution with quasi-banking functions (NBQBs) decreasing the reserve requirement to one percent (1%) for rural and coop banks.. The required reserve as of December 31, 2023 amounted to ₱ 6,586,875 or 1% of the total deposit liabilities. This amount is in the form of deposit with Bangko Sentral ng Pilipinas which has a balance of ₱10,491,406 as at December 31, 2023 which is higher than the required reserves for rural banks.

Interest expense on deposit liabilities charged to profit or loss in 2023 and 2022 amounted to ₱8,585,533 and ₱6,518,871, respectively.

13. BILLS PAYABLE

This account consists of:

	2023	2022
Development Bank of the Philippines (DBP)	P 96,275,000	P 19,400,000
Total	P 96,275,000	P 19,400,000



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 96,275,000
Gross amounts offset in accordance with offsetting criteria (b)	
Net amount presented in statement of financial position [a-b](c)	96,275,000
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)	
Net Exposure (c - d)	P 77,175,000

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 ₱1,827,482 and ₱107,278 in 2023 and 2022, 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:

	2023	2022
Accrued Interest Expense	P 2,427,659	P 1,246,224
Total	P 2,427,659	P 1,246,224

Accrued interest payable represents the recognition of interest expense already due on financial liabilities such as deposit liabilities as of December 31, 2023 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:

	2023	2022
Accounts Payable	P 13,218,854	P 105,966,898
Lease Liability	1,421,112	1,464,881
Withholding Tax Payable	443,809	512,846
Accrued accumulating and vesting credit leaves	762,162	374,381
SSS, Medicare and Pag-Ibig Contribution Payable	303,750	185,720
Miscellaneous payables	2,269,699	2,221,103
Total	P 18,419,386	P 110,725,828

The above liabilities are settled either by cash or check payments. As December 31, 2023 and 2022, no amount of assets was used as collateral, security or guarantee for the above liabilities.

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 2024.

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

	2023	2022
At January 1	P 374,381	P 721,601
Accruals	387,781	
Payment	-	(347,220)
At December 31	P 762,162	P 374,381

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:

	2023	2022
At January 1	P 1,464,880	P 1,499,609
Interest	94,831	97,421
Payments	(138,599)	(132,150)
At December 31	P 1,421,112	P 1,464,880

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, 2023 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 ₱202,812,000 as of December 31, 2023.

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



	2023		2022	
	Shares	Amount	Shares	Amount
Share Capital – P100 par value, 4,996,982 authorized shares				
Ordinary Shares at the beginning of the year	1,825,586	P 182,558,600	1,659,654	P 165,965,400
Issuance of share thru subscription	20,000	2,000,000		
Distribution of stock dividends	182,534	18,253,400	165,932	16,593,200
Ordinary Shares the end of the year	2,028,120	P 202,812,000	1,825,586	P 182,558,600

Under BSP Circular 1151: Minimum Required Capital, Rural Banks with up to 5 branches are required to comply with the minimum capital of ₱ 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:

	2023	2022
Balance, Beginning	P 115,705,284	P 113,627,419
Net Income (Loss)	45,987,209	35,270,946
Stock Dividends	(18,255,860)	(16,596,540)
Cash Dividends	(11,000,000)	(16,596,540)
Provision and Adjustments	(2,980,705)	(2,074,050)
Balance, Ending	P 129,455,928	P 115,705,284

Provision and Adjustments

	2023	2022
Rescission of sale of ROPA's	P 2,074,050	P 2,074,050
Total	P 2,074,050	P 2,074,050

Retained Earnings - Reserved

The retained earnings - reserved pertain to reserve set aside by Bank for contingencies. For the years ended December 31, 2023 and 2022, there was no movement in the retained earnings-reserves. Total reserves amounted to ₱2,074,050 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 March 17, 2023, the Bank through Board Resolution No. 23-46 declared stock dividends amounting to ₱18,255,860. Later on the Bank decided to convert stock dividends amounting 3,150 into cash dividends.

On August 18, 2023 the Bank through Board Resolution No. 23-145 declared cash dividends amounting to ₱11,000,000.

Type of Dividend	Date of Declaration	Date of Record	Date of Distribution	Amount
2023				
Cash	07/31/2022	07/31/2022	03/31/2023	P 11,000,000
Stock	08/18/2023	08/18/2023	08/29/2023	18,255,860
Total				P 29,255,860
2022				
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
Total				P 33,193,080



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, 2023 and 2022, 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, 2023 and 2022, as reported to the BSP, is shown in the table below:

	2023	2022
Tier 1 Capital	P 316,320,162	300,770,391
Tier 2 Capital	6,690,932	5,475,615
Total Qualifying Capital	P 323,011,094	P 306,246,006
Risk Weighted Assets	P 932,604,103	P 961,874,891
Tier 1 Ratio	33.92%	31.27%
Tier 2 Ratio	0.72%	0.57%
Capital Adequacy Ratio (CAR)	34.64%	31.84%



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

	2023	2022
A. Calculation of Qualifying Capital		
A.1 Tier 1 Capital		
Core Tier 1 Capital		
Paid-Up Capital - Ordinary	P 202,812,000	P 182,558,600
Paid-up perpetual and non-cumulative preferred stock	-	-
Retained Earnings	126,929,591	111,715,052
Deductions from Core Tier 1 Capital		
Deferred Tax Asset, Net of Deferred Tax Liability	(13,421,429)	(10,096,461)
Total Tier 1 Capital	316,320,162	284,177,191
A.2 Tier 2 Capital		
General Loan Loss Provision	6,690,932	5,475,615
Deductions from Upper Tier 2	-	-
Total Upper Tier 2 Capital	6,690,932	5,475,615
TOTAL QUALIFYING CAPITAL	P 323,011,094	P 289,652,806

Financial Performance

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

	2023	2022
A. Return on Average Equity	14.74%	12.33%
B. Return on Average Assets	4.36%	3.80%
C. Net Interest Margin	10.58%	9.89%
D. Debt to Equity Ratio	2.38:1	2.38:1

17. OTHER INCOME

This account consists of:

	2023	2022
Income from Asset Acquired	P 7,906,738	P 5,426,859
Gain From Sale of Bank Premises and FFE	771,141	
Penalties	9,181,652	9,181,652
Filing Fees	4,966,038	4,966,038
Service Charges and Fees	5,474,723	4,348,919
Rental Income	846,889	820,633
Recoveries on Charged-off Assets	965,938	251,239
Miscellaneous Income	6,148,110	5,745,483
Total	P 36,261,228	P 30,740,823

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:

	2023	2022
Salaries and Wages	P 14,847,485	P 14,331,076
Fringe Benefits - Officers and Employees	8,288,485	7,503,027
Director's Fee	2,296,500	2,001,800
SSS, Philhealth, and Employees Compensation Premium and Pag-ibig Func	2,338,661	2,024,862
Contribution to Retirement Benefit / Provident Fund	1,764,036	1,521,304
Total	P 29,535,167	P 27,382,069



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 ₱1,764,036 and ₱1,521,304 in 2023 and 2022, 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:

	2023	2022
Fuel & Lubricants	P 1,663,306	P 2,171,372
Security, Clerical, Messengerial & Janitorial Services	2,222,896	2,145,150
Documentary Stamp Used	2,560,477	1,834,516
Insurance Expenses	1,698,452	1,609,508
Power, Light & Water	842,195	1,172,265
Stationeries & Supplies Used	1,114,325	1,053,141
Repairs and Maintenance	1,304,329	873,302
Management and Other Professional Fees	484,000	574,379
Information and Technology	683,716	596,774
Postage, Telephone, Cables & Telegram	388,578	498,139
Representation and Entertainment	294,700	296,922
Supervision Fees	182,558	171,212
Interest Expense - Lease Liability	94,831	97,421
Fees and commission	105,195	91,796
Traveling Expenses	71,468	55,525
Rent Expense	72,626	68,350
Membership Fees & Dues	16,280	28,560
Advertising & Publicity	50,306	26,337
Donations and Charitable Contributions	67,000	25,020
Fines, Penalties and Other Fees	2,050	18,350
Litigation Expenses	104,699	7,460
Miscellaneous	2,368,001	2,056,121
Total	P 16,391,988	P 15,471,621

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:

	2023	2022
Depreciation Expense – RUOA	P 89,421	P 89,421
Depreciation Expense – Furniture, Fixtures and Equipment	1,188,712	1,716,439
Depreciation - Bank Premises-Bldg.	1,231,645	1,421,270
Amortization Expense – Transportation Equipment	826,886	776,385
Depreciation Expense – LRI	166,811	163,580
Depreciation Expense – ROPA	670,399	474,732
Total	P 4,173,874	P 4,641,827



22. LEASE AGREEMENT**Bank as a lessee under Finance Lease**

The undiscounted maturity analysis of lease liabilities at December 31, 2023 is as follows:

Lease Payments	Future Minimum Lease Payments					Total
	Within 1 year	2 to 5 years	6 to 10 years	11 to 15 years		
Lease Payments	P 138,600	P 610,187	P 871,472	P 538,935	P	2,159,194
Finance Charges	91,891	328,040	270,251	47,901		738,082
	P 46,709	P 282,147	P 601,222	P 491,034	P	1,421,112

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 ₱2,056,984 as at December 31, 2023.
- 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



₱294,700 and ₱296,922 in 2023 and 2022, respectively.

Provision for income tax consists of:

	2023	2022
Current:	P 18,316,688	P 13,308,038
Deferred	(3,411,774)	(1,926,345)
Tax Expense reported in Statement of Comprehensive Income	P 14,904,914	P 11,381,693

The current and deferred tax is computed as follows: (Amount is converted to statutory income tax rate of 20%).

Current Tax

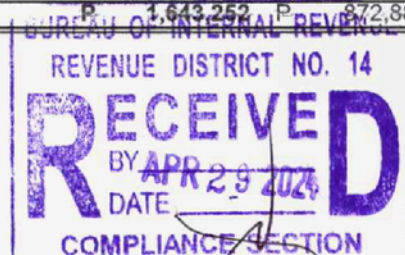
	2023	2022
Statutory income tax	P 15,223,031	P 11,663,160
Income tax effects of:		
Interest income subject to final tax	(424,156)	(375,289)
Accounts Written Off	(1,333,758)	(1,180,931)
Provision for credit losses on loans and receivables	4,637,173	3,180,408
Depreciation Expense – Right of Use Asset	22,355	22,355
Payment on lease liabilities	(34,650)	(33,038)
Payment in accrued accumulating and vesting credit leaves	-	(86,805)
Accrued accumulating and vesting credit leaves	96,945	-
Interest Expense - Lease Liability	23,708	24,355
Non-deductible expenses (Interest Arbitrage - 20%)	106,039	93,822
Income Tax- Current	P 18,316,688	P 13,308,038

Computation of Income Tax:

	2023	2022
Net Income per books	P 60,892,123	P 46,652,639
Add: Non-deductible Expenses/Taxable Other Income		
Provision for Credit Losses on Loans and Receivables	18,548,692	12,721,631
Accrued accumulating and vesting credit leaves	387,781	-
Depreciation Expense – Right of Use Asset	89,421	89,421
Interest Expense - Financial Lease	94,831	97,421
Interest expense reduced by 20% income subject to final tax	424,156	375,289
Total	19,544,881	13,283,762
Less: Non-taxable Income and Income Subjected to Final Tax		
Interest Income Subject to Final Tax	1,696,625	1,501,155
Payment on lease liabilities	138,599	126,000
Payment in accrued accumulating and vesting credit leaves	-	347,220
Accounts Written Off	5,335,030	2,967,506
Total	7,170,254	4,941,881
Net Taxable Income	73,266,751	54,994,520
Tax Rate	25%	25%
Normal Corporate Income Tax	18,316,688	13,748,630
Minimum Corporate Income Tax**	1,643,252	872,887
Income Tax Due	18,316,688	13,748,630
Less: Tax Payments other than MCIT	9,591,832	5,933,350
Income Tax Still Due/(Overpayment)	8,724,856	7,815,280

**Below is the computation of Minimum Corporate Income Tax (MCIT) for the year ended December 31, 2023 and 2022.

	2023	2022
Revenue	P 112,038,077	P 89,831,851
Cost of Revenue	40,445,764	34,785,120
Gross Income	71,592,313	55,046,731
Add: Other Income	36,261,228	30,740,823
Less: Interest Income Subjected to Final Tax	(1,696,625)	(1,501,155)
Total Gross Income	109,550,166	87,288,709
MCIT Rate	2%	1%
Minimum Corporate Income Tax	P 1,643,252	P 872,887



Deferred Tax

	Allowance for Credit Losses	Accrued Credit Leaves	Excess of Lease Liability over ROU	Total
Balance, January 1, 2022	7,857,749	180,400	45,162	8,083,311
Origination	4,009,619		13,673	4,023,292
Reversal	(2,010,142)	(86,805)		(2,096,947)
Impact of create law				-
Balance, December 31, 2022	9,857,226	93,595	58,835	10,009,656
Origination	4,637,173	96,945	11,413	4,745,532
Reversal	(1,333,758)	-		(1,333,758)
Balance, December 31, 2023	13,160,642	190,540	70,248	13,421,429

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:

	2023	2022
Short-term employee benefits	P 5,256,656	P 5,336,714
TOTAL	P 5,256,656	P 5,336,714

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:

- 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%
- On dividends..... 0%
- 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.....



- c.) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments..... 7%

GRT in 2023 consists of taxes on:

	2023
Interest income	P 4,821,725
Other income	2,538,286
Total	P 7,360,011

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, 2023, follow:

Taxes and Licenses

	2023	2022
a. Local		
Business Permit	P 628,919	P 545,298
Real Property Tax	205,063	119,937
Others	500	200
b. National		
Percentage Tax	7,444,306	6,320,758
LTO Registration	43,924	37,163
Annual Registration-BIR	2,000	1,500
Others	19,735	51,883
Total-Taxes and Licenses	P 8,344,447	P 7,076,739

Withholding Taxes

The Bank total withholding taxes paid for the year 2023 is broken down as follows

Withholding Tax on Compensation	615,138
Withholding Tax at Sources	302,197
Final Withholding Tax	1,021,602
Total	1,938,937

Tax Assessments and Cases

As at December 31, 2023, the Bank has no outstanding assessment notice from the BIR or cases in court or bodies outside the BIR.

Revenue Regulation (RR) No 19-2011

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



EDGARDO M. MOLINA, CPA

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

Tunasan, Muntinlupa City

Email: emmolinaconsultancy@gmail.com

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, 2023 which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the Accounting Profession and duly registered with the Board of Accountancy (BOA).
2. That the financial statements are presented in conformity with the Philippine Financial Reporting Standards, 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.



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. 08-005012-001-2020, valid until September 27, 2025

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, 2024 at Muntinlupa City

March 22, 2024



Act.

2. As of December 31, 2023, 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, 2023 and 2022 was computed as follows:

Return on Average Equity (ROE)

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

	2023	2022
Net Income	P 45,987,209	P 35,270,946
Equity		
2023	329,741,591	
2022	294,269,836	
2022		294,269,836
2021		277,672,820
Total	624,011,427	571,942,656
Average Equity	P 312,005,714	P 285,971,328
Return on Average Equity	14.74%	12.33%

Return on Average Assets (ROA)

Formula: $ROA = \text{Net Income after Tax} / \text{Average of Total Assets}$

	2023	2022
Net Income	45,987,209.24	35,270,945.62
Assets		
2023	1,114,275,986	
2022	995,035,105	
2022		995,035,105
2021		861,792,749
Total	2,109,311,090	1,856,827,854
Average Assets	P 1,054,655,545	P 928,413,927
Return on Average Assets	4.36%	3.80%

Net Interest Margin

Formula: $\text{Net Interest Margin Ratio} = \text{Net Interest Income} / \text{Average Earning Assets}$

Formula: $\text{Average Earning Assets} = \text{Due from BSP} + \text{Due From Other Banks} + \text{Loans} + \text{Debt Securities Measured at Amortized Cost}$

	2023	2022
Net Interest Income	P 101,625,062	P 83,205,702
Interest Earnings Assets		
2023	1,021,965,083	
2022	898,943,839	
2022		898,943,839
2021		783,366,412
Total	1,920,908,922	1,682,310,251
Average Interest Earnings Assets	P 960,454,461	P 841,804,126
Net Interest Margin	10.58%	9.89%



2. Capital Instrument issued

As of December 31, 2023 and 2022, the Bank share capital consist of:

	Shares*	Amount
Ordinary Share - ₱100 par value		
Authorized	4,996,982	P 499,698,200
Beginning of the year	1,825,586	P 182,558,600
Issuance of shares thru subscription	20,000	2,000,000
Distribution of stock dividends	182,534	18,253,400
Balance at the beginning and end of the year	2,028,120	P 202,812,000

*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	2023	%	2022	%
Agriculture, Forestry and Fishing	P 133,734,778	16.25%	P 209,032,462	26.15%
Mining and Quarrying	792,251	0.10%		
Manufacturing	11,285,169	1.37%	9,809,177	1.23%
Electricity, Gas, Steam and Airconditioning Supply	2,575,112	0.31%	247,120	0.03%
Water supply, Sewerage, Waste management and Remediation Activities	-	0.00%	86,539	0.01%
Construction	53,315,800	6.48%	49,097,512	6.14%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	106,336,692	12.92%	99,350,313	12.43%
Accommodation and food service activities	38,237,861	4.65%	14,937,807	1.87%
Transportation and storage	25,181,711	3.06%	11,301,100	1.41%
Real Estate Activities	313,380,335	38.09%	271,181,411	33.93%
Education	1,701,689	0.21%	1,186,203	0.15%
Human Health and Social Work Activities	2,761,529	0.34%	3,095,909	0.39%
Arts, Entertainment and Recreation	-	0.00%		0.00%
Other Service Activities	56,001,384	6.81%	56,904,380	7.12%
Activities of Household as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own use.	77,513,989	9.42%	73,010,334	9.13%
Total	P 822,818,300	100.00%	P 799,240,267	100.00%

Percentage per tier 1 capital	2023	%	2022	%
Agriculture, Forestry and Fishing	P 133,734,778	42.28%	P 209,032,462	69.50%
Mining and Quarrying	P 792,251	0.25%		
Manufacturing	11,285,169	3.57%	9,809,177	3.26%
Electricity, Gas, Steam and Airconditioning Supply	2,575,112	0.81%	247,120	0.08%
Water supply, Sewerage, Waste management and Remediation Activities	-	0.00%	86,539	
Construction	53,315,800	16.86%	49,097,512	16.32%
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal	106,336,692	33.62%	99,350,313	33.03%
Accommodation and food service activities	38,237,861	12.09%	14,937,807	4.97%
Transportation and storage	25,181,711	7.96%	11,301,100	3.76%
Real Estate Activities	313,380,335	99.07%	271,181,411	90.16%
Education	1,701,689	0.54%	1,186,203	0.39%
Human Health and Social Work Activities	2,761,529	0.87%	3,095,909	1.03%
Arts, Entertainment and Recreation	-	0.00%		0.00%
Other Service Activities	56,001,384	17.70%	56,904,380	18.92%
Activities of Household as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own use.	77,513,989	24.50%	73,010,334	24.27%
Total	P 822,818,300		P 799,240,267	



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 seven (7) industries exceeding 10.0 percent of the Bank's Tier 1 Capital.

4. Breakdown of Total Loans

As to Security:

	2023	%	2022	%
Real Estate Mortgage	P 643,169,704	78.17%	P 506,554,037	63.38%
Other Collateral	63,429,482	7.71%	117,350,402	14.68%
Unsecured	116,219,114	14.12%	175,335,828	21.94%
Total Loan Portfolio	P 822,818,300	100.00%	P 799,240,267	100.00%

As to Status:

Product Line	2023			Total
	Performing	Non-Performing		
Agrarian Reform loans	P 19,649,223	P 14,863,365	P	34,512,589
Other Agricultural loans	78,282,938	20,939,251		99,222,189
Microfinance Loans	584,809	1,030,526		1,615,335
Other Microfinance Loans	-	70,780		70,780
Small Scale Enterprise Loans	198,297,206	14,359,871		212,657,077
Medium Scale Enterprise Loans	34,116,209	17,265,000		51,381,209
Loans to Individual for Housing	146,736,102	8,640,126		155,376,227
Auto Loans	30,109,801	2,606,662		32,716,463
Motorcycle Loans				-
Salary-Based General-Purpose Consumption Loans	1,036,042	624,950		1,660,992
Loans to Individual Primarily for Personal Use Purposes - Others	39,524,272	3,612,262		43,136,534
Loans to Individual for Other Purposes	186,328,101	4,140,804		190,468,905
Total	P 734,664,703	P 88,153,597	P	822,818,300

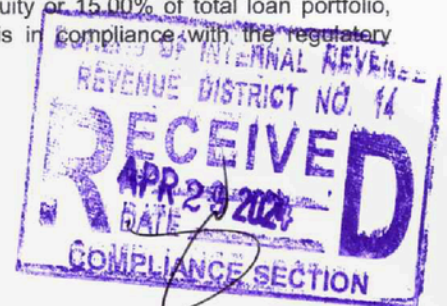
Product Line	2022			Total
	Performing	Non-Performing		
Agrarian Reform loans	P 65,735,823	P 27,653,966	P	93,389,789
Other Agricultural loans	82,900,429	32,742,245		115,642,674
Microfinance Loans	1,133,278	731,487		1,864,764
Other Microfinance Loans	-	70,780		70,780
Small Scale Enterprise Loans	195,481,903	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
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
Total	P 695,647,805	P 103,592,462	P	799,240,267

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, 2023 and 2022, the Bank is in compliance with the regulatory requirements.



2023		
Particulars	DOSRI Loans	Related Party Loans (inclusive of
Outstanding Loans	P 5,507,626	P 5,507,626
Percent of DOSRI/Related Party loans to total loan portfolio	0.67%	0.72%
Percent of unsecured DOSRI/Related Party loans to total	0%	0%
Percent of past due DOSRI/ Related Party loans to total	0%	0%
Percent of non-performing DOSRI/Related Party loans to total	0%	0%

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	0.87%	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, 2023, 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, 2023 and 2022

	2023		2022	
Items held as collateral	P	2,297	P	2,511
Items held for safekeeping		97		97
	P	2,394	P	2,608

- End of Report -



EDGARDO M. MOLINA, CPA

Blk 10, Lot 26, Kroner Street, Villa Carolina I
Tunasan, Muntinlupa City
Email: 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, 2023, on which I have rendered the attached report dated March 22, 2024.

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. 08-005012-001-2020, valid until September 27, 2025

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, 2024 at Muntinlupa City

March 22, 2024



RURAL BANK OF SOLANO (NUEVA VIZCAYA), INC.

Maharlika Highway, Poblacion South,
Solano, Nueva Vizcaya

**"STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN"**

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

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

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

Signature: _____

Chairman: _____

ROQUE FELIPE M. GRANADA

Signature: _____

President: _____

ATTY. MARY ANN E. M. TUPASI

Signature: _____

Treasurer: _____

TERESITA G. VENTURINA

Signed this 22nd day of March, 2024