FICOBank

2024 ANNUAL REPORT

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Bridging FICOBank's Legacy to the Digital Horizon

At FICOBank, we honor our remarkable journey and the legacy we imprinted in our communities. Founded by the core values that have defined us, we conquered challenges and have thrived in this fast-paced and ever-changing banking industry. Our trials and triumphs for the past decades truly strengthened our capabilities to foster growth and sustainability in the lives of the people we serve.

As we stand at the crossroads of tradition and innovation, FICOBank remains committed to honoring its rich legacy while embracing the limitless possibilities of the digital age. We are dedicated to transforming our time-tested values into future-ready solutions. We are not just adapting to change; we are ensuring that our heritage of trust, community, and service continues to thrive in a connected, digital world. Together with our stakeholders, we are building a bridge that connects the FICOBanking legacy to the digital horizon and the endless opportunities of tomorrow.

FICOBank's Profile

Our mission, vision, business model and brand promise represent our corporate identity—a gist of what our business is all about.

Our Mission

As a bank with community orientation, we are committed to providing our stakeholders—customers, cooperators and employees—the opportunity to bring about economic ascendancy for themselves and their respective families and localities through our innovative, accessible and viable financial services and solutions.

Being a provider of financial services and solutions, and a portal of economic ascendancy, we ought to:

1. Harness the untapped savings and investment resources of the people in North and Central Luzon (Regions I, II, III & CAR);

2. Provide loans and other financial services and solutions to the same localities where we source our funds through our operating units; and

3. Reward our customers and cooperators (shareholders and employees) alike for their respective patronage to, and participation in, our financial services and allied undertakings.

By practicing the essential cooperative principles in a corporate-like setting, with unibank-caliber management corps, and by keeping our distinct trademark of being a valuable community asset, we will be a bank that makes a big difference.

Our Vision

Into 2028, we will be BETTER, BIGGER and STRONGER to lead as a customer-centric community bank in North and Central Luzon, with a strong brand presence, a stable and sizable customer base and a benchmark in customer convenience to provide economic opportunities, growth and development to our stakeholders.

Our Business Model

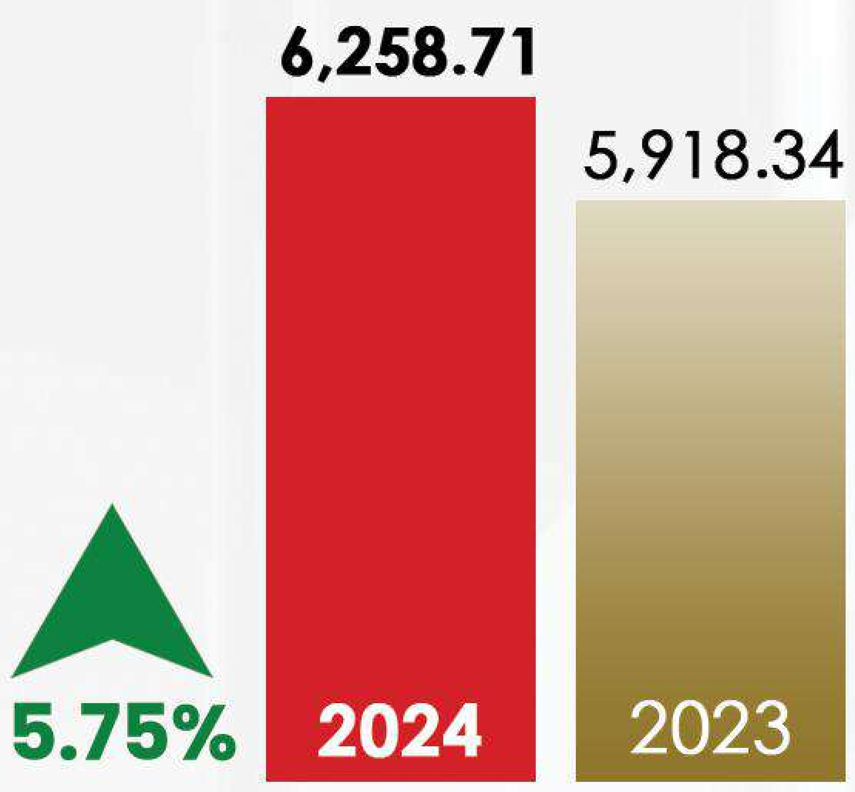
Through our deposit-taking and lending operations, we are primarily engaged in financial intermediation between and among: the farmers, fishers and their organizations; the micro, small and medium entrepreneurs; the rural, urban and overseas workers; and the other groups of financial consumers. We also provide money-transfer/remittance, cash-dispensing and other fee-based services to the public. Our extensive array of innovative financial products and services and our exclusive list of complementary development support and solutions are adaptive and responsive to the multi-dimensional needs of our multi-sectoral clientele.

Our Brand Promise

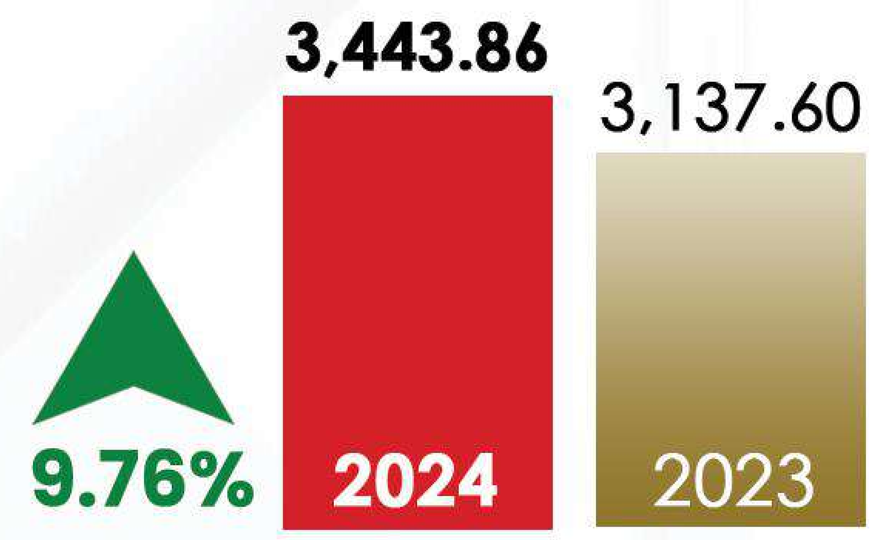
With our well-trained and top-notch people, as brand ambassadors, we will stay in the business of providing opportunities for economic ascendancy to our clientele for good.

Financial Highlights

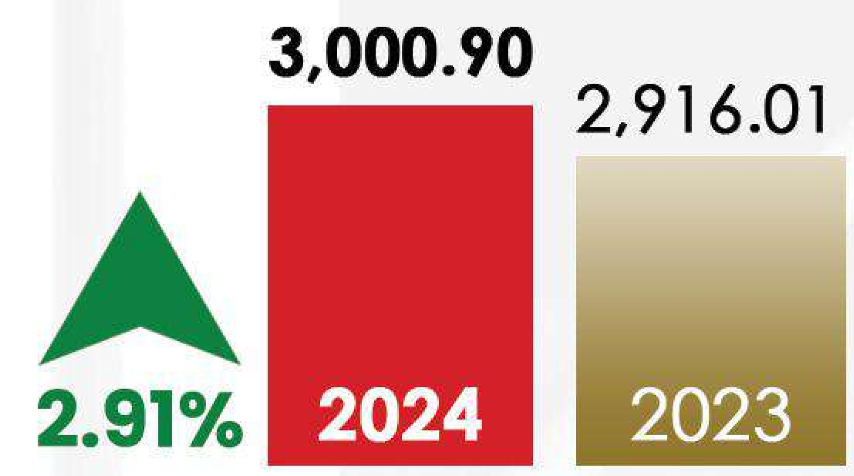
Resources



Loan Portfolio (Net)



Deposit Liabilities



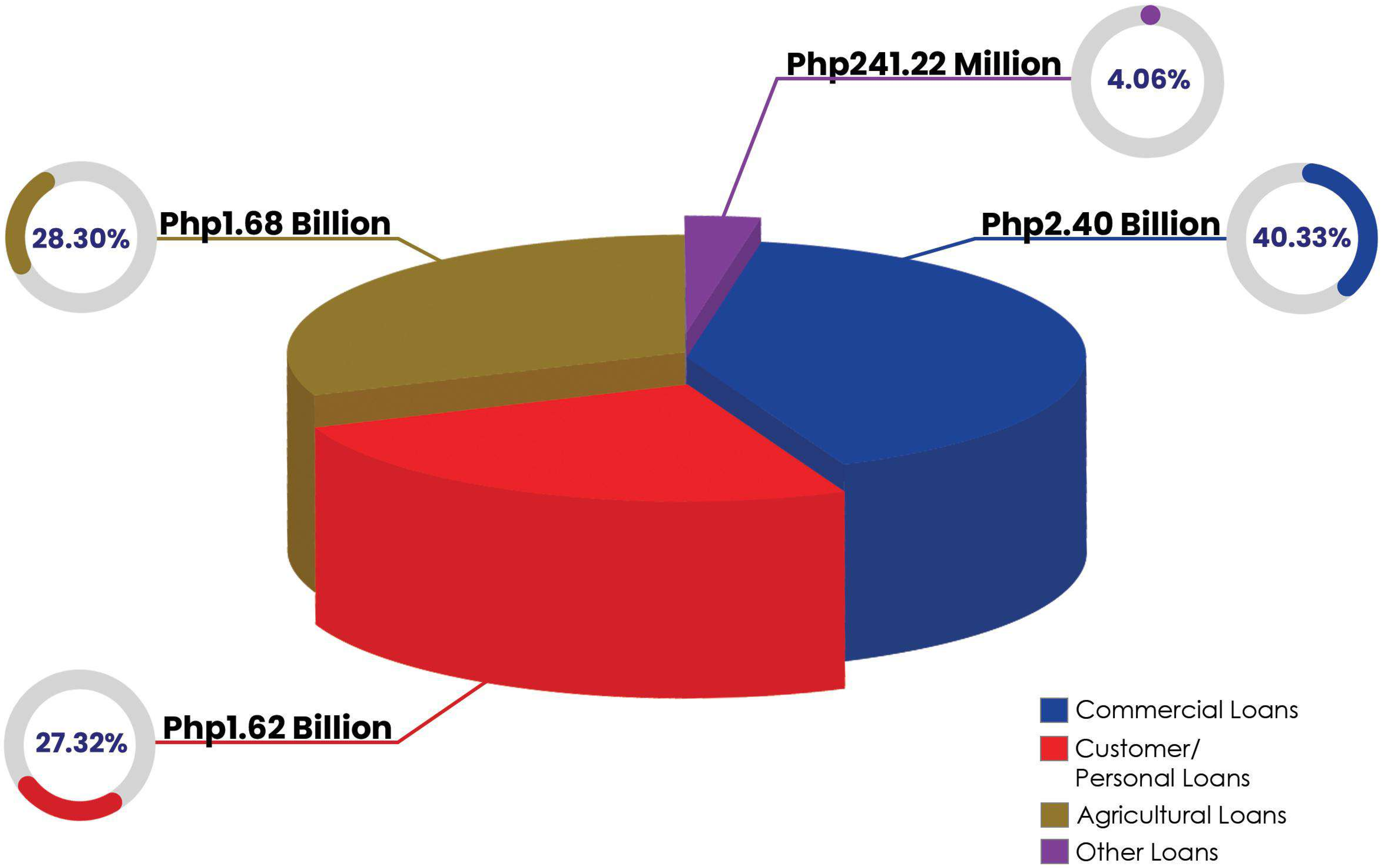
Capital Accounts

Net Income

	2024	2023
Profitability		
Net Interest Income	522.86	431.72
Non-Interest Income	216.85	226.38
Non-Interest Expense	578.78	510.12
Pre-Provision Profit	191.80	164.32
Allowance for Credit Losses	148.22	130.90
Selected Balance Sheet Data		
Liquid Assets	2,215.09	2,242.94
Gross Loans	3,575.39	3,255.26
Selected Ratios		
Return on Equity	9.84%	9.87%
Return on Assets	2.64%	2.59%
Capital Adequacy Ratio	24.62%	24.16%
Others		
Cash Dividends Declared	17.84	17.87
Headcount:	442	458
- Officers	124	118
- Staff	318	340

***Note**: Amounts in Million Pesos (except Selected Ratios and Headcounts)*

2024 Loan Volume & Portfolio by Industry/Sector



Industry/Sector	2024		2023	
	Amount	%	Amount	%
Agricultural, Forestry and Fishing	**P 1,259,867,364**	**35.24%**	P 1,227,126,405	37.70%
Activities of Households as Employers, and Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use	**625,582,454**	**17.50%**	499,520,457	15.35%
Wholesale and Retail Trade, Repair of Motor Vehicle and Motorcycles	**597,193,011**	**16.70%**	641,006,388	19.69%
Construction	**336,579,484**	**9.41%**	265,175,057	8.15%
Accommodation and Food Service Activities	**112,210,393**	**3.14%**	53,760,200	1.65%
Real Estate Activities	**71,864,528**	**2.01%**	86,888,806	2.67%
Electricity, Gas, Steam and Air-Conditioning Supply	**47,684,879**	**1.33%**	52,942,610	1.63%
Transportation and Storage	**11,189,952**	**0.31%**	12,588,062	0.39%
Administrative and Support Service Activities	**10,426,316**	**0.29%**	10,231,624	0.31%
Education	**9,035,776**	**0.25%**	3,719,823	0.11%
Manifacturing	**8,922,670**	**0.25%**	10,253,640	0.31%
Human Health and Social Work Activities	**5,634,278**	**0.16%**	7,559,405	0.23%
Professional, Scientific and Technical Activities	**5,319,719**	**0.15%**	5,203,343	0.16%
Art, Entertainment and Recreation	**4,155,282**	**0.12%**	4,861,718	0.15%
Mining and Quarrying	**3,629,692**	**0.10%**	4,568,366	0.14%
Information and Communication	**2,337,853**	**0.07%**	1,015,067	0.03%
Water Supply, Sewerage, Waste Management and Remediation Activities	**612,196**	**0.02%**	7,621,330	0.23%
Financial and Insurance Activities	**0**	**0.00%**	1,800,000	0.06%
Other Service Activities	**463,141,402**	**12.95%**	359,413,601	11.04%
Total	**P 3,575,387,249**	**100.00%**	P 3,255,255,902	100.00%

Chairperson's Statement

At FICOBank, we take immense pride in the legacy we've built, rooted in our core values and the trust that we earned from serving the countryside. For decades, these values have guided us through a rapidly evolving banking landscape. Each challenge faced and milestone reached has strengthened our resolve and capacity to uplift the lives of the people and communities we serve.

This past year has been a testament to our capacity for growth and service. In the face of economic, geopolitical, and climatic uncertainties, FICOBank relentlessly served the growing demands of the countryside and delivered remarkable financial performance and strategic progress. We concluded the year 2024 with a net income of Php160.93 million and a solid return on equity (ROE) of 9.84 percent, reinforcing our relevance and resilience in the cooperative banking sector.

Meanwhile, our Capital Adequacy Ratio (CAR) stood at 24.62 percent, significantly surpassing the regulatory requirements and reaffirming our strong financial foundation. Additionally, our capital also rose by 8.80 percent, a clear signal of our continuing strength and commitment to sustainable expansion.

As we embraced the Bank's 2024 theme, "Bridging FICOBank's Legacy to the Digital Horizon," we found ourselves at the intersection of tradition and innovation. Our goal has been clear and define in our 2024-2028 Strategic Plan: to translate our time-tested values into modern, accessible, and inclusive banking solutions for the communities that depend on us. We have made great strides in enhancing financial access, particularly through ongoing investments in digital transformation and the steady growth of our branch network.

Looking ahead to 2025, we remain focused on strengthening our digital capabilities, expanding our reach, and elevating customer experience through innovation and partnership. We will continue to transform, without losing sight of the heart and soul of our cooperative mission of bringing opportunities for economic ascendancy.

In closing, I would like to thank our Board of Directors and Senior Management for their steadfast leadership and extend my deepest gratitude to our clients, cooperators, and stakeholders for your enduring trust and support.

Together, we are not only preserving a proud legacy—we are boldly bridging it to a digital horizon full of promise, opportunity, and shared success.

"Each challenge faced and milestone reached has strengthened our resolve and capacity to uplift the lives of the people and communities we serve."

ERWIN B. TABUCOL
Chairperson of the Board

The FICOBanking Way in 2024

The year 2024 once again highlighted the distinctive way in which we at FICOBank operate—guided by resilience, innovation, and our steadfast commitment to the cooperative spirit. Amid a landscape of global uncertainties, geopolitical tensions, and significant domestic challenges, our cooperative banking approach empowered us not only to meet but exceed our expectations, reinforcing our promise to serve with integrity, efficiency, and inclusivity.

In 2024, FICOBank delivered strong financial results, marking another year of commendable performance despite complex economic dynamics. Our total assets grew by 5.75 percent, from Php5.92 billion in 2023 to Php6.26 billion in 2024, clearly reflecting our prudent financial management and strategic approach to growth. The strength of our balance sheet, emphasized by stable liquidity and strong capitalization, positioned us to navigate challenges effectively and seize new opportunities for our Bank, cooperators, and customers.

Our unwavering approach to sustainability and financial inclusivity continued to inspire trust among our stakeholders, reflected in our growing deposit base of Php3.00 billion. Our lending operations—the cornerstone of our financial strength—expanded significantly by 9.76 percent, reaching a total loan portfolio of Php3.44 billion. This growth underscores the Bank's vital role in driving local economic activity and our continuing commitment to support businesses, farmers, SMEs, and families across the communities we serve.

Even as we encountered a notable rise in non-performing loans due to persistent economic stresses, FICOBank's proactive risk management ensured our past due ratio (PDR) remained below the rural and thrift bank industry averages. Our solid loan-loss reserves have reinforced our financial resilience, ensuring we remain secure and dependable for our cooperators and depositors.

In line with our commitment to continuous improvement, 2024 marked significant advances as we recalibrated and enhanced our 2022–2026 Strategic Plan (now 2024–2028 Strategic Plan) to adapt well to the changing business landscape while focusing our resources and thrust on what truly matters to our stakeholders as well as the sizeable growth opportunities for the Bank. True to the FICOBanking Way, we focused not just on growing financially but also on expanding accessibility to innovative financial services. Our expanding branch network, as well as our IT Strategic Direction for building partnerships and developing access to digital channels, is a testament to the Bank's commitment to its signature "near-you servicing," ensuring that financial empowerment reaches deeper into the countryside.

As we turn the page to 2025, we remain deeply committed to the FICOBanking Way—one anchored in trust, partnership, and empowerment. We will continue investing in technology, innovative solutions, and strategic partnerships, further strengthening our mission to create meaningful economic upliftment for every community we touch. I extend my sincere appreciation to our dedicated employees, visionary Board of Directors, trusted partners, and valued customers for your unwavering support.

"The strength of our balance sheet, emphasized by stable liquidity and strong capitalization, positioned us to navigate challenges effectively and seize new opportunities for our Bank, cooperators, and customers."

ATTY. HUBERT E. MOLINA
President & CEO

2024 OPERATIONAL PERFORMANCE

2024 Operational Performance

Though the Philippines faced numerous setbacks like extreme weather events, geopolitical tensions, and subdued global demand, the country's full-year GDP growth of 5.6 percent still positioned itself as one of the fastest-growing economies in Southeast Asia. Amidst these setbacks that affected the economy, FICOBank also successfully maintained robust business operation, delivering solid performance across its deposit, lending, and treasury activities. Through a strategic and focused approach, FICOBank has reinforced its competitive standing within the industry, reflecting steady growth and financial stability.

DEPOSIT-TAKING OPERATION

The Philippine Banking System performed strongly in 2024 with sustained asset growth and improved profitability as well as robust capital base and ample liquidity levels. Banks showed resilience with increased lending activities and deposit-taking *(source: BSP 2024 Financial Stability Report)*. One of the factors that contributed to the overall deposit-taking growth is the increase in the deposit-taking activities of the Digital Banks. However, despite the growing presence of Digital Banks in the market, financial stability still led to more depositors to entrust their savings to FICOBank, allowing the Bank to maintain its strong market presence. As a result, deposits continued to be a key pillar of the Bank's funding structure, comprising 47.95 percent share.

As of end-December 2024, the Bank's total outstanding deposits reached Php3.00 billion, indicating a growth of Php84.89 million or 2.91 percent from the Php2.92 billion recorded in 2023. Similarly, the average daily balance (ADB) of deposits grew by Php54.40 million, or 1.83 percent, raising the previous year's record of Php2.97 billion to Php3.02 billion.

Further, the Bank's deposit mix stood at a 45:55 ratio of low-cost to high-cost deposits, as of end-2024. Low-cost deposits comprised Current Accounts and Savings Accounts (CA/SA), while high-cost deposits included Time Deposits and Special Savings Deposits (TD/SSD). It also marked a total number of depositors of 52,250 by the end of 2024, reflecting a growth of 1,886 depositors or 3.74 percent compared to the 50,364 in 2023. Such an increase expresses consumers' confidence in, and continued support for the Bank.

In March 2024, the Bank also launched its High-5 Time Deposit Account—a high-yielding deposit option for depositors that offers a five (5) percent interest rate per annum. Hence, the generated additional deposit under such deposit product amounts to Php34.00 million (with 68 accounts), as of end-December 2024.

The Bank also successfully expanded its market presence by opening new operating offices in Rosales, Pangasinan and Cabiao, Nueva Ecija. In the coming years, FICOBank remains driven to reach the unserved and underserved communities, by providing them with innovative, yet accessible and reliable financial products and services, while reinforcing its core deposits and enhancing its deposit structure.

LENDING OPERATION

Despite economic uncertainties, stiff market competition, and the impact of higher interest rates on lending facilities, the Philippine banks continued to grow their lending activities throughout the year. Though the agriculture sector, one of the biggest target markets of FICOBank, faced significant setbacks due to typhoons and droughts and other climate related disruptions, FICOBank's lending operation remained strong and dynamic in the year 2024.

The Bank recorded a total loan volume of Php5.95 billion, as of end-2024, reflecting an increase of Php961.68 million or 19.29 percent from the Php4.99 billion booked in year's ago. Similarly, total outstanding loans grew by Php323.58 million or 9.90 percent, rising from Php3.27 billion at end-2023 to Php3.59 billion at end-2024.

The Commercial Loan, Agricultural Loan, and Jewelry Loan facilities remained the primary drivers of the Bank's loan releases, contributing a chunk of 94.61 percent to the total loan volume. These well-patronized loan products generated Php2.40 billion (with 2,208 accounts), Php1.63 billion (with 8,120 accounts), and Php1.59 billion (with 33,466 accounts), respectively. Additionally, the Multi-Purpose Loan product, which recorded Php233.11 million, played a significant role in supporting the Bank's overall loan volume for the year.

The introduction of new loan products also opened additional revenue streams for the Bank. During the year, the Bank launched its Todo Negosyo Loan facility, which is designed to cater the micro, small and medium enterprise (MSME) sectors by providing them with additional working capital for their existing business. The Bank's Todo Negosyo Loan registered a total loan volume of Php4.73 million, with 20 accounts.

A customized Salary Loan facility was also introduced by the Bank that is exclusively designed for regular/ permanent employees of the Local Government Unit (LGU) of Rosales in Pangasinan. The loan facility can be availed by the said employees under the execution of a Memorandum of Agreement (MOA) between the Bank and the LGU-Rosales. As a result, the Bank accommodated nine (9) accounts under the Salary Loan for LGU-Rosales employees with a total loan volume of Php1.39 million.

The Bank's Jewelry Loan product continued its strong performance in 2024, surpassing the previous year's record. By the end of 2024, its total releases reached Php1.59 billion, reflecting a significant increase of Php384.28 million or 31.87 percent compared to the Php1.21 billion recorded in the prior year. To support the loan generation for the Bank's Jewelry Loan facility, the Bank crafted its "Unli Chances ang Panalo sa Jewelry Loan All-U-Can" Promo. This promo/program aimed to attract new and former/resting clients of the Bank while rewarding them with major/exciting prizes (in the form of cash and home appliances). Through this approach, the Bank builds customer relationships and enhances the lifetime value of its customers.

Meanwhile, the Bank also developed a debt management tool in handling unsecured delinquent accounts under Asset Management and Legal Department (AMLD) loan portfolio through the Bank's Amnesty Program. This program intends to: (i) encourage delinquent borrowers of the Bank to settle their loan obligation by availing of penalty condonation; (ii) minimize the Bank's uncollected unsecured loan accounts; and (iii) expedite the recovery of the Bank's delinquent unsecured receivables.

Despite such debt management approach, the past due ratio (PDR) of the Bank at end-2024 pegged at 8.36 percent, slightly increased by 0.14 percentage points compared to the 8.22 percent recorded in end-December 2023. Nevertheless, FICOBank outperform the PDR of the rural/cooperative banks at 9.60 percent and the thrift banks at 9.17 percent *(source: bsp.gov.ph)*.

SERVICE/SALE-BASED OPERATION

In 2024, FICOBank was able to improve its service/sale-based operation. The Bank's other revenue-generating undertakings that are making significant contributions are fee-based facilities (e.g., ATM/cash-in cash-out operation, credit/group life insurance and related financial services/solutions), fees and service charges, sales of real and other properties acquired (ROPA), recovery of written-off accounts and sundry activities. As such, these non-interest-earning activities of the Bank contributed 26.35 percent of its gross revenue.

The Bank's total income from service and sale-based operations reached Php216.85 million, a decrease of 4.21 percent from Php226.38 million in the previous year.

It is noteworthy that FICOBank generated additional income of Php38.99 million, representing 69.18 percent of the total miscellaneous income of Php56.36 million at end-2024, comprising income from credit/group life insurance amounting to Php36.51 million, ATM transactions amounting to Php1.48 million and microinsurance payment services amounting to Php1.00 million. As such, fee-based services positively contribute to the Bank's overall performance by providing a revenue stream that is less sensitive to interest rate fluctuations and contributing a more balanced and sustainable income structure.

TREASURY-BASED OPERATION

By all means and at all times, FICOBank makes sure of the effective implementation of its fund management system, and that adequate cash management practices are being put in place.

FICOBank maintained a strong and efficient treasury management framework in 2024, ensuring effective fund allocation and liquidity management to support sustainable growth. The Bank's earning-asset yield ratio stood at 10.84 percent, surpassing the performance of the thrift banks (10.41 percent), the Philippine banking industry (6.24 percent) and the universal/commercial banks (5.89 percent), while closely aligning with the performance of rural/cooperative banks (13.36 percent) *(source: bsp.gov.ph)*.

The Bank also efficiently managed its funding cost at 1.96 percent, resulting in a healthy interest spread of 8.88 percent—well above the interest spread of the rural/cooperative banks (10.60 percent), the thrift banks (6.60 percent), the universal/commercial banks (3.81 percent), and the Philippine banking industry (4.06 percent). Furthermore, FICOBank sustained a high net interest margin of 9.30 percent, significantly surpassing the net interest margin of the thrift banks (7.11 percent), the Philippine banking industry (4.31 percent), and the universal/commercial banks (4.04 percent) *(source: bsp.gov.ph)*.

Interest income on due from other banks/ investments demonstrated substantial growth, reaching Php68.93 million—an increase of Php14.56 million, or 26.79 percent, from the Php54.37 million in end-2023. These achievements reflect FICOBank's sound financial strategies, ensuring long-term stability and solidifying its position as a leading financial institution in its sector.

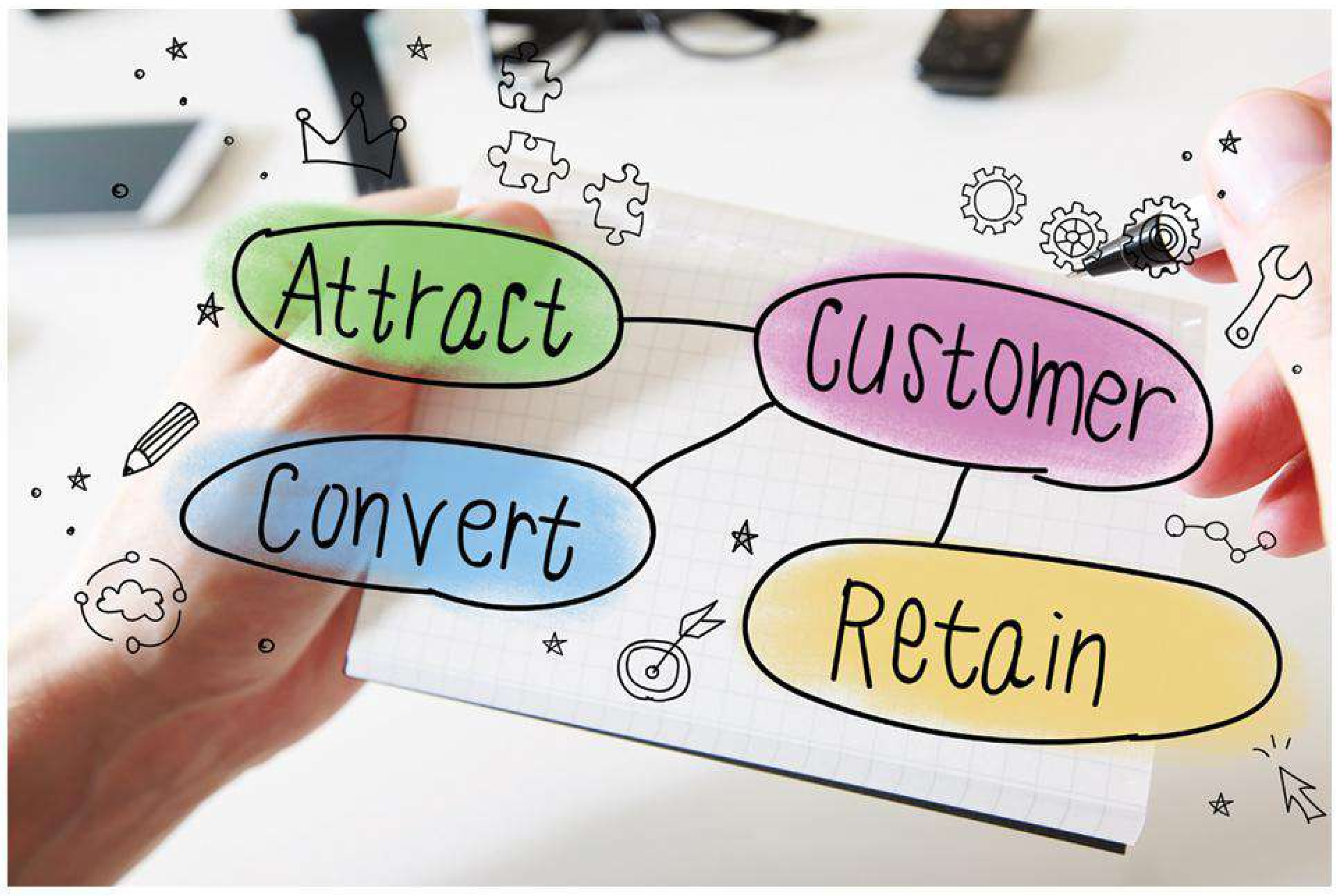
INCOME-EXPENSE STATEMENT

The Bank registered a net income of Php160.93 million at end-2024, representing a 101.86 percent performance rating against the whole-year target of Php158.00 million for the year 2024.

The Bank's top-line revenue grew significantly, increasing by Php90.79 million or 12.40 percent, from Php732.18 million in end-2023 moved to a higher level of Php822.97 million at end-2024. This increase was primarily driven by interest income, contributing 73.65 percent to total revenue. The interest income of the Bank climbed by Php100.32 million, or 19.83 percent (from Php505.80 million registered in 2023 to Php606.11 million in 2024). Such growth is fueled by higher income from loans and receivables (grew by Php85.75 million, or 19.00 percent) and from deposits and investments (grew by Php14.56 million, or 26.79 percent), as registered at end-2024.

On the middle-line side, the Bank incurred total expenses of Php662.03 million in 2024, marking an increase of Php77.84 million or 13.32 percent, compared to Php584.19 million in 2023. As such, the cost-to-income ratio of the Bank stood at 80.44 percent, such expenses are due to business expansion initiatives and operational enhancements of the Bank in 2024.

As of end-2024, the Bank's return on assets (ROA) stood at 2.64 percent, a bit higher than the recorded ROA in 2023. Such ROA ratio of FICOBank is also better than the ROA ratios of the rural/cooperative banks at 2.68 percent, the thrift banks at 1.90 percent, the Philippine banking industry at 1.49 percent and the universal/commercial banks at 1.48 percent *(source: bsp.gov.ph)*.



2025 BUSINESS OUTLOOK

In 2025, the business outlook for the Philippines remains optimistic and is still expected relatively robust growth regardless of prevailing weaker global demand, trade-related headwinds, financial tightening and climate-related shocks. This positive trajectory is fueled by strong domestic demand and sustained investments. Further, the Philippine government also remains committed to ensuring the effective implementation of its programs and projects, focusing on key areas such as education, healthcare, economic services, infrastructure, and agriculture, all aimed at improving the well-being of the Filipino people.

For the ensuing year, FICOBank poised to take bolder expansion measures and implement meaningful reform that will keep it buoyant in performing its banking function and business operations. The Bank's 2025 theme, "Innovating FICOBanking Experience for Sustainability," is expected to resonate well throughout the entire organization, paving the way for remarkable financial performance for FICOBank in the years to come.

2024
FINANCIAL PERFORMANCE

The Philippine economy has maintained a steady gross domestic product (GDP) growth of 5.6 percent in 2024—second fastest in ASEAN countries, next to Vietnam with 5.7 percent growth—despite external and internal challenges such as drastic climate change, political crisis (issues and impeachment complaints against the Vice-President of the Philippines), geopolitical tensions (prolonged Ukraine-Russian War and the growing tension in the West Philippine Sea), and subdued global demand.

Meanwhile, Philippine banks earned combined net profits of Php391.28 billion in 2024, up by 9.76 percent from Php356.49 billion in 2023, driven by the financial system's sustained growth in loans and deposits, along with strong capital and liquidity positions. As such, the Bank is also able to achieve a dense and considerable financial performance. At end-2024, the Bank maintained a stable, strong and sound financial position.

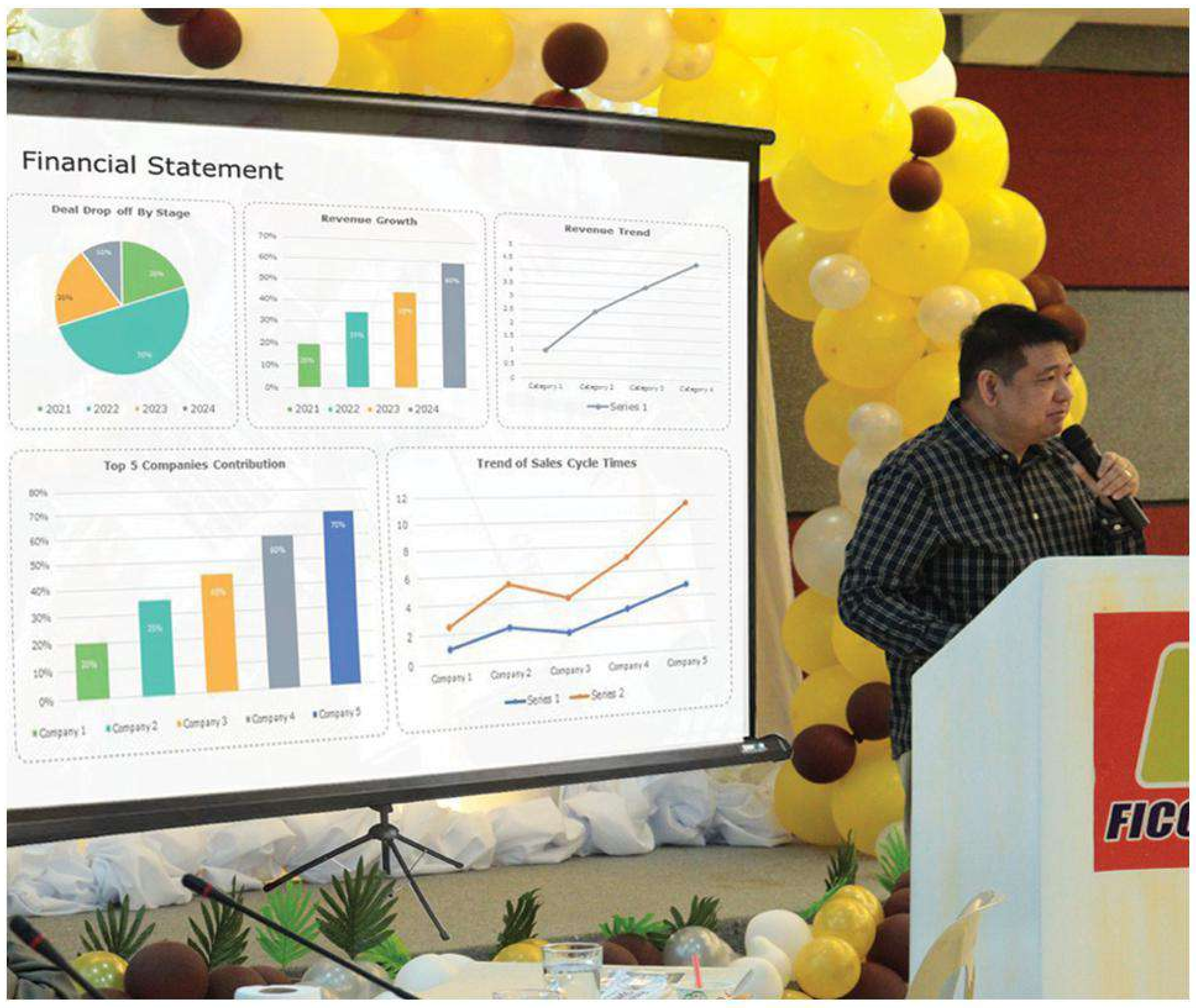
ASSETS

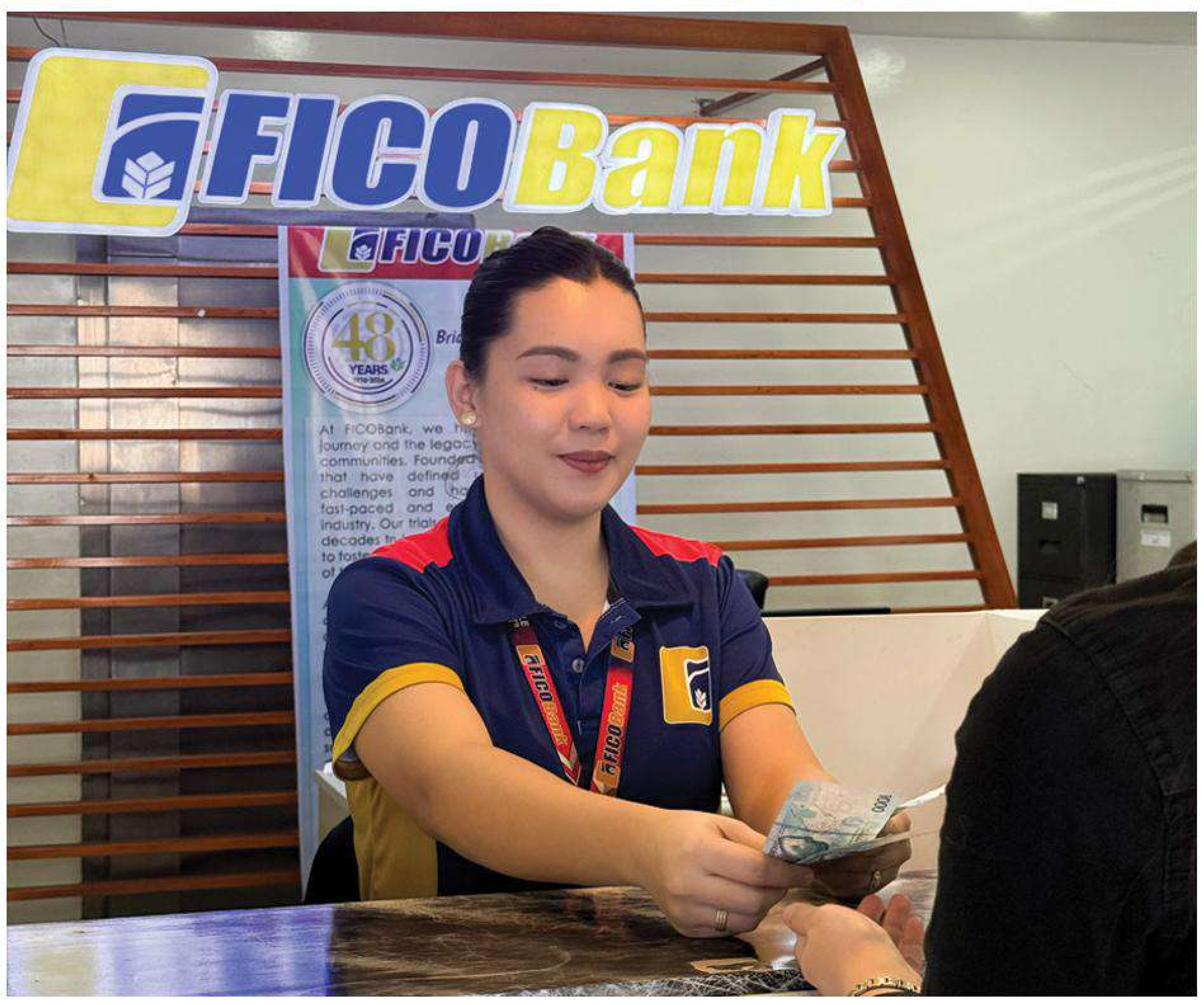
As of December 31, 2024, the Bank's total assets stood at Php6.26 billion mark, transcending the year-ago's level of Php5.92 billion by Php340.37 million, or 5.75 percent.

The Bank recorded total cash and cash equivalents amounting to Php2.20 billion at end-2024, below the recorded beginning balance amounting to Php2.23 billion. Nevertheless, a minimum liquidity ratio (MLR) of 71.80 percent was registered by the Bank at the same period, and such ratio is greatly beyond the standard 20-percent MLR requirements prescribed by the Bangko Sentral. This implies that the Bank has strong liquidity positioning, which allows the Bank to expand its business operations even more.

A portion of the assets of FICOBank, at 57.39 percent, were allocated to its lending operation—its core product and primary business revenue source. The total loan portfolio of the Bank, which denotes the most important line item in the earning assets of its balance sheet, stood at Php3.59 billion at end-2024. It increased by Php323.58 million, or 9.90 percent, from the year-ago figure of Php3.27-billion.

Meanwhile, the total non-performing loans (NPLs) of the Bank went up to Php243.97 million at end-2024, higher by Php85.57 million, or 54.02 percent from the Php158.41-million NPLs recorded in end-2023. The Bank's past due ratio (PDR) as of end-December 2024 increased slightly to 8.36-percent from the previous year's 8.22-percent PDR level. Despite this, the Bank maintains a strong position, with its PDR at 8.36 percent, remaining within the single-digit range and below the PDR records of rural/cooperative banks at 9.60 percent and thrift banks at 9.17 percent, as per Bangko Sentral data *(source: bsp.gov.ph)*. Additionally, the Bank has reinforced its financial resilience by setting aside Php98.64 million in total reserves for probable loan losses, ensuring a solid 40.43-percent NPL coverage.





LIABILITIES AND CAPITAL

In 2024, FICOBank successfully advanced its banking operations and expansion initiatives, driven by its strong and adequate fund sources—comprising both liabilities and capital accounts. Hence, the trust and confidence of the depositors and creditors of the Bank continue to expand, sustaining its funding needs for its day-to-day business operations and financial commitments.

As of December 31, 2024, the Bank's total liabilities stood at Php4.55 billion. Year-on-year analysis showed an increase of Php202.52 million, or 4.65 percent, over the year-ago's level of Php4.35 billion. Contributing a substantial share of 65.90 percent is the deposit liability, which continues to be the major source of the Bank's external funds. Furthermore, borrowed funds from other financial institutions constituted a 27.40 percent share of the Bank's total liabilities, increasing by Php74.67 million, from the 2023 level of Php1.17 billion.

With the continuous generation of sufficient levels of annual net income from its business activities, a more stable capital level has been achieved by the Bank. As of end-December 2024, the Bank's total capital accounts rose to Php1.70 billion level. This figure reflects an increase of Php137.85 million, or 8.80 percent, over the preceding year's Php1.57 billion. Furthermore, the Bank recorded a capital adequacy ratio (CAR) of 24.62 percent in end-2024, which remained far beyond the 10-percent minimum regulatory requirement of the Bangko Sentral. As such, the Bank also outperformed the capital adequacy ratios of the rural/cooperative banks (18.58 percent), the thrift banks (17.75 percent), the universal/commercial banks (16.00 percent) and the Philippine banking industry (16.17 percent), in reference to the date published by the Bangko Sentral.

LOOKING AHEAD

As we step into 2025, FICOBank remains steadfast in its mission to empower communities through financial inclusivity, innovation, and resilience. Guided by our principles, FICOBank is dedicated to enhance its banking solutions, strengthen its digital expertise, and expand its market reach to serve more individuals and businesses.

While global and domestic uncertainties—economic challenges, geopolitical tensions, and shifting political landscapes, etc.—persist, the Bank will continually grip sustainability and cultivate a culture of trust and excellence, anchored by its strategic reforms. FICOBank will also commit itself, as customer-centric banking at its foundation, for the introduction/development of smarter financial solutions, seamless digital transactions, and impactful partnerships to uplift lives and the economy.

Looking ahead, FICOBank will always envision financial empowerment that is accessible to all, as well as a much stronger and more resilient future—one where progress, prosperity, and trust define its journey forward.

Corporate Governance

A sound corporate governance is extremely important for the sustainable growth and development of the Bank, and in maintaining its institutional integrity while being aligned with its overall business objectives. The Bank's corporate governance is about effective oversight, strict compliance with regulations, and sustainable value creation to promote the best interests of its various stakeholders. The linchpin of effective corporate governance is an active and engaged Board, independent of Management, performs responsibilities with integrity, and has the required expertise to properly oversee and direct the Management.

Having the high governing standards, which are deeply rooted in the corporate way of life, breeds well-motivated people—with the right mindset and ethical behavior. Without doubt, this will bring about an even-better business performance. The corporate governance framework, structure, system, and processes of the Bank are aptly put in place, with an empowered Board taking the lead on its way to a continuing success.

GOVERNANCE STRUCTURE

1. Board of Directors

The Board of Directors is primarily responsible for the governance of the Bank. It ensures that the Bank is governed and managed in a safe and sound manner, with an appropriate balance between financial performance and the fulfillment of its public purpose. The Board provides an independent check on the Senior Management.

The corporate powers of the Bank shall be exercised, its business conducted and all its property controlled and held, by its Board of Directors. The powers of the Board of Directors, as conferred by law, are original and cannot be revoked by the shareholders. The directors hold their office that is charged with the duty to exercise sound and objective judgment for the best interest of the Bank.

The Board is primarily accountable to the Bank's shareholders. It shall: be transparent and fair in the conduct of meetings with the shareholders; promote the rights of the shareholders and address any impediments relative to their meaningful participation; provide the shareholders with accurate and timely information; provide the shareholders with a comprehensive and balanced assessment of the Bank's performance periodically; and treat the shareholders equally.

The Board is also accountable to the Bank's stakeholders. It provides its employees with the appropriate benefits and continuous development programs for their safety, welfare, and development. The Board also recognizes the role of its customers, creditors, suppliers, and business partners relative to the operations of the Bank, and shall promote a sustainable program of mutually beneficial relationship.

2. Composition of the Board

The Board of Directors has nine (9) members—seven (7) regular directors and two (2) independent directors—who are elected by the Bank's shareholders entitled to vote at the annual general assembly meeting of the Bank. They will hold office in accordance with the By-Laws of the Bank.

The members of the Board of Directors are selected from a broad pool of qualified candidates. Sufficiency in the number of non-executive members, which are made up of independent directors, who are not part of the Executive Committee or day-to-day management and operations, is likewise required to promote the independence of the Board from the views of the Senior Management.

The elected Board of Directors are also the representatives of the listed Cooperatives who owned the following Common Shares. Further, the listed members of the Board also owned the following Preferred Shares, as shown in the table below:

Cooperative Name	Common Share		Represented by*
	Number of Shares	% Share	
San Manuel Multi-Purpose Cooperative	12,335	7.85%	Mr. Wilfredo DC. Antonio
Village Farmers Multi-Purpose Cooperative	12,219	7.78%	Mr. Erwin B. Tabucol
Damortis Multi-Purpose Cooperative	10,400	6.62%	Dr. Pasencia B. Battung
Bugallon Proper Multi-Purpose Cooperative	7,842	4.99%	Mr. Frederique M. Obedoza
Bugallon Proper Marketing Cooperative	80	0.05%	
Bantug Multi-Purpose Cooperative	7,530	4.79%	Mr. Ernesto C. Gamboa
Bantug Marketing Cooperative	80	0.05%	
Casili Multi-Purpose Cooperative	5,268	3.35%	Mr. Rogelio B. Benitez
Casili Marketing Cooperative	80	0.05%	
San Pablo Multi-Purpose Cooperative	3,344	2.13%	Mr. Eufemio M. Basuel
Natan-oc (San Roque) Multi-Purpose Cooperative	2,883	1.84%	Engr. Jefferson G. Mariano
Natan-oc (San Roque) Marketing Cooperative	80	0.05%	
Mapuroc Multi-Purpose Cooperative	2,511	1.60%	Ms. Aileen Gale M. Agcaoili
Mapuroc Marketing Cooperative	80	0.05%	

**All members of the Board of Directors are Filipino citizens.*

3. Duties and Responsibilities of the Board of Directors

The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, e.g., the Bank itself, its shareholders, its depositors, and other creditors, its management and employees, the regulators, the deposit insurer, and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the Board must exercise their "duty of care" and "duty of loyalty" to the institution.

The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance, and corporate values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of the Senior Management, as the latter manages the day-to-day activities and affairs of the Bank. The Board is responsible for setting the overall tone for the Bank's corporate governance structure, and ensuring that the Bank can ably perform its dual role in the economy and society—as a provider of financial services and solutions, and a portal of economic ascendancy.

Given the responsibilities of the Board, the Chairperson has the ultimate duty to provide leadership to the Board of Directors of the Bank. The Chairperson acts as the direct liaison between the Board and the Senior Management, through the President & CEO, and also acts as the communicator of the Board's decisions, where appropriate.

4. Liability of Directors

Any director(s) who willfully and knowingly vote or consent to patently unlawful acts, or who is/are guilty of gross negligence or bad faith in directing the affairs of the Bank or acquire any personal or pecuniary interest in conflict with his/her/their duty as such director(s), shall be liable jointly and severally for all damages (resulting therefrom) suffered by the Bank, its shareholders and other persons.

5. Meetings and Quorum Requirements

The role of the Board is becoming more difficult because, from time to time and during its regular and special meetings, it needs to deal with a variety of intricate issues concerning the complexity of the banking business, the high dynamism and volatility of the markets, and the rigorous oversight function of the Board, as a prerequisite for the sound and prudent governance of the Bank.

With the aforementioned premise, the regular and independent members of the Board must attend regular and special meetings in person—a proxy is not allowed. One-half plus one of the members of the Board shall constitute a quorum.

To fulfill its fiduciary responsibilities, the Board for the year 2024 held 20 meetings (13 regular meetings and 7 special meetings) to receive and discuss reports, along with other presentations, about the Bank and its operations, as well as its plans and programs, products and services, financial and non-financial performances, audit findings and exceptions, legal and compliance issues, risk profiles and control measures, and other strategic and operational issues impacting the Bank's business operations.

The following were/are the members of the Board and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-December 2024			
Mr. Erwin B. Tabucol	Chairperson	20/20	100.00%
Dr. Pasencia B. Battung	Vice Chairperson	20/20	100.00%
Ms. Aileen Gale M. Agcaoili	Member	20/20	100.00%
Mr. Wilfredo DC. Antonio	Member	20/20	100.00%
Mr. Eufemio M. Basuel	Member	20/20	100.00%
Mr. Rogelio B. Benitez	Member	20/20	100.00%
Mr. Ernesto C. Gamboa	Member	20/20	100.00%
Engr. Jefferson G. Mariano	Member	20/20	100.00%
Mr. Frederique M. Obedoza	Member	20/20	100.00%

BOARD-LEVEL COMMITTEES

The Board of Directors has eleven (11) committees that assist it in ensuring the sound corporate governance of the Bank. These Board-level committees are, as follows:

1. Executive Committee

The Committee has the same function and powers as the Board of Directors, with the exception of those which the Board may reserve for itself or assign to other committees. The Committee is mandated to act on behalf of the Board, as an executive governing body, when the latter is not in session, and to engage in oversight and decision-making on issues or matters of importance concerning the business affairs of the Bank.

The following were/are the members of the Executive Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-December 2024			
Mr. Erwin B. Tabucol	Chairperson	23/24	95.83%
Dr. Pasencia B. Battung	Member	20/24	83.33%
Mr. Wilfredo DC. Antonio	Member	22/24	91.67%
Mr. Ernesto C. Gamboa	Member	23/24	95.83%
Ms. Aileen Gale M. Agcaoili	Member	20/24	83.33%

2. Corporate Governance Committee

The Committee is vested with the principal mandate to provide assistance, information, guidance and advice to the Board on all matters pertaining to corporate governance and other issues related thereto.

The following were/are the members of the Corporate Governance Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-December 2024			
Ms. Aileen Gale M. Agcaoili	Chairperson	9/9	100.00%
Engr. Jefferson G. Mariano	Member	9/9	100.00%
Mr. Erwin B. Tabucol	Member	9/9	100.00%
Mr. Ernesto C. Gamboa	Member	9/9	100.00%
Mr. Frederique M. Obedoza	Member	9/9	100.00%

3. Audit and Inventory Committee

The Committee has the primary mandate to provide assistance to the Board in fulfilling its oversight responsibilities for the integrity of the Bank's financial statements, as well as its compliance with legal and regulatory requirements, selection of, and engagement with, its independent external auditor(s), and the performance of its internal control, audit, inventory, and investigation functions.

The following were/are the members of the Audit and Inventory Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-December 2024			
Engr. Jefferson G. Mariano	Chairperson	24/24	100.00%
Ms. Aileen Gale M. Agcaoili	Member	23/24	95.83%
Mr. Ernesto C. Gamboa	Member	23/24	95.83%

4. Credit Committee

The Committee has the primary mandate to provide assistance to the Board in establishing a loan portfolio that will assure the safety of loanable funds, earn sufficient income to provide an adequate return on capital, and enable the respective families and communities of the clients to prosper.

The following were/are the members of the Credit Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-December 2024			
Mr. Frederique M. Obedoza	Chairperson	23/23	100.00%
Mr. Rogelio B. Benitez	Member	23/23	100.00%
Mr. Eufemio M. Basuel	Member	21/23	91.30%

5. Education and Training Committee

The Committee has the primary mandate to provide assistance to the Board in the development and oversight of the Bank's Education and Training Program, so as to ensure competence of the directors, officers, and staffers in carrying out their respective basic functions and specific responsibilities.

The following were/are the members of the Education and Training Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-December 2024			
Dr. Pasencia B. Battung	Chairperson	12/12	100.00%
Mr. Wilfredo DC. Antonio	Member	12/12	100.00%
Mr. Rogelio B. Benitez	Member	12/12	100.00%

6. Bids and Awards Committee

The Committee is vested with the primary mandate to provide assistance to the Board in the implementation of the bidding and awarding processes, which involve technical, financial, legal and other aspects of the Bank's construction/renovation projects, procurement activities, and sale of acquired assets and disposal of scrap materials.

The following are the members of the Bids and Awards Committee and their respective attendance during meeting(s):

No meeting was scheduled by the Committee during the first half of the year.

Name	Position	Meeting Attendance	%
June-December 2024			
Mr. Erwin B. Tabucol	Chairperson	1/1	100.00%
Dr. Pasencia B. Battung	Member	1/1	100.00%
Mr. Rogelio B. Benitez	Member	1/1	100.00%

7. Special Investigation Committee

The Committee has the primary mandate to conduct a specialized investigation in obtaining information from resource person(s) and other sources pertaining to an actual or suspected irregularity by an officer/employee of the Bank, as reported by the Audit and Inventory Committee or a whistleblower.

The following are the members of the Special Investigation Committee and their respective attendance during meetings:

Name	Position	Meeting Attendance	%
January-December 2024			
Mr. Erwin B. Tabucol	Chairperson	2/2	100.00%
Mr. Rogelio B. Benitez	Member	1/2	50.00%
Mr. Frederique M. Obedoza	Member	2/2	100.00%

8. Budget Committee

The Committee has the primary mandate to provide assistance to the Board in budget planning, so as to prepare the Bank for what is to come, and to help it make the most out of its available resources.

The following were/are the members of the Budget Committee and their respective attendance during meetings:

No meeting was scheduled by the Committee during the first half of the year.

Name	Position	Meeting Attendance	%
June-December 2024			
Mr. Erwin B. Tabucol	Chairperson	2/2	100.00%
Dr. Pasencia B. Battung	Member	2/2	100.00%
Mr. Wilfredo DC. Antonio	Member	2/2	100.00%
Mr. Ernesto C. Gamboa	Member	2/2	100.00%
Mr. Frederique M. Obedoza	Member	2/2	100.00%

9. Conciliation and Mediation Committee

The Committee has the primary mandate to provide assistance to the Board in facilitating the amicable settlement and resolution of any conflict or dispute between the parties of interest (i.e., coop-shareholders, directors, executives and committeemen of the Bank who stand to be benefited or injured by the settlement agreement), in a speedy, inexpensive and pleasant way. The members of the Conciliation and Mediation Committee are:

Mr. Erwin B. Tabucol – Chairperson;
Dr. Pasencia B. Battung – Member; and
Mr. Ernesto C. Gamboa – Member.

As there were no issues/concerns that needed to be addressed, no meeting was scheduled by the Committee during the year.

10. Ethics Committee

The Committee has the primary mandate to provide assistance to the Board in fulfilling its oversight responsibilities for the organizational values, business conduct and professional standards that promote integrity for the Board itself, the individual directors and the member-cooperatives.

The following were/are the members of the Ethics Committee and their respective attendance during meeting(s):

No meeting was scheduled by the Committee during the first half of the year.

Name	Position	Meeting Attendance	%
June-December 2024			
Mr. Frederique M. Obedoza	Chairperson	1/1	100.00%
Mr. Wilfredo DC. Antonio	Member	1/1	100.00%
Mr. Ernesto C. Gamboa	Member	1/1	100.00%

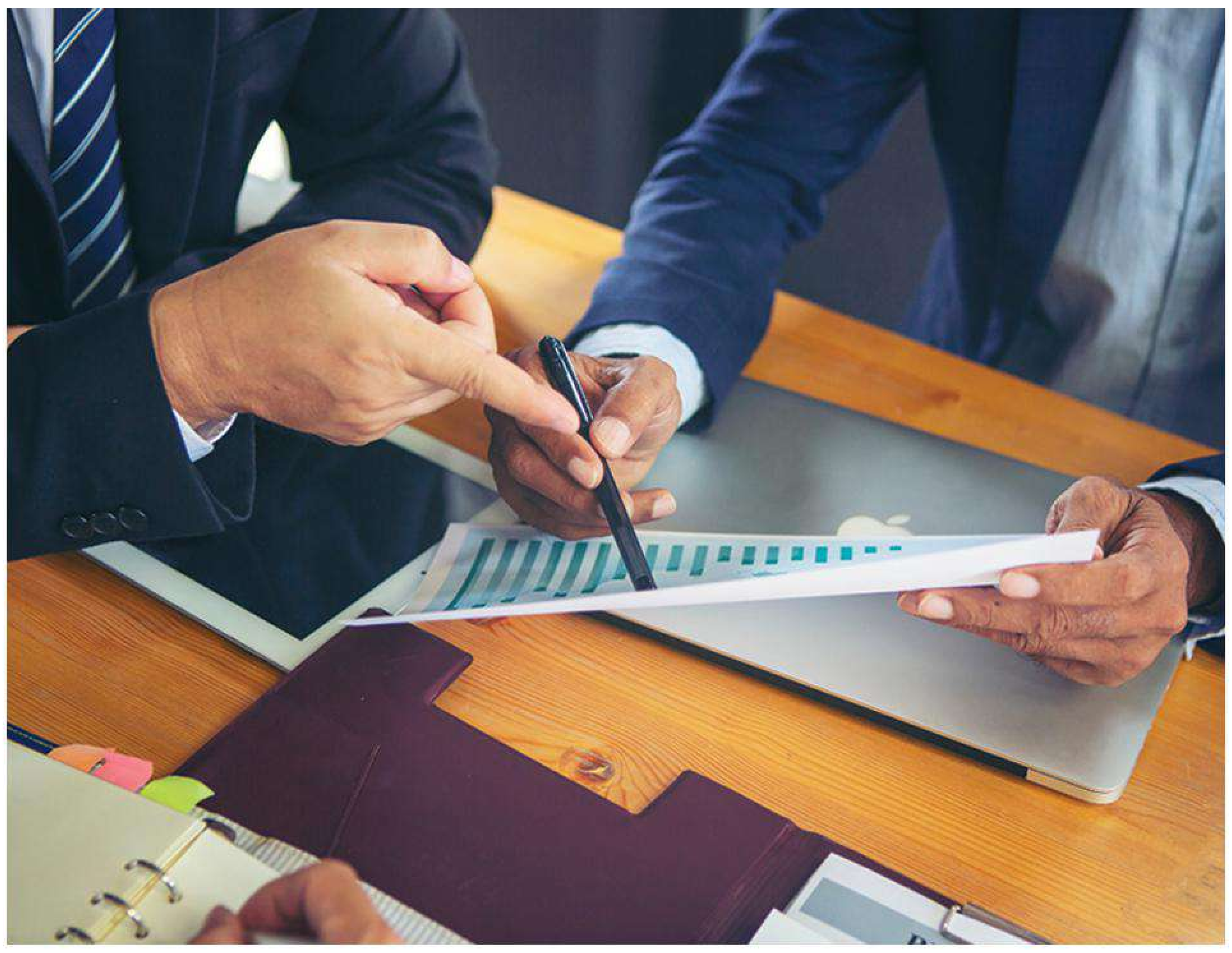
11. Gender and Development Committee

The Committee has the primary mandate to provide assistance to the Board in promoting gender equality among the personnel of the Bank and effectively addressing issues and concerns in the process of mainstreaming gender and development in the organization.

The following were/are the members of the Gender and Development Committee and their respective attendance during meeting(s):

No meeting was scheduled by the Committee during the first half of the year.

Name	Position	Meeting Attendance	%
June-December 2024			
Mr. Eufemio M. Basuel	Chairperson	1/1	100.00%
Atty. Gilbert A. Galope	Member	1/1	100.00%
Atty. Glenn Mark F. Rinion	Member	1/1	100.00%



SELECTION PROCESS FOR THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

With the increasing complexity of banking operations, changing market conditions, competition issues, stakeholders' expectations, demand for competencies and accountabilities, and the high level of exposures associated with certain positions, the requirement for due diligence is indispensable, as the directors, senior officers, and other key officers occupy sensitive positions that have the potential to significantly impact the Bank's business viability and financial stability.

The Bank abides by its Election Rules, and Policy and Guidelines on the Screening and Selection of Independent Directors for the election of its directors (regular and independent). The stringent recruitment process and the Board-approved Enhanced Management Succession Plan are employed in the hiring/appointment of the Bank's senior officers.

Prior to their election/selection, the candidates are subjected to the fit and proper assessment, so as to ensure their: (i) integrity/probity and reputation; (ii) physical and mental fitness; (iii) education and training involvements; (iv) possession of competencies relevant to the function, such as knowledge, experience, skills, and diligence, among others; and (v) sufficiency of time to fully carry out responsibilities.

INDUCTION AND TRAINING FOR THE BOARD OF DIRECTORS

Upon election to the Board and appointment to the Board-level committees, the new directors will receive an induction that is customized to meet their individual requirements. The induction, which is arranged by the Board Secretary, includes a detailed briefing of the Board's and individual director's duties and responsibilities, as well as the Bank's operations, its strategic plan, business environment, and the key issues it faces. The Bank makes sure that all of its new directors have undergone induction and training programs related to corporate governance, banking operations, risk management, compliance systems, internal control, and the like.

In order to help the incumbent members of the Board acquire, maintain, and deepen their knowledge and skills, and fulfill their responsibilities, the Bank ensures that they have continuing access to education and training programs on relevant matters or fields of discipline. The Board, through its Education and Training Committee, allots sufficient time, budget, and other resources for this purpose.

TRAINING AND DEVELOPMENT FOR OFFICERS

The Bank is committed to providing strong learning and development to improve and hone the existing competencies and skillsets of its officers by undertaking continuing education and training for them to effectively and efficiently perform their respective functions and responsibilities. With it, the Bank identifies the competency gaps to be able to determine the right capability-building activities for its officers.

The Bank, through its Human Resource & Administration Department (HRAD), determines the competency and training gaps of each officer by: (i) identifying the officer's duties and responsibilities; (ii) determining his/her skills, experiences and competencies needed for the position; (iii) validating the officer's skills, experiences and competencies based on his/her 201 File and updated Biographical Data, which include, among others, his/her educational qualification/degree or related courses/units earned; (iv) evaluating the list of training and seminars he/she had attended; and (v) determining the competency gaps between his/her skills, experiences, competencies and training/seminars attended versus those needed ones for the position.

Based on the identified competency gaps of the officer, the necessary training program shall be provided to him/her in order to bring his/her skills, experiences, and competencies up to the level required for the position. Such training programs will also be regularly monitored and assessed. The Board, through its Education and Training Committee, likewise allots adequate budget and other resources for this purpose.

RISK GOVERNANCE FUNCTION

The Board, in its risk governance function, provides the structure through which the business objectives of the Bank are set and the means of achieving those objectives, including the monitoring of performance. And, to a greater degree, it strengthens the Bank's policies, systems, processes and strategies on risk governance, including the risk management roles played by the business/operating units, the risk management teams, and the internal audit/control functions (the three lines of defense), as well as underlines the importance of a sound risk culture to drive the risk management within the Bank.

The Board is responsible for setting policies on the Bank's risk governance. It takes charge in receiving and reviewing reports on risk management process and gets assurance that the same are working effectively and efficiently. In addition, the Board: (i) defines the Bank's level of risk appetite and tolerance to ensure that risk exposures are within prudent/acceptable levels, as well as the appropriate risk governance practices for the Bank through policies; (ii) ensures that the risk management functions are given adequate resources to enable effective performance, afforded with adequate personnel, access to information technology systems and systems development resources and support, and access to internal information; (iii) takes the lead in establishing the tone of good risk governance by explicitly discouraging the taking of excessive risks and articulating acceptable and unacceptable activities, transactions and behaviors that could potentially result to any negative impact to the Bank; and (iv) establishes and actively promotes, communicates and recognizes sound risk governance principles and practices to reflect a culture of effective risk governance in the Bank that will be seen by both internal and external stakeholders.

As the Bank is still considered as a simple bank, its risk governance is carried out through a cross-functional framework that starts from the Board to the line and staff management. The cross-functional framework includes oversight, executive review, support services and control functions of various organizational entities.

INTERNAL AUDIT AND COMPLIANCE FUNCTIONS

The Audit, Risk Management & Compliance Office (ARMCO) of the Bank is an independent body that reports to the Board of Directors through the Audit and Inventory Committee.

The Regular Audit Unit of the ARMCO provides vital assurance to the Board, the Senior Management, and the supervising agencies on the quality and effectiveness of the Bank's internal control system—that standing policies and practices are followed, and that the Senior Management takes appropriate and timely corrective actions in response to internal control weaknesses that were identified by the internal auditors. As an independent body, it has a sufficient standing and authority within the Bank, thereby enabling the audit personnel to carry out their assignments with independence and objectivity. It conducts regular audit, spot audit and special audit in selected areas, so as to effectively carry out its functions and responsibilities. Such Unit is comprised of qualified, impartial and competent internal auditors, with sufficient authority, stature, independence, resources and access to the Board.

On the other hand, the Compliance Unit of the ARMCO is primarily mandated with the oversight function for the implementation of a firmly robust, dynamically responsive and distinctly appropriate Compliance System, with a comprehensive Compliance Program, that will strengthen further the franchise value of the Bank. The same takes into account the size and complexity of the Bank, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance. It consistently provides advice to the operating units/departments/offices on applicable laws, directives, standards, and regulations. It is also tasked to identify, assess, advise, monitor and report on the Bank's compliance and business risks. Such Unit is conducting, on a continuing basis, the compliance-testing activities for the operating units/departments/offices of the Bank and the bankwide orientation on the updates of the Bank's Money Laundering and Terrorist Financing Prevention Program (MLTFPP).

GOVERNANCE EVALUATION

Every year, a self-rating process for the performance assessment of the Board and its committees (in a group capacity) is being carried out, with the use of the "balanced scorecard." For the respective performances of the Office of the President & CEO, and the ARMCO, the Board makes use of the "equitable scorecard" and "balanced scorecard," respectively. These scorecards are used to gauge the performance and effectiveness of each of these organizational units vis-à-vis the prescribed performance standards, as specified in their respective charters.

Premising on the vital role that it plays in the banking industry, in general, and the market segments it has chosen to serve, in particular, the Bank continuously undertakes various initiatives and activities, with the end in view of: (i) complying with the regulatory requirements; (ii) pursuing its organizational purpose; (iii) achieving its business objectives; and (iv) ensuring its financial stability. And to determine whether the Bank is on track in meeting the foregoing four-point intents, and if it's on course in measuring up to the expectations of its stakeholders, its performance during the year is also being assessed by the Board, using the "balanced scorecard".

Hereunder are the Performance Scorecards of the Board of Directors, the Board-level Committees, the Office of the President & CEO, the ARMCO and the Bank itself for CY 2024.

Organizational Unit/Body	Rating
Board of Directors	95.83%
Executive Committee	95.94%
Corporate Governance Committee	97.38%
Audit & Inventory Committee	99.08%
Credit Committee	97.13%
Education & Training Committee	89.69%
Bids & Awards Committee	90.00%
Special Investigation Committee	98.50%
Budget Committee	96.16%
Conciliation & Mediation Committee	86.42%
Ethics Committee	92.42%
Gender & Development Committee	88.33%
Office of the President & CEO	94.76%
Audit, Risk Management and Compliance Office	93.60%
Bank	97.06%

The individual directors and the other key officers of the Bank (i.e., Executive Vice Presidents and Board Secretary) have also their performance evaluation, using the "balanced scorecard" and "expectation-based performance appraisal," respectively.

Based on the equivalent adjectival rating, all Board of Directors, Board-level commitees, individual directors and officers and the Bank itself is above the threshold/tolerance level. It is noteworthy that the Audit and Inventory Committee got the highest overall performance rating of 99.08%.

RETIREMENT PLAN

The Bank recognizes that the employees occupying the different posts in its organizational structure will not be there forever, and that leadership transition is inevitable. It is therefore necessary to develop back-up candidates for any position that will be vacated to facilitate the achievement of its corporate goals. Relative to this, the Bank adheres to the eligibility for retirement and benefits of all covered employees, as laid down in its Employees' Retirement Plan.

The Bank employees' normal retirement date is set on the last day of the month of his/her sixtieth (60th) birthday, provided that he/she has completed at least ten (10) years of continuous service and is at least sixty (60) years of age at the time of retirement. However, any Bank employee may continue to work after the age of sixty (60), subject to approval, but in no case beyond the age of sixty-five (65). An employee may avail of an Optional Retirement Benefit, provided that he/she is at least forty-five (45) years of age, has completed at least ten (10) years of continuous service, and has given an advance notice for at least (3) months before the effectivity of his/her retirement.

As to the members of the Board, eight (8) years is the maximum term limit set for the independent directors while there is no term limit set for the regular directors.

However, directors may opt to retire at the age of sixty (60), pursuant to CDA Memorandum Circular No. 2020-30, series of 2020, pertaining Goodwill Program for Cooperative Officers, which was adopted by the Bank. The Director has the privilege to enjoy its retirement benefits, provided that he/she (i) is at least sixty (60) years old; (ii) do not receive regular salaries; (iii) has a minimum of ten (10) years of service to the Bank (either continuous or intermittent); (iv) has good standing status at the time of availment; (v) has not have been disciplined, suspended, or removed from office on grounds of dishonesty, misconduct, gross negligence, or negligence of duty; and (vi) has not have been adjudged by final judgement of a commission of any offense involving moral turpitude. After availing of such benefit program, the Director shall no longer qualify to be elected or appointed from any position of the Bank.

SUCCESSION PLAN

The Bank utilizes its Enhanced Management Succession Plan in addressing temporary or permanent change in key positions in the different levels of management, as leadership transition is inevitable. To ensure an effective preparation of the "successor generation", the same is being updated from time to time.

The succession of the Bank's incumbent officers is based on these events, to wit: (i) short-term temporary succession (up to 90 days); (ii) long-term temporary succession (over 90 days); and (iii) permanent succession (due to retirement, resignation, removal, death or permanent disability). With this Plan, the Bank will be spared from any problem in achieving its goals of business continuity and self-preservation.

The realization of the objectives of the Bank's Enhanced Management Succession Plan relies on the proper execution of the Board-approved process, which involves the: (i) identification of the critical management positions for succession or replacement; (ii) determination of the competencies required to undertake management positions; (iii) identification of the possible events that would cause vacancy; (iv) identification of the immediate and potential successors; (v) establishment of the capability development requirements; (vi) provision of the capability development/training programs; and (vii) screening and selection of the qualified successor.

Meanwhile, in case of vacancies in elective positions on the Board of Directors, the Bank shall address such vacancies as follows: (i) if the vacancy occurs within three (3) months before the regular election, the position shall no longer be filled by appointment. Instead, it shall be included among the positions to be filled during the regular election; and (ii) if the vacancy occurs earlier than three (3) months before the regular election, the Board of Directors may appoint a qualified individual to fill the position, who shall serve the unexpired term of the vacant position being replaced.

REMUNERATION AND COMPENSATION POLICY

The provision on the Board of Directors' compensation, as stipulated in its By-Laws, is being strictly observed by the Bank. Each member of the Board and the Board Secretary are granted with monthly remuneration (comprised of honorarium and allowances), per diems and certain incentives, based on the Bank's Compensation Package of the Board of Directors, as approved by the General Assembly.

Likewise, the Bank is obliged to pay the members of the Senior Management with appropriate salaries and reward them with incentives for their performance through the Board-approved salary structure that is in accordance with the prevailing laws. With it, highly qualified workforces are recruited/retained, employee satisfaction is guaranteed, motivation to perform well is espoused, and competitiveness in the industry is sustained. The Bank continuously improves its way of remunerating and compensating its employees. A program of systematic job evaluation is maintained, so as to grade jobs according to their purpose, function and level of responsibility. It serves as a reasonable and equitable basis for the remuneration of Bank employees, as it rewards them according to their performance and contribution to the achievement of the Bank's business objectives and goals.

RELATED PARTY TRANSACTIONS

The Bank is committed to disclose material information to its stakeholders as part of its adherence to transparency, accountability and fairness, as it still recognizes the benefits of transactions between and among related parties.

Related Party Transactions (RPTs) are allowed by the Bank, provided that these comply with the principle of sound corporate governance, and are done on an "arm's length" basis to veer away from any issues on conflict of interest. Said transactions shall only be made and entered into on terms and conditions not less favorable than those with other customers of comparable risks. The Policy and Guidelines on Related Party Transactions is strictly imposed across the entire organization to avoid disadvantageous activities toward the Bank and its depositors, creditors, fiduciary clients and other stakeholders.

To ensure that every RPT is conducted in a manner that will protect the Bank from any potential conflict of interest, the following procedures are being adhered to: (i) all Bank directors and officers, as well as the shareholders who are considered as related parties, shall disclose in writing, to the best of their knowledge, their interests in any corporation, cooperative and other organization prior to their assumption of office and in every fiscal year thereafter, all or any potential related party and/or RPT to which they are involved, and whether they directly, indirectly or on behalf of third parties have financial interest in any transaction or matters affecting the Bank; (ii) a director of the Bank with a conflict of interest shall abstain from any deliberations of, or vote on, any matter rising to such conflict of interest; (iii) a Bank director or officer shall not attempt to influence other directors and officers regarding matters (on the deliberation or voting thereof) in which they have an interest, without first disclosing the said interest; (iv) the existence and resolution of the conflict of interest shall be documented in the Bank's records and included in the minutes of any meeting of the Board at which the conflict of interest was discussed or voted upon; (v) the Bank shall not enter into any RPT, unless the same is determined by the Credit Committee/Management Committee or the Board of Directors, as appropriate; and (vi) if there has a reasonable cause to believe that a related party has failed to disclose an actual or possible conflict of interest, such related party shall be informed and afford an opportunity to explain the alleged failure to disclose, and if later on it was determined that the said party has in fact failed to disclose an actual or possible conflict of interest, an appropriate disciplinary action shall be done.

All credit and non-credit RPTs will be referred to the Management Committee for thorough evaluation. The Management Committee or the Credit/Executive Committee shall review the credit RPTs, as appropriate, while the Management Committee will review the non-credit RPTs. Immaterial credit RPTs shall be subject to approval by the Management Committee or the Credit/Executive Committee, as appropriate, while immaterial non-credit RPTs will be approved by the Management Committee. All material RPTs will be endorsed to the Board for thorough review and prudent approval, without the participation of the interested Board member(s), if any.

Credit RPTs shall be considered as material when: (i) loans and other credit accommodations exceed Php1,000,000 for single transaction and Php3,000,000 for RPT aggregate. For non-credit RPTs (i.e., purchase or supply of any goods and materials, selling/disposing/buying/leasing of property of any kind, and availing or rendering of services), the materiality thresholds are at Php1,000,000 for a single transaction and Php2,000,000 for RPT aggregate.

The Bank has no DOSRI loans as of December 31, 2024. On the other hand, it registered an outstanding related party loans during the said period amounting to Php578,000, which is 0.02 percent of the Bank's outstanding loan portfolio.

All credit RPTs that are for approval by the Management Committee, Credit/Executive Committee, or the Board of Directors will be subject to close evaluation and review by the Credit Department, and if there is any policy deviation, the approving authority will be elevated to the Board. In addition, all RPTs that exceed the internal limits of the Bank, as well as the write-off of material exposures to related parties, which are beyond the internal limits, shall be approved by the Board. All discussions and deliberation of various points on RPTs made will be properly documented in the minutes of the meeting.

The Bank's internal limits for individual transactions should not exceed Php75,000,000 of its net worth while aggregate transactions should not exceed Php120,000,000 of its net worth.

DIVIDEND POLICY

The Bank recognizes the right of its cooperative-shareholders as stipulated in its By-Laws, which is to receive dividend, either in the form of stock or cash, on their investment (capital share) with the Bank. The Bank's declaration of dividends is subject to compliance with certain rules and regulations prescribed by the BSP.

The dividends to the shareholdings of the common and preferred shareholders of the Bank are declared by the Board of Directors and authorized by the BSP. The release of cash and stock dividends is based on Board-approved guidelines.

The following are the cash dividends declared in 2024 for the Bank's shareholders, to wit:

Common Share	Php14,995,700
Preferred "A" Share	10,420
Preferred "B" Share	12,860
Preferred "C" Share	2,877,571
Total	**Php17,896,551**

As of December 31, 2024, the list of Common Shareholders of the Bank, are as follows:

No.	Name	Address	Number of Shares	%
1	Mallig Samahang Nayon Multi-Purpose Cooperative (MASNAMARCO-MP)	Centro, Mallig, Isabela	18,105	11.53%
2	San Manuel Multi-Purpose Cooperative (SMMPCO)	District III, San Manuel, Isabela	12,335	7.85%
3	Village Farmers Multi-Purpose Cooperative (VILFARMCO)	San Rafael, Roxas, Isabela	12,219	7.78%
4	Damortis Multi-Purpose Cooperative (DAMCO)	San Ramon, Mallig, Isabela	10,400	6.62%
5	New Pinoma Multi-Purpose Cooperative, Inc.	Pinoma, Cauayan City, Isabela	9,261	5.90%
6	Bugallon Proper Multi-Purpose Cooperative, Inc.	Bugallon Proper, Ramon, Isabela	7,842	4.99%
7	Bantug Multi-Purpose Cooperative	Bantug, Roxas, Isabela	7,530	4.79%
8	Alliance of Samahang Nayon Marketing Cooperative (ALSANAMARCO)	Linglingay, Alicia, Isabela	5,299	3.37%
9	Casili Multi-Purpose Cooperative, Inc.	Casili, Mallig, Isabela	5,268	3.35%
10	Victoria Multi-Purpose Cooperative, Inc.	Molave St., Victoria, Mallig, Isabela	4,517	2.88%
11	FIAD II Multi-Purpose Cooperative, Inc.	Daramuangan Norte, San Mateo, Isabela	3,785	2.41%
12	Golden Harvest Multi-Purpose Cooperative, Inc.	District I, San Manuel, Isabela	3,589	2.29%
13	Sinaoangan Sur Multi-Purpose Cooperative (SINSUMCO)	Sinaoangan Sur, San Agustin, Isabela	3,382	2.15%
14	Union Multi-Purpose Cooperative, Inc.	Union, Cauayan City, Isabela	3,346	2.13%
15	San Pablo Multi-Purpose Cooperative, Inc.	San Pablo, Alicia, Isabela	3,344	2.13%
16	Sinamar Norte Integrated Development Cooperative, Inc.	Sinamar Norte, San Mateo, Isabela	3,120	1.99%

No.	Name	Address	Number of Shares	%
17	Natan-oc Multi-Purpose Cooperative, Inc. (San Roque)	San Roque, San Mateo Isabela	2,883	1.84%
18	Quezon Multi-Purpose Cooperative, Inc.	Centro, Quezon, Isabela	2,641	1.68%
19	Mapuroc Multi-Purpose Cooperative, Inc.	Mapurok, San Mateo, Isabela	2,511	1.60%
20	Agricultural Multi-Purpose Cooperative, Inc.	Rang-ayan, Roxas, Isabela	2,448	1.56%
21	First Credit and Development Cooperative	Daramuangan Sur, San Mateo, Isabela	2,177	1.39%
22	Aurora Samahang Nayon Marketing Cooperative (ASANAMARCO)	Public Market, Aurora, Isabela	1,838	1.17%
23	Luna Multi-Purpose Cooperative, Inc.	Luna, Roxas, Isabela	1,750	1.11%
24	Dabburab Multi-Purpose Cooperative, Inc.	Dabburab, Cauayan City, Isabela	1,724	1.10%
25	Namnama Multi-Purpose Cooperative, Inc. (Estrella)	Estrella, San Mateo, Isabela	1,479	0.94%
26	La Paz Multi-Purpose Cooperative, Inc.	La Paz, Cabatuan, Isabela	1,438	0.92%
27	Olango Multi-Purpose Cooperative, Inc.	Olango, Mallig, Isabela	1,380	0.88%
28	Cooperative Food Center	Minante 1, Cauayan City, Isabela	1,087	0.69%
29	Turod Multi-Purpose Cooperative, Inc.	Turod, Echague, Isabela	931	0.59%
30	Salinungan Proper Samahang Nayon Consumers Cooperative	Salinungan Proper, San Mateo, Isabela	895	0.57%
31	Luzon Multi-Purpose Cooperative, Inc.	Luzon, Cabatuan, Isabela	880	0.56%
32	Diamantina Samahang Nayon/Multi-Purpose Cooperative, Inc.	Diamantina, Cabatuan, Isabela	849	0.54%
33	Cagayan Valley Cooperative (CAVALCO)	SIAMPUCO, Concepcion, Luna, Isabela	806	0.51%
34	Sampaloc Multi-Purpose Cooperative, Inc.	Sampaloc, Cabatuan, Isabela	750	0.48%
35	Palayan Multi-Purpose Cooperative, Inc. (Nagbukel)	Nagbukel, San Isidro, Isabela	640	0.41%
36	Minanga Multi-Purpose Cooperative	Minanga, Naguilian, Isabela	582	0.37%
37	Cagayan Valley Development Cooperative (CAVADECO)	Napaccu Pequeno, Reina Mercedes, Isabela	556	0.35%
38	Jones Livestock & Agro-Fisheries Development Cooperative (JOLAFDECO)	Public Market, Jones, Isabela	541	0.34%
39	Caliguian Multi-Purpose Cooperative, Inc.	Caliguian, Burgos, Isabela	527	0.34%
40	Alicia Integrated Development Cooperative	Antonino, Alicia, Isabela	524	0.33%
41	Minante 1 Farmer Multi-Purpose Cooperative, Inc.	Minante 1, Cauayan City, Isabela	524	0.33%
42	Southern Isabela Transport Development Cooperative (SITDECO)	NIA, Ambatali, Ramon, Isabela	475	0.30%
43	ISU Multi-Purpose Cooperative	ISU, Echague, Isabela	474	0.30%
44	Burgos Farmers Multi-Purpose Cooperative, Inc.	Caliguian, Burgos, Isabela	462	0.29%
45	Daramuangan Sur Samahang Nayon Integrated Development Cooperative, Inc.	Daramuangan Sur, San Mateo, Isabela	462	0.29%
46	Alicia Farmer Multi-Purpose Cooperative, Inc.	Centro, Alicia, Isabela	431	0.27%
47	Pintor Multi-Purpose Cooperative, Inc.	Pintor, Gamu, Isabela	399	0.25%
48	Ramon Ecumenical Multi-Purpose Cooperative (REMCO)	Bugallon Proper, Ramon, Isabela	399	0.25%
49	San Antonio Multi-Purpose Cooperative, Inc.	San Antonio, Cauayan City, Isabela	368	0.23%
50	Cauayan Countryside Catalyst Multi-Purpose Cooperative, Inc.	LBP, Cauayan City, Isabela	332	0.21%
51	Mabuhay Multi-Purpose Cooperative, Inc.	District IV, San Manuel, Isabela	281	0.18%
52	San Antonio Marketing Cooperative	San Antonio, City of Ilagan, Isabela	260	0.17%
53	Maligaya Grassroots	Maligaya, Mallig, Isabela	238	0.15%
54	Mallig Credit & Savings Cooperative	Centro, Mallig, Isabela	238	0.15%
55	Ilocano Micro Multi-Purpose Cooperative, Inc.	Magsaysay, Naguilian, Isabela	238	0.15%
56	Centro District I	Centro, District I, Mallig, Isabela	233	0.15%
57	Gamma Multi-Purpose Cooperative, Inc.	San Antonio, Roxas, Isabela	233	0.15%
58	Cordillera Women Development Cooperative, Inc.	Del Pilar, Alicia, Isabela	228	0.15%
59	Vira Multi-Purpose Cooperative, Inc.	Vira, Roxas, Isabela	224	0.14%
60	Golden Green Agri-Business	Siempre, Viva Norte, Mallig, Isabela	219	0.14%
61	Green Valley Multi-Purpose Cooperative, Inc.	Holy Friday, Mallig, Isabela	219	0.14%
62	Nuesa Multi-Purpose Cooperative, Inc.	Nuesa, Roxas, Isabela	215	0.14%
63	Ragsak Multi-Purpose Cooperative, Inc.	Callao, Alicia, Isabela	193	0.12%
64	First Isabela Marketing Cooperative (FIMCO)	Sampaloc, Cabatuan, Isabela	193	0.12%
65	Isabela Federation of Farmers Cooperative	San Fabian, Echague, Isabela	171	0.11%
66	Bagong Silang Multi-Purpose Cooperative, Inc.	Sto. Domingo, Alicia, Isabela	156	0.10%
67	Rizal Farmer Multi-Purpose Cooperative, Inc.	Rizal, Alicia, Isabela	156	0.10%
68	San Manuel FIAD III Multi-Purpose Cooperative, Inc.	District I, San Manuel, Isabela	156	0.10%
69	Del Pilar Multi-Purpose Cooperative, Inc.	Del Pilar, Alicia, Isabela	136	0.09%
70	New Farmers Multi-Purpose Cooperative, Inc.	Capellan, City of Ilagan, Isabela	136	0.09%
71	Farmers Equitable Multi-Purpose Cooperative, Inc.	Caliguian, Burgos, Isabela	135	0.09%
72	Cordon Multi-Purpose Cooperative, Inc.	Turod, Norte, Cordon, Isabela	135	0.09%

No.	Name	Address	Number of Shares	%
73	Roxas Credit and Development Cooperative	Bantug, Roxas, Isabela	135	0.09%
74	San Antonio Multi-Purpose Cooperative, Inc.	San Antonio, Roxas, Isabela	135	0.09%
75	Alpha & Omega Integrated Development Cooperative	Burgos, Alicia, Isabela	118	0.08%
76	D' Eagle Generation Integrated Development Cooperative	Minanga, Naguilian, Isabela	118	0.08%
77	San Mateo Multi-Purpose Cooperative	RIC Bldg., Gov't. Center, San Mateo, Isabela	118	0.08%
78	Clear's Multi-Purpose Cooperative, Inc.	Rizal II, Alicia, Isabela	113	0.07%
79	Mabini Greenfield Multi-Purpose Cooperative, Inc.	Mabini, Alicia, Isabela	113	0.07%
80	Cabatuan Savings and Development Cooperative (CASADECO)	Municipal Hall, Centro, Cabatuan, Isabela	103	0.07%
81	Luzon Arc Multi-Purpose Cooperative	Luzon, Cabatuan, Isabela	103	0.07%
82	Nueva Era Multi-Purpose Cooperative	Nueva Era, Cabatuan, Isabela	103	0.07%
83	Nagrumbuan West Multi-Purpose Cooperative, Inc.	Nagrumbuan, Cauayan City, Isabela	99	0.06%
84	Macanao Credit Cooperative	Macanao, Luna, Isabela	99	0.06%
85	San Pedro Multi-Purpose Cooperative, Inc.	San Pedro, Roxas, Isabela	99	0.06%
86	Del Pilar Livelihood Development Cooperative, Inc.	Del Pilar, Alicia, Isabela	94	0.06%
87	Cauayan Municipal Marketing Cooperative	City Hall, Cauayan City, Isabela	94	0.06%
88	Rang-ayan Multi-Purpose Cooperative, Inc.	Rang-ayan, Mallig, Isabela	94	0.06%
89	Big Valley Cooperative	Centro, Roxas, Isabela	94	0.06%
90	Roxas Land Bankers Multi-Purpose Cooperative, Inc.	Rizal, Roxas, Isabela	94	0.06%
91	New Pinoma Marketing Cooperative	Pinoma, Cauayan City, Isabela	80	0.05%
92	United Marketing Cooperative	Union, Cauayan City, Isabela	80	0.05%
93	Casili Marketing Cooperative	Casili, Mallig, Isabela	80	0.05%
94	Quezon Isabela Credit Cooperative (QICC)	Barucboc Norte, Quezon, Isabela	80	0.05%
95	Bugallon Proper Marketing Cooperative	Bugallon Proper, Ramon, Isabela	80	0.05%
96	Bantug Marketing Cooperative	Bantug, Roxas, Isabela	80	0.05%
97	Grand Harvest Marketing Cooperative	District I, San Manuel, Isabela	80	0.05%
98	Mapuroc Marketing Cooperative	Mapurok, San Mateo, Isabela	80	0.05%
99	Natan-oc (San Roque) Marketing Cooperative	San Roque, San Mateo, Isabela	80	0.05%
100	Sinamar Norte Credit Cooperative	Sinamar Norte, San Mateo, Isabela	80	0.05%
101	Simimbaan Relocated Families Multi-Purpose Cooperative, Inc.	Simimbaan, Roxas, Isabela	77	0.05%
102	Bantug Multi-Purpose Cooperative, Inc.	Bantug, Alicia, Isabela	72	0.05%
103	Sadiri IA Multi-Purpose Cooperative, Inc.	Pulay, Luna, Isabela	72	0.05%
104	Roxas Multi-Purpose Cooperative	Bantug, Roxas, Isabela	72	0.05%
105	Dagupan Samahang Nayon Credit Cooperative	Dagupan, Alicia, Isabela	63	0.04%
106	Siempre Viva Multi-Purpose Cooperative, Inc.	Siempre Viva, Mallig, Isabela	32	0.02%
107	Cabatuan Samahang Nayon Marketing Cooperative	Sampaloc, Cabatuan, Isabela	10	0.006%
108	Mallig Fish Farmer Multi-Purpose Cooperative, Inc.	Centro, Mallig, Isabela	6	0.004%
109	San Jose Norte Multi-Purpose Cooperative, Inc.	San Jose Norte, Mallig, Isabela	6	0.004%
110	Minagbag Multi-Purpose Cooperative, Inc.	Minagbag, Quezon, Isabela	6	0.004%
111	Cabatuan Multi-Purpose Cooperative (CAMPUCO)	Sampaloc, Cabatuan, Isabela	5	0.003%
112	Andabuen Multi-Purpose Cooperative, Inc.	Andabuen, Benito Soliven, Isabela	3	0.002%
113	San Pedro Multi-Purpose Cooperative, Inc.	San Pedro (Barucboc), Mallig, Isabela	2	0.001%
114	Barucboc Multi-Purpose Cooperative, Inc.	Barucboc, Quezon, Isabela	2	0.001%
Total			**157,052**	**100.00%**

COOPERATIVE SOCIAL RESPONSIBILITY

The cooperative social responsibility (CSR) of the Bank translates its mission of being "*Ang Bangkong may Puso*" through various activities that can lead to the improvement of the economic and social well-being of its clientele, as well as their families and communities, within the compatible limits of its field of business activities and development support, even more during trying times.

FICOBank firmly believes in reciprocity. It will continuously give its caring spirit in helping the community where it operates and in valuing its internal stakeholders (member-cooperatives and employees) alike—in one way or another.

The Care and Share Program activities of FICOBank during the year include financial assistance to/for: (i) indigent families of PNP Gonzaga, (ii) support yearly programs and projects committed to served underpriviledged and marginalized communities in Santiago City, (iii) outreach program for deaf and mute of PCLEDO in Ilagan City, Isabela. Participation on tree planting activity in celebration of Cooperative Month at San Pablo, and two blood donation campaign, initiated by FICOBank in partnership with the Philippine Red Cross and the Office of the Senior Citizen Association in Cauayan City, Isabela. For the unfailing support of its clients through the years, sponsorships to their town fiestas and other cultural activities are the least that the Bank can do in return.

A waiting sheds is a vital community asset that enhances public convenience, promotes safety, fosters social interaction and supports sustainable development. Hence, the Bank also constructed five (5) waiting sheds in various locations at Echague, Jones, Mallig, Ramon and San Manuel (Isabela). The Bank will further pursue this intiative, as part of its corporate social responsibility operation.

To continuously promote the advocacy of the Bangko Sentral on sustainable finance, FICOBank will devote additional resources to environmentally friendly and socially inclusive projects through its Enhanced Sustainable Banking Program. The Bank will also strengthen its position by the execution of the Enhanced Transition Plan on Sustainable Finance and participating in/enhancing to its associated initiatives.

FINANCIAL CONSUMER PROTECTION

The Bank recognizes the right of every consumer to safeguard their transactions with the Bank and be heard through appropriate channels to voice out their feedback, complaints, and concerns regarding the financial products and services they have availed of. As a continuous pursuance of the promotion of the BSP's advocacy on Financial Consumer Protection, the Bank embeds consumer protection practices all throughout the organization. This practice of the Bank is a top priority and also forms part of its corporate social responsibility.

The Board of Directors are primary responsible in approving and overseeing the implementation of the Bank's Consumer Protection Risk Management System (CPRMS), in line with Circular No. 1160 or the Financial Products and Services Consumer Protection Act. As part of its roles and responsibility, the Board shall also: (i) approve the CPRMS and the Financial Consumer Protection Assistance Mechanism (FCPAM), aligned with the Bank's business model and associated risks; (ii) promote ethical conduct and ensuring compliance with applicable standards, laws, and regulations; (iii) ensure adequate resources and policies for training, competency, and oversight of Bank personnel and third parties; (iv) approve fair and responsible remuneration policies, including performance-based incentives and contract renewals for third-party service providers; (v) ensure products and services meet the needs of financial consumers, including accessibility for vulnerable groups; (vi) adopt transparent and well-supported fee structures for the Bank's financial products and services; (vii) approve and periodically review the Bank's Code of Conduct and establish reporting mechanisms for violations; (viii) integrate a sound CPRMS into all Bank activities; and (ix) regularly review the effectiveness of the CPRMS, audit mechanisms, and its relevance amidst changes in business models or environments.

Meanwhile, the Senior Management is responsible for ensuring that the Bank's operations, including those of third-party representatives, align with the approved Financial Consumer Protection (FCP) policies and the CPRMS. Its key responsibilities includes: (i) ensure adequate resources are allocated for CPRMS; (ii) implement and document CPRMS and FCPAM policies across all operating units, and designating officers to handle complaints and reporting; (iii) establish an effective monitoring and information system to track, measure, and analyze FCP-related risks, including consumer complaints, fraud reports, and emerging threats; (iv) take timely corrective action on weaknesses or emerging FCP risks; (v) ensure compliance with relevant regulatory requirements on internal audit and control; (vi) regular reporting FCP-related developments and actions to the Board; and (vii) act swiftly in the event of incidents to prevent disruptions in Bank operations.

The Bank's CPRMS primarily intends to effectively guard the consumers against all kinds of threats or risks that may pose an adverse impact on their personal life and their relationship with the Bank, as well as that of the Bank's reputation in line with the Financial Consumer Protection Principles of the Bank.

Consumers are entitled to be informed about both the benefits and risks associated with the Bank's products and services they have availed. Throughout the course of the banking relationship, the Bank upholds the following standards of conduct: (i) fair and equitable treatment, (ii) transparency and clear disclosure of financial products and services, (iii) protection of consumer assets against fraud and misuse, (iv) protection of data privacy, and (v) prompt handling and resolution of complaints. To ensure the proper implementation of the same, a Consumer Assistance Officer (CAO) is appointed at every operating unit of the Bank to handle customer complaints and/or concerns. Moreover, customer can also convey their banking concerns/complaints through FICOBank's Facebook Page, email and website. A Head Consumer Assistance Officer (HCAO) is likewise appointed in the Head Office, who can directly be contacted by customers via phone call. The HCAO is responsible in the consolidation, monitoring and reporting of all customer concerns/complaints received by the Bank.

The Bank also utilized its consumer assistance process and timeline tool in handling concerns, in which the receiving and acknowledgement of the concerns and inquiries shall be within the day and the communication and response of such concerns/inquiries shall be on the next day, while for simple and complex complaints and request, the Bank shall conduct thorough assessment and investigation about the subject matter, ensuring that resolution of such complaint shall be made within the prescribed timeframe of the Bank.

Consumer assistance mechanisms are made available for the Bank's customers. For the year 2024, there are 1,118 queries/concerns/complaints received and acknowledged by the Bank's designated personnel, through its various communication channels (i.e., website, Facebook Page, email and consumer assistance helpdesk). The same were properly addressed and periodically reported to the Bangko Sentral.

POLICY DEVELOPMENT/ENHANCEMENT

As it is fundamentally important for an organization to develop policies for the effective implementation of business processes, the Bank has come up with the following technical documents to ensure that its specific internal and regulatory requirements are appropriately and adequately met:

1. Revised ICT Steering Committee Charter;
2. Revised Policy and Guidelines on Related Party Transaction, 8th Edition;
3. Policy and Implementing Guidelines on the Storing of Inactive Files;
4. High-5 Time Deposit Account Manual;
5. Revised Deposit Product Manual;
6. Guidelines on Credit Underwriting and Collateral Appraisal Turnaround Time for Regular Loans and Program Loans;
7. Policy and Guidelines on the Enhanced Performance Management System for Operating Units;
8. Revised Codified Approving and Signing Authority Manual, 3rd Edition;
9. Revised Financial Consumer Protection Manual, 3rd Edition;
10. Guidelines on the 2024 Amnesty Program for Unsecured AMLD Accounts;
11. Guidelines on the FICOBank's Recovery Plan;
12. Revised Jewerly Loan Manual;
13. Salary Loan for LGU-Rosales Employees Manual;
14. Policy and Guidelines on Check Clearing from Three Banking Days to the Next Banking Days Through Force Clearing Process;
15. Revised Treasury Management Manual, 4th Edition;
16. 2024-2029 Restoration Program for the Coop-Stockholders of FICOBank;
17. Revised Policy and Guidelines on the FICOBank Visual Identity;
18. Guidelines on the Proper Posting of Notices and Marketing Materials Within the Bank Premises;
19. Todo Negosyo Loan Manual;
20. Revised Record and Document Management Manual, 3rd Editon;
21. Revised Business Development Department Manual, 3rd Edition;
22. Revised Business Continuity Management Manual, 3rd Edition;
23. Revised Compliance Manual;
24. Revised Policy and Guidelines on the Car Plan Program for Bank's Officers;
25. Revised Business Development Department Charter;
26. Revised Gender and Development Committee Charter;
27. Revised Business Continuity Plan, 7th Edition;
28. Revised Todo Ani Loan Manual;
29. Revised Executive Committee Charter;
30. Policy and Guidelines on Loan Renewal and Clean Up of Principal;
31. Revised Treasury and Corporate Services Committee Charter;
32. Revised Contingency Funding Plan; and
33. Revised Transition Plan on Sustainable Finance Framework.

Banking is a business of taking risks, with the end in view of generating earnings and accumulating capital. As FICOBank stays in the business of banking and strives to maximize the value for itself and its stakeholders, it faces uncertainty. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Recognizing that uncertainties can make or break it, the Bank—in its resolve to raise its earning power, maintain a stable financial condition and protect its capital and reputation—is relentlessly maintaining sound and effective bankwide risk management systems, processes and approaches by which decisions about risks are taken and implemented.

RISK GOVERNANCE PHILOSOPHY AND CULTURE

FICOBank recognizes the significance of sound risk governance as an essential element of its financial stability, profitability, growth, and success. It is bound to ensure constant adherence to the best banking practices and standards, and to apply prudence and accountability in its risk-taking activities.

On that account, FICOBank is, at all times, making sure that appropriate mechanisms are designed and installed to identify, measure, monitor, and control the various risks inherent in its business operations and corporate affairs, with the purpose of protecting its earnings, assets, capital and reputation.

The Bank's risk governance philosophy is supported by an appropriate organizational risk culture. As it can influence decision and action, the Board of Directors sets the tone at the top while the Senior Management shows commitment in driving the risk agenda and demonstrates behavior consistent with the desired risk culture. The same trickles down to all the employees, as they also need to shape their own behavior and actions.

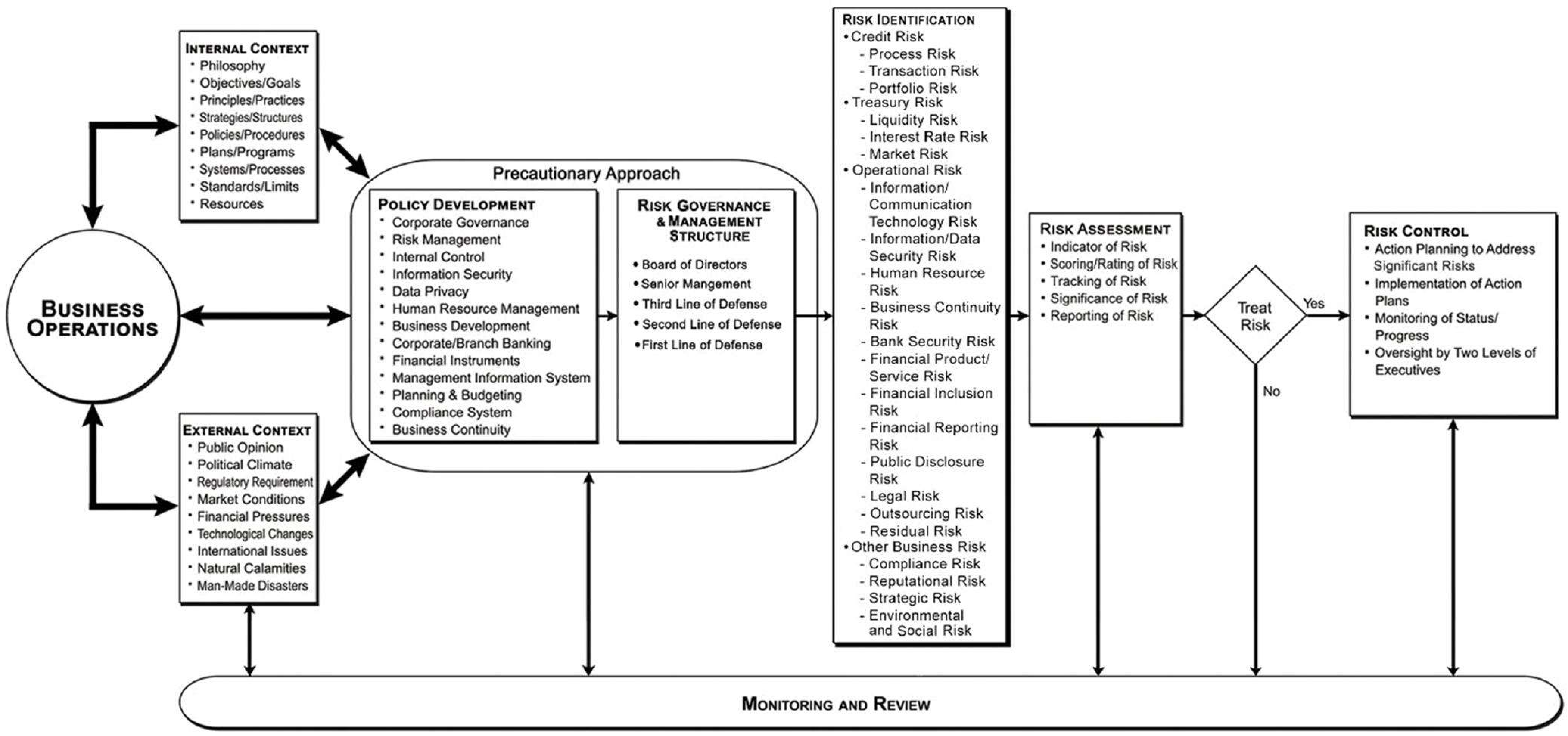
Given that risk culture is reflected in the people, policies, processes and procedures that implement the risk agenda and priorities, minimize risk exposures and losses, and protect capital and earnings, the Bank sees to it that the behavior and actions of each individual in the organization are closely aligned with its prescribed behavioral norms.

RISK GOVERNANCE POLICY

In cognizance of the paramount importance of a sound risk management, the Bank commits itself to ensuring constant adherence to the best banking practices and standards, as well as in applying prudence and accountability in its risk-taking activities. As such, the Bank adopts and maintains an effective Risk Governance Framework. As much as possible, it is in synchrony with the Bangko Sentral's regulations, international standards, stakeholders' expectations and best banking practices. More importantly, the same is suited with the size, complexity of operations and risk profile of the Bank.

RISK GOVERNANCE FRAMEWORK

A skeletal support, serving as the key component as well, for the risk management system of the Bank is its Risk Governance Framework. So as to effect a sound risk management approach, the Bank adheres to every detail of this Framework, which includes policies supported by appropriate processes and control procedures that are designed to ensure that the risk identification, aggregation, mitigation and monitoring capabilities are commensurate with its size, complexity, risk profile and systemic importance.



The Risk Governance Framework is dynamic. It allows for an adjustment or readjustment of policies, plans, processes and controls whenever the business strategy and risk appetite of the Bank are amended in response to changes in external context. The same is in conformity with the prevailing industry practices, regulatory requirements and stakeholders' expectations, and is, likewise, in line with the Bank's commitment to managing effectively its risks, maximizing its returns and multiplying the rewards for its internal stakeholders. It provides a structured approach that is fully integrated in strategic/operational-planning, policy/decision-making and risk-taking/controlling activities. And it also features the cross-functional team of the Board of Directors, the Senior Management and the three lines of defense for the governance and management of the Bank's credit, treasury, operational and other business risks.

RISK APPETITE STATEMENT

The Bank's Risk Appetite Statement (RAS) is made up of three (3) elements—the acceptable/on-strategy risk, unacceptable/off-strategy risk, and strategic-operational-financial risk parameters. Using this three-element context, the Management and the Board agreed on particular assertions (viewed collectively) regarding the Bank's risk appetite. Herewith is the Bank's RAS, with the three-element context vis-à-vis the five-point assertions that are to be viewed collectively (so as not to appear as an objective).

Three-Element Context	Five-Point Assertions
1. Acceptable/On-Strategy Risk	Business Strategy. The Bank will aggressively pursue its integrated strategy for the 2024-2028 Strategic Plans to meet its business objectives; therefore, it will accept the risks inherent in such strategy.
2. Unacceptable/Off-Strategy Risk	Corporate Image. The Bank and its internal stakeholders will avoid any situation or action that may result in a negative impact on its reputation and corporate brand, and shall effectively manage its risk to an acceptable level, if an undesirable situation arises.
3. (a) Strategic Risk Parameter	Business Model. The Bank will invest in new businesses, engage in new activities and services or develop new products and facilities, enter into new markets, and implement new business processes or technology systems, in pursuit of reasonable returns for its moderate appetite for potential losses.
(b) Operational Risk Parameter	Loss Exposure. The Bank has to manage well its business activities/operations and risk exposures to avoid an event resulting in a loss beyond eight percent (8%) of its capital.
(c) Financial Risk Parameter	Financial Strength. As capital is an indication of its financial strength, which could stand the shocks of any stressful events, the Bank will maintain a capital adequacy ratio (CAR) that is above the 10-percent regulatory requirement of the Bangko Sentral.

RISK GOVERNANCE STRUCTURE AND FUNCTIONS

The structure of risk governance of the Bank is not only confined to the level of the Board. The Bank has committees at both Board and Management levels. The Bank streamlines its governance structure to break down the silos and close the gaps in risk oversight and control.

The risk governance of the Bank is carried out through a cross-functional framework that starts from the Board to the line and staff management. The cross-functional framework includes oversight, executive review, support and control functions of various organizational entities. Hereunder are the respective functions and responsibilities of the Bank's organizational entities on risk governance and management.

Board of Directors

The Board is responsible for setting policies on the Bank's risk governance. It also takes charge in receiving and reviewing reports on risk management process and gets assurance that the same are working effectively and efficiently. It defines the Bank's level of risk appetite and tolerance to ensure that risk exposures are within acceptable levels. It also ensures that the risk management functions are given adequate resources to enable effective performance, afforded with adequate personnel, access to information technology systems and systems development resources and support, and access to internal information.

Corporate Governance Committee

The Corporate Governance Committee, a Board-level committee acting as the Risk Oversight Committee, as FICOBank is still considered as a simple bank, is responsible for the development and oversight of the Risk Management Program of the Bank. It oversees the establishment of the enterprise-wide risk management framework. It is also responsible for overseeing the Bank's risk management function, such that key personnel are properly positioned, staffed and resourced, and that the Senior Management carries out its risk management responsibilities effectively. The Committee assists the Board and the Senior Management in meeting the responsibility to understand and manage risk exposures, and to ensure the development and consistent implementation of risk policies, processes and procedures throughout the Bank. It directly reports to the Board of Directors.

Three Lines of Defense

To enforce a particular accountability for risk governance, the Bank is relying on these three (3) lines of defense:

1. First Line of Defense. The first line of defense belongs to the business/operating units and the departments and offices under the support services, such as business development, information technology, human resources, legal management, and finance and controllership. They undertake risks within the assigned limits of risk exposure and are responsible and accountable for identifying, assessing and controlling, and mitigating the risks of their business operations.

2. Second Line of Defense. The second line of defense includes the offices designated with oversight functions, risk management and control, and compliance testing. Each of these oversight functions, in close relationship with the business/operating units, ensures that all types of risk (i.e., credit, treasury, operational and other business risks) have been appropriately identified and managed. The various components of the second line of defense work closely to help define the strategy and collect information to create a bankwide view of the different types of operational risks, so as to identify, measure, monitor, and report the same.

3. Third Line of Defense. The third line of defense is the internal audit function, which assesses independently the effectiveness of the business processes and internal controls that are created in the first and second lines of defense, and provides assurance on the risk management controls, processes, systems and the effectiveness of the first-line and second-line defense functions.

RISK MANAGEMENT PROCESS

The Risk Management Process of the Bank shall revolve around the following series of actions, to wit:

1. Identify. Proper identification of current and potential risk exposures involves understanding of the risks arising from both existing and new business activities of the Bank, as well as the impact of the risk management initiatives on its exposures. The Bank identifies and addresses the risk posed by new business activities prior to initiating the same. Its desired level of risk exposure is based on its ability and willingness to assume such risk. In any case, risk identification is a continuing process.

2. Assess. The measurement of risks requires the quantification of the same and the determination of their impact/effects on the Bank's earnings, capital and economic value. Appropriate models/systems and tools are put in place to enable the timely and comprehensive measurement of the said risks.

3. Control. The control of risks necessitates the establishment of internal policies on the extent of such risks that are acceptable to the Board. The lines of authority and accountability are clearly defined to ensure that the risk exposures remain reasonable and within the risk appetite statement of the Bank. Controlling risks involves the setting of risk limits that are consistent with the Bank's risk measurement methodologies. The Bank prohibits any exposures above the pre-set thresholds by restraining activities or deploying strategies, as appropriate and necessary.

4. Monitor. The monitoring of risks requires timely review of the risk positions of the Bank. Comprehensive, timely and accurate monitoring reports are being prepared in order to provide sufficient basis for sound business decisions by the Management or the Board, as appropriate.

CREDIT RISK MANAGEMENT

Credit risk can be found in all lending activities of the Bank, where its success and stability depend mostly on the repayment performance of its borrowers. It is comprised of process risk, transaction risk and portfolio risk. The Bank strictly adheres to the policies and procedures laid down in its Board-approved *Credit Management Process and Credit Risk Management Manual* to avoid the occurrence and/or mitigate the impact of credit risk to its overall operation.

The Risk Management Unit under ARMCO and the Credit Department provides support to the Board of Directors and the Senior Management in making sure that the credit-risk-taking activities of the Bank are aligned with the Board-approved credit risk strategy. Likewise, it provides significant inputs and relevant technical assistance in credit policy-making and limit-setting. It also evaluates the economic, financial and socio-political developments that are alarming and might pose adverse effects to the Bank's credit-granting operation, and proposes necessary actions to remedy such situations or mitigate their respective effects to the Bank.

Given the fact that credit risk is the most significant among the inherent risks in its business, the Bank utilizes the risk rating tools under its Internal Credit Risk Rating System (ICRRS) to determine the creditworthiness of its borrowers and sets up and updates its credit limits appropriate to its risk strategies, appetite and tolerances. A back testing activity is being conducted to assess the viability and efficiency of the Bank's ICRRS.

The approval process for new loans as well as the amendment, renewal and refinancing of existing loan exposures, is aligned with the Bank's Credit Risk Management structure. It encompasses different levels of appropriate approving authority and corresponding approving authority limits, which are commensurate with the risks of the credit exposures, as well as expertise of the respective credit decision-makers.

As credit risk in excess of the established limits may result in an eventual loss, if not properly managed, a Contingency Plan on Credit Risk is being maintained and observed to help the Bank manage excessive credit risk and revert the risk back to a normal level.

TREASURY RISK MANAGEMENT

Treasury risk is comprised of liquidity, interest rate and market risks. As it systematically manages its treasury operation, the Bank is able to protect itself from the adverse impact that may be brought by any inauspicious changes in interest rates, investments, liquidity and capital. The liquidity position and risk exposure of the Bank is managed, in accordance with its *Liquidity Risk Management Manual*, and monitored regularly against the established policies, procedures and limits.

The Treasury Department, under the supervision of the Executive Vice President for Treasury & Corporate Services Group, ensures the stability of the Bank's cash management by dealing appropriately with the intraday liquidity positions and maintaining sufficient liquidity to meet all cash flow obligations/commitments in a timely manner. With the support of the Accounting Department, the Treasury Department is performing a stress testing activity twice a year, or as necessary, to identify the sources of potential liquidity strain, and ensure that current exposures remain in accordance with the Bank's established liquidity risk tolerance, as prescribed to the *Stress Testing Policy Manual* of the Bank. Moreover, the Treasury Department conducts Maturity Gap Analysis on the Bank's assets and liabilities to measure its exposure to interest-rate-based repricing risk and the potential impact of any changes on interest rates to the Bank's overall liquidity position.

The Executive Committee of the Bank sees to it that the Bank has a coordinated execution of its asset-and-liability-management strategies, policies and action plans across the entire organization, and maintains adequate liquidity, sufficient capital and appropriate funding to meet its business objectives and to comply with the regulatory requirements.

As the threat of becoming insolvent or subjected to negative publicity and reputational damage, if its liquidity risk is not managed properly, the Bank adopted an effective liquidity risk management system, with appropriate process and adequate procedures/controls. It enables the Bank to identify, measure, monitor and control its exposures to liquidity risk in a timely and comprehensive manner, and maintain a structurally sound funding and liquidity profile.

OPERATIONAL RISK MANAGEMENT

Operational risk arises from problems associated with the delivery of products and services, and losses resulting from inadequate or failed internal processes, people and systems or from external events. It requires the efficiency and effectiveness of all back-office operations, including the management of products and services, information systems, database backup, alternative operating location, personnel, internal and external frauds, security program, lawsuits, and so on. Thus, the organizational structure of the Bank delineates the respective areas of authority, responsibility, accountability and reporting line for all its organizational entities and individual officers. The policies and procedures set out in the Board-approved *Operational Risk Management Manual*, along with the other manuals (i.e., *IT Risk Management Manual, Information Security Management Manual, Data Privacy Policy Manual, Legal Risk Management Manual, Human Resource Risk Management Manual, Risk Management for Financial Inclusion Initiatives Manual, Remedial Management Manual, Outsourcing Policy Manual, Stress Testing Policy Manual, Social Media Risk Management Manual, Codified Approving and Signing Authority Manual, Internal Control Program Manual and Security Program Manual*), covering the different types of operational-related risks, are being adhered to at all times.

As sound operational risk management is a reflection of their effectiveness, the Board and the Management see to it that the Bank's business operations, which cut across multiple activities and business lines, to include external events, are being administered in a manner that is expected by the regulatory agencies and other key stakeholders. As such, the *Three Lines of Defense* model, as espoused by the Basel Committee on Banking Supervision, has been adopted by the Bank for its operational risk governance and management.

The Bank also ensures an effective business continuity and crisis management, with a comprehensive written plan of action that sets out the standards, systems, processes and procedures necessary to restore interrupted business operation(s), so as to enable it to fulfill most, if not all, of its business obligations. In its commitment to serve incessantly its multi-sectoral clientele in any crisis situation, the Bank keeps and updates periodically its *Business Continuity Management Manual*, as well as its Business Continuity Plan (BCP) and Crisis Management Program (CMP). Through the BCP and CMP, doable plans and processes are accessible, as they were made available, to the concerned organizational entities of the Bank. These entities are expected to rehearse the plans on a periodic basis, and using different resources within the Bank.

During the year, the Bank continuously updates/upgrades its Centralized/Online Core Banking System—through the Nextbank System, to enable more efficient, safe and accessible internal banking transactions/processes.

OTHER BUSINESS RISKS MANAGEMENT

These are made up of compliance risk, strategic risk, reputational risk, and environmental and social risk. With such risks, the Bank strengthens the overall coordination of its internal control efforts and monitoring activities, in line with its commitment to sound and effective risk governance.

Compliance risk arises from violations of, or non-compliance with, laws, rules and regulations, prescribed practices or ethical standards. The Compliance Unit of ARMCO, as part of its Compliance Program, judiciously implements and enhances its Money Laundering and Terrorist Financing Prevention Program. The Bank, in line with the *Anti-Money Laundering and -Terrorist Financing Act* (AMLA), adopts the following principles, to wit: (i) safety and soundness of business, (ii) identification of customer, (iii) application of risk management system, (iv) compliance with the applicable laws, (v) cooperation with the Anti-Money Laundering Council (AMLC), Bangko Sentral and law enforcement agencies, and (vi) group-wide Money Laundering and Terrorist Financing Prevention Program. The Bank ensures that these are being implemented properly in its day-to-day banking operations, ensuring the organization's compliance to all applicable laws, rules/regulations and standards.

The Compliance Unit has also adopted the conduct of Institutional Risk Assessment (IRA), which serves as the backbone of risk-based approach to money laundering (ML), terrorist financing (TF), proliferation financing (PF), and sanctions risks prevention and mitigation. Based on the IRA conducted, key risk areas have been given focus, namely: Products and Services Risk (Low Risk), Customer Risk (Low Risk), Geographical Location Risk (Low Risk), Transaction Location and Delivery Channel Risk (Normal Risk), as well as other risk areas such as Employee Turnover (Normal Risk) and Transaction Size (Low Risk). As a result, the Bank's overall institutional risk assessment is at "Low Risk". This means that the Bank's existing ML/TF/PF policies and procedures are generally sufficient and that its financial product and service offerings generally comply with the requirements of AMLA and in accordance with the guidelines of the Bangko Sentral.

Strategic risk arises from making bad business decision that adversely affects the value of the Bank. To re-align/re-envision its business goals and objectives for the next five years, a strategic planning session was held by the Bank and had revised its 2022-2026 Strategic Plan to a new 2024-2028 Strategic Plan. Its implementation is monitored and reported semi-annually through progress/status reports, so as to identify and lay down necessary adjustments to the action plans and programs set by each of the organizational units of the Bank.

Reputational risk arises from negative public opinion, which affects the Bank's ability to establish new relationships/services or continue servicing existing relationships. The Bank recognizes this risk as one of the most difficult risks to quantify, as it is the "risk of risks" since it tends to interlock with the other risk types and exists throughout the organization. The policies and procedures set out in the Board-approved *Reputational Risk Management Manual* are being adhered to at all times. The Bank also has enhanced Whistleblowing Policy to improve the transparency and preserve the integrity of the Bank, its directors, officers and staffers by strengthening its system to prevent improper practices and illegal activities that will damage its reputation and/or impair its business.

Environmental and social risk arises from the actual or potential threat to the financial and regulatory impact of the environmental issues that include climate change, weather-related disturbances and effect on the social risk by hazard to human health, safety and security, as well as threats to communities, biodiversity and cultural heritage.

In line with Bangko Sentral's Memorandum No. M-2022-042, or the Guidance on the Implementation of the Environmental and Social Risk Management System (ESRMS), during the year, the Bank enhanced its Transition Plan for Sustainable Finance. The Bank is committed to integrating sustainability principles—including environmental and social (E&S) risk considerations—into its corporate governance, risk management practices, and business operations.

The Bank also improved its Environmental and Social Management Policy and Guidelines, together with its Sustainable Banking Program, to actively promote environmental and social protection and preservation in every community where it operates. The Environmental and Social Impact Assessment Checklist remains a critical tool for the Bank in identifying, assessing, and managing the potential environmental and social impacts in its lending and investment activities. Hence, the Bank will continue to contemplate environmental and social impact assessment into its credit process and further embed E&S awareness into digital platforms.

The Management of FIRST ISABELA COOPERATIVE BANK, (the "Bank"), is responsible for the preparation and fair presentation of financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and such internal control as the 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, the 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 the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

Alas, Oplas & Co., CPAs, the independent auditor appointed by the members for the years ended December 31, 2024 and 2023, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ERWIN B. TABUCOL
Chairperson of the Board

ATTY. HUBERT E. MOLINA
President & CEO

ATTY. GILBERT A. GALOPE
EVP for Treasury & Corporate Services

Signed this 20th day of March, 2025.

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs

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Independent Member of
BKR International

To the Members and the Board of Directors
FIRST ISABELA COOPERATIVE BANK
FICOBank Corporate Office, Minante I
Cauayan City, Isabela, Philippines

Opinion

We have audited the financial statements of FIRST ISABELA COOPERATIVE BANK (the "Bank") which comprise the statements of financial condition as of December 31, 2024 and 2023, and the related statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years then ended, including material accounting policies and other explanatory information.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 12 to the financial statements which describes the basis used by the Bank in setting up allowance for credit losses. As stated in Bangko Sentral ng Pilipinas (BSP) Circular 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with Philippine Financial Reporting Standard 9 – Financial Instruments, shall, at a minimum, be subject to the regulatory guidelines in setting up allowance for credit losses prescribed under the Appendix 15 of the Manual of Regulations for Banks. The Bank crafted its own Loan Loss Methodology (LLM) with the provisions of Appendix 15 of the MORB as its guide. However, some provisions, particularly the allowance rates, were modified on the basis of the Bank's historical and acceptable data. The Management of the Bank believes that the allowance for credit losses resulting from the Bank's own LLM is a better representation of the quality of its total loan portfolio. Our opinion is not qualified in respect of this matter.

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

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

In preparing the financial statements, the 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 the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

The Supplementary Information Required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 33 and Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 32 to the financial statements are presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the Management of FIRST ISABELA COOPERATIVE BANK. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS OPLAS & CO., CPAs
BOA Registration No. 0190, valid from October 31, 2022 to February 18, 2025
BIR A.N. 08-001026-000-2024, issued on January 05, 2024; effective until January 04, 2027
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
CDA CEA No. 074-AF, issued on April 08, 2021, effective April 07, 2024
TIN 002-013-406-000

By:

RYAN A. SABUG
Partner
CPA License No. 0111183
BIR A.N. 08-001026-004-2023, issued on February 09, 2023; effective until February 08, 2026
SEC A.N. (Individual) 111183-SEC, Group A, issued on February 04, 2021; valid for 2020 to 2024 audit period
TIN 232-158-286-000
PTR No. 10075665, issued on January 02, 2024, Makati City

March 20, 2025
Makati City, Philippines

Statements of Financial Condition

As of December 31, 2024 and 2023

	Notes		2024		2023
ASSETS					
Cash and Other Cash Items	8	**P**	**52,725,356**	P	53,463,235
Due from Bangko Sentral ng Pilipinas	9		**5,137,336**		34,841,151
Due from Other Banks	10		**2,146,975,305**		2,144,383,568
Investment Securities at Amortized Cost	11		**10,256,851**		10,256,851
Loans and Other Receivables, Net	12		**3,443,855,084**		3,137,601,086
Investment Properties, Net	13		**164,665,700**		148,288,370
Bank Premises, Furniture, Fixtures and Equipment, Net	14		**318,315,458**		323,779,421
Other Assets	15		**116,776,701**		65,724,669
TOTAL ASSETS		**P**	**6,258,707,791**	P	5,918,338,351
LIABILITIES AND MEMBERS' EQUITY					
LIABILITIES					
Deposit Liabilities	16	**P**	**3,000,900,211**	P	2,916,012,235
Bills Payable	17		**1,247,917,262**		1,173,250,000
Accrued Interest, Taxes and Other Expenses Payable	18		**26,768,513**		10,625,092
Income Tax Payable			**137,502**		5,990
Due to Federation	19		**2,312,607**		2,329,110
Other Liabilities	20		**275,826,914**		249,123,527
Total Liabilities			**4,553,863,009**		4,351,345,954
MEMBERS' EQUITY					
Preferred Shares	21		**71,205,750**		70,027,500
Common Shares	21		**157,052,000**		149,957,000
Stock Dividends Distributable	21		**44,998,000**		22,545,000
Surplus Reserves/Statutory Funds	21		**698,334,467**		643,528,823
Surplus Free	21		**733,254,565**		680,934,074
Total Members' Equity			**1,704,844,782**		1,566,992,397
TOTAL LIABILITIES AND MEMBERS' EQUITY		**P**	**6,258,707,791**	P	5,918,338,351

See Notes to Financial Statements

Statements of Operation

For the Years Ended December 31, 2024 and 2023

	Notes	2024	2023
INTEREST INCOME			
Due from Other Banks	*10*	**P 68,325,050**	P 52,783,976
Investment Securities at Amortized Cost	*11*	**604,868**	1,581,633
Loans and Other Receivables	*12*	**537,184,699**	451,430,537
Total Interest Income		**606,114,617**	505,796,146
INTEREST EXPENSE			
Deposit Liabilities	*16*	**(63,032,791)**	(57,744,190)
Bills Payable	*17*	**(20,218,167)**	(16,327,534)
Total Interest Expense		**(83,250,958)**	(74,071,724)
NET INTEREST INCOME		**522,863,659**	431,724,422
Provision for Credit and Impairment Losses	*27*	**(30,865,988)**	(16,336,998)
NET INTEREST INCOME AFTER PROVISION		**491,997,671**	415,387,424
Other Operating Income	*23*	**216,850,641**	226,383,721
Other Operating Expenses	*24*	**(547,428,185)**	(493,370,618)
PROFIT BEFORE INCOME TAX		**161,420,127**	148,400,527
Income Tax Expense	*22*	**(487,246)**	(413,404)
NET PROFIT		**160,932,881**	147,987,123
OTHER COMPREHENSIVE INCOME		**0**	0
TOTAL COMPREHENSIVE INCOME		**P 160,932,881**	P 147,987,123

See Notes to Financial Statements

Statements of Changes in Equity

For the Years Ended December 31, 2024 and 2023

Particulars	*Notes*	Preferred Shares	Common Shares	Stock Dividends Distributable	Surplus Reserves/ Statutory Funds	Surplus Free	Total
Balance at December 31, 2022		**P 60,250,750**	**P 149,957,000**	**P 45,000**	**P 597,586,816**	**P 624,889,523**	**P 1,432,729,089**
Profit		0	0	0	0	147,987,123	147,987,123
Other Comprehensive Income		0	0	0	0	0	0
Total Comprehensive Income		0	0	0	0	147,987,123	147,987,123
Transactions with Members							
Issuance of Shares	*21*	20,901,000	0	0	0	0	20,901,000
Withdrawals	*21*	(11,124,250)	0	0	0	0	(11,124,250)
Declaration of Stock Dividends	*21*	0	0	22,500,000	0	(22,500,000)	0
Adjustment on CETF	*21*	0	0	0	781,792	(781,792)	0
Appropriations During the Year	*21*	0	0	0	57,714,977	(57,714,977)	0
Cash Dividends Declared	*21*	0	0	0	0	(17,866,056)	(17,866,056)
Expenditures in Reserves	*21*	0	0	0	(4,894,573)	0	(4,894,573)
Utilization of CETF	*21*	0	0	0	(6,920,253)	6,920,253	0
Appropriation for Union/Federation	*21*	0	0	0	(739,936)	0	(739,936)
Total		**9,776,750**	**0**	**22,500,000**	**45,942,007**	**(91,942,572)**	**(13,723,815)**
Balance at December 31, 2023		**P 70,027,500**	**P 149,957,000**	**P 22,545,000**	**P 643,528,823**	**P 680,934,074**	**P 1,566,992,397**
Profit		0	0	0	0	160,932,881	160,932,881
Other Comprehensive Income		0	0	0	0	0	0
Total Comprehensive Income		0	0	0	0	160,932,881	160,932,881
Transactions with Members							
Issuance of Shares	*21*	1,178,250	800,000	0	0	0	1,978,250
Issuance of Stock Dividends	*21*	0	6,295,000	(6,295,000)	0	0	0
Appropriations During the Year	*21*	0	0	0	62,763,822	(62,763,822)	0
Declarations of Stock Dividends	*21*	0	0	28,748,000	0	(28,748,000)	0
Cash Dividends Declared	*21*	0	0	0	0	(17,840,503)	(17,840,503)
Expenditures in Reserves	*21*	0	0	0	(6,413,579)	0	(6,413,579)
Utilization of CETF	*21*	0	0	0	(739,935)	739,935	0
Appropriation for Union/Federation	*21*	0	0	0	(804,664)	0	(804,664)
Total		**1,178,250**	**7,095,000**	**22,453,000**	**54,805,644**	**(108,612,390)**	**(23,080,496)**
Balance at December 31, 2024		**P 71,205,750**	**P 157,052,000**	**P 44,998,000**	**P 698,334,467**	**P 733,254,565**	**P 1,704,844,782**

See Notes to Financial Statements

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Tax		**P 161,420,127**	P 148,400,527
Adjustments for:			
Interest Income	*10, 11*	**(68,929,918)**	(54,365,609)
Interest Expense – Lease Liability	*20, 24*	**9,336,223**	9,485,065
Gain from Sale/Derecognition of Assets	*23*	**(17,335,415)**	(33,038,012)
Depreciation and Amortization	*24*	**51,166,362**	51,346,556
Provision for Credit and Impairment Losses	*27*	**30,865,988**	16,336,998
Retirement Expense	*28*	**10,000,000**	8,000,000
Operating Cash Flows Before Working Capital Changes		**176,523,367**	146,165,525
Changes in Operating Assets and Liabilities			
Increase in:			
Loans and Other Receivables		**(388,355,762)**	(162,065,112)
Other Assets		**(42,383,260)**	(164,272,978)
Increase/(Decrease) in:			
Deposit Liabilities		**84,887,976**	(181,876,290)
Accrued Interest, Taxes and Other Expenses Payable		**16,143,421**	2,840,913
Other Liabilities		**(36,428,230)**	136,585,327
Cash Used in Operations		**(189,612,488)**	(222,622,615)
Interest Received		**69,573,991**	49,339,313
Income Tax Paid		**(351,825)**	(419,389)
Net Cash Used in Operating Activities		**(120,390,322)**	(173,702,691)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Redemption of Investment Securities at Amortized Cost	*11*	**0**	65,073,725
Proceeds from Sale of Investment Properties	*13*	**46,275,837**	56,765,741
Acquisition of Bank Premises, Furniture, Fixtures and Equipment	*14*	**(32,473,603)**	(37,023,808)
Proceeds from Sale of Bank Premises, Furniture, Fixtures and Equipment	*14*	**475,911**	315,919
Net Cash Generated from Investing Activities		**14,278,145**	85,131,577
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of Bills Payable	*17*	**(1,113,232,738)**	(890,750,000)
Availment of Bills Payable	*17*	**1,187,900,000**	1,174,000,000
Remittance to Federation	*19*	**(821,167)**	(350,000)
Dividends Paid	*20*	**(15,197,546)**	(15,889,304)
Deposit for Stock Subscription	*20*	**24,049,000**	10,000,000
Expenditures from Statutory Reserves	*21*	**(6,413,579)**	(4,894,573)
Redemption of Preferred Shares	*21*	**0**	(11,124,250)
Issuance of Preferred Shares	*21*	**1,178,250**	20,901,000
Issuance of Common Shares	*21*	**800,000**	0
Net Cash Generated from Financing Activities		**78,262,220**	281,892,873
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(27,849,957)**	193,321,759
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and Other Cash Items	*8*	**53,463,235**	42,061,922
Due from Bangko Sentral ng Pilipinas	*9*	**34,841,151**	65,681,597
Due from Other Banks	*10*	**2,144,383,568**	1,931,622,676
CASH AND CASH EQUIVALENTS - BEGINNING		**2,232,687,954**	2,039,366,195
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and Other Cash Items	*8*	**52,725,356**	53,463,235
Due from Bangko Sentral ng Pilipinas	*9*	**5,137,336**	34,841,151
Due from Other Banks	*10*	**2,146,975,305**	2,144,383,568
CASH AND CASH EQUIVALENTS - END		**P 2,204,837,997**	P 2,232,687,954

See Notes to Financial Statements

1. BANK INFORMATION

FIRST ISABELA COOPERATIVE BANK (the "Bank") was organized on September 10, 1976 as a cooperative bank. The Bangko Sentral ng Pilipinas issued its authority to operate on December 21, 1979 and it officially started its operations on January 02, 1980 thereon.

FICOBank is primarily engaged in extending credit to all types of cooperatives and their members to small farmers and tenants, and to deserving rural industries or enterprises. It is vested with the rights to transact all businesses which may be legally done by cooperative banks organized under, and in accordance with the Philippine Cooperative Code of 2008 (RA 9520), and to do all other things incidental thereto, which are necessary and proper in connection with the said purposes within such territory, as may be determined and authorized by the Bangko Sentral ng Pilipinas.

The principal office of the Bank is located at FICOBank Cooperative Building, Minante I, Cauayan City, Isabela and is domiciled in the Philippines. The Bank has various branches and branch-lite unit located at the following service areas:

REGION 1
1. Malasiqui, Pangasinan
2. Lingayen, Pangasinan
3. Urdaneta City, Pangasinan
4. Rosales, Pangasinan

REGION 2
5. Cauayan City, Isabela
6. Roxas, Isabela
7. Aurora, Isabela
8. Ilagan City, Isabela
9. Tumauini, Isabela
10. Alicia, Isabela
11. San Mateo, Isabela
12. Santiago City
13. Jones, Isabela
14. Echague, Isabela
15. Cabatuan, Isabela
16. Ramon, Isabela
17. Cordon, Isabela
18. Maddela, Quirino
19. Diffun, Quirino
20. Solano, Nueva Vizcaya
21. Bambang, Nueva Vizcaya
22. Solana, Cagayan
23. Tuguegarao City, Cagayan
24. Aparri, Cagayan
25. Abulug, Cagayan
26. Gonzaga, Cagayan

REGION 3
27. Paniqui, Tarlac
28. Concepcion, Tarlac
29. Camiling, Tarlac
30. Dinalupihan, Bataan
31. Cabanatuan City, Nueva Ecija
32. Guimba, Nueva Ecija
33. San Jose City, Nueva Ecija
34. Zaragoza, Nueva Ecija
35. Rizal, Nueva Ecija
36. Gapan City, Nueva Ecija
37. Science City of Muñoz, Nueva Ecija
38. Aliaga, Nueva Ecija
39. Cabiao, Nueva Ecija
40. San Fernando City, Pampanga
41. Baliwag City, Bulacan

CAR
42. Tabuk City, Kalinga

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

PFRS Accounting Standards include all applicable PFRSs, Philippine Accounting Standards (PASs), and Interpretations issued by the Philippine Interpretations Committee – IFRIC as approved by the FSRSC 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 standards:

PFRS 9 Financial Instruments – For impairment, the Bank crafted its own Loan Loss Methodology (LLM) with the provisions of Appendix 15 of the MORB as its guide. However, some provisions, particularly the allowance rates, were modified on the basis of the Bank's historical and acceptable data.

Based on Cooperative Development Authority (CDA) Memorandum Circular No. 2022-25, the authority adopts and prescribes the use of Philippine Financial Reporting Standards (PFRS) for Cooperative Banks.

Whenever PFRS adopted by BSP, differs from the Reporting Framework, the CDA requires that the Reporting Framework be used as basis of accounting for the related accounts or transactions. The following are the specific accounts or group of accounts, or transactions of the Bank wherein PFRS differs from the Reporting Framework, thus the Bank should use the Reporting Framework in accounting for them:

(i) Classification of share capital – treated as part of equity regardless of its features;
(ii) Recognition of stabilization fund – a fund to guarantee financial assistance to member-cooperatives which can be classified as part of equity or liability;
(iii) Classification of donated capital – classified as part of equity; and
(iv) Measurement of investment in non-marketable equity securities (INMES) – these financial assets are allowed to be carried at cost under the Reporting Framework.

The Bank's financial statements for the year ended December 31, 2023 are its first annual financial statements prepared under accounting policies that comply with the Philippine Financial Reporting Standards.

2.2 Functional and Presentation Currency

The Bank's financial statements are stated in Philippine Peso, which is also the Bank's functional currency. All financial information presented in Philippine Peso has been rounded to the nearest peso, unless otherwise specified.

2.3 Use of Judgments and Estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Bank's financial statements and accompanying notes.

Judgments are made by the 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 ongoing 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 revised 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.

2.4 Going concern

As of December 31, 2024 and 2023, the Bank is not aware of any significant uncertainties that may cast doubts upon the Bank's ability to continue as going concern.

3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

3.1 New and Amended Standards and Interpretations Effective on January 01, 2024

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on, or after January 01, 2024, unless otherwise stated.

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16);
- Supplier Finance Arrangements (Amendments to PAS 7 and PFRS 7); and
- Non-current Liabilities with Covenants (Amendments to PAS 1).

These amendments had no impact on the Bank's financial statements.

3.2 Standards Issued but Not Yet Effective (Effective Beginning on or After January 01, 2025)

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.2.1 PFRS 17 Insurance Contracts

PFRS 17 'Insurance Contracts' is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. PFRS 17 replaces PFRS 4 'Insurance Contracts'. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of PFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. PFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

PFRS 17 is originally effective for annual periods beginning January 01, 2023. However, the Financial Reporting Standards Council has approved, on December 15, 2021, the amendment of PFRS 17 which defers the date of initial application by two (2) years to annual periods beginning on, or after January 01, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

The Bank does not expect the standard to have a material impact on its operations or financial statements.

3.2.2 Lack of Exchangeability (Amendments to PAS 21)

In August 2023, the IASB amended PAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

The amendment is effective for reporting periods beginning on, or after January 01, 2025. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.2.3 Annual Improvements to PFRS Accounting Standards – Volume 11

In July 2024, the IASB published 'Annual Improvements to PFRS Accounting Standards – Volume 11'. A summary of improvements is set out below:

- PFRS 1: "First-time Adoption of PFRS Financial Reporting Standards – Hedge Accounting by a First-time Adopter."
- PFRS 7: "Financial Instruments: Disclosures – Gain or Loss on Derecognition."
- PFRS 7: "Financial Instruments: Disclosures' Implementation Guidance – Disclosure of Differences between the Fair Value and the Transaction Price and Disclosures on Credit Risk."
- PFRS 9: "Financial Instruments – Transaction Price and Lessee Derecognition of Lease Liabilities."
- PFRS 10: "Consolidated Financial Statements – Determination of a *De Facto* Agent."
- PAS 7: "Statement of Cash Flows – Cost Method."

The amendments will be effective for annual reporting periods beginning on, or after January 01, 2026. Early application is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.2.4 Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7)

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the Solely Payments of Principal and Interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at Fair Value Through Other Comprehensive Income (FVOCI).

The amendments will be effective for annual reporting periods beginning on, or after January 01, 2026. Early adoption is permitted but will need to be disclosed. The Bank does not expect these amendments to have a material impact on its operations or financial statements.

3.2.5 PFRS 18 'Presentation and Disclosure in Financial Statements'

PFRS 18 will replace PAS 1, *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

The Management is currently assessing the detailed implications of applying the new standard on the Bank's financial statements.

The Bank will apply the new standard from its mandatory effective date of January 01, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

3.2.6 PFRS 19 'Subsidiaries without Public Accountability: Disclosures'

Issued in May 2024, PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRSs to apply reduced disclosure requirements.

PFRS 19 will become effective for reporting periods beginning on, or after January 01, 2027, with early application permitted. The Bank does not expect the standard to have a material impact on its operations or financial statements.

4. MATERIAL ACCOUNTING POLICIES

The material accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to both years presented, unless otherwise stated.

4.1 Financial Instruments

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

Date of Recognition

The Bank recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

"Day 1" Difference

Where the transaction price in a non-active market is different with the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the Statement of income. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

4.1.1 Financial Assets

Initial Recognition and Measurement

Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at FVPL, includes transaction costs.

Classification

The Bank classifies its financial assets at initial recognition under the following categories: (a) Financial Assets at Amortized Cost, (b) Financial Assets at FVOCI, and (c) Financial Assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Bank's business model for managing the asset and its contractual cash flow characteristics.

a. Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As of December 31, 2024, the Bank's cash on hand, due from BSP, due from other banks, investment securities at amortized cost and loans and other receivables are classified under this category as disclosed in Notes 8, 9, 10, 11 and 12.

Cash and Cash Equivalents

Cash and Cash Equivalents include Cash on Hand, Cash in Bank, and Short-term Placements. These are highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Loans Receivable

Loans Receivable include those arising from direct loans to members, including officers and employees. These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After the initial measurement, "Loans Receivables" are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. 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 "Provision for Credit Losses" in the Statements of Comprehensive Income.

Investment Securities at Amortized Cost

Investment Securities at Amortized Cost include non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as at amortized cost if the Bank has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Investment securities at amortized cost are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

After initial measurement, these financial assets are subsequently measured at amortized cost. Gains and losses are recognized in the Statement of Comprehensive Income when the investment securities at amortized cost are derecognized and impaired, as well as through the amortization process.

b. Financial Assets at FVOCI

Financial Assets at FVOCI include debt and equity securities.

Debt Instruments at FVOCI

For Debt Instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met: (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (2) 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.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

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

Equity Instruments at FVOCI

For equity instruments that are not held for trading, the Bank may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, Financial Instruments: Presentation. This option is available and made on an instrument-by-instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings. Equity Securities at FVOCI are not subject to impairment assessment.

As of December 31, 2024 and 2023, the Bank does not have Equity Securities at FVOCI.

c. Financial Assets at FVPL

Financial Assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, Financial Assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not "solely for payment of principal and interest", and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell. The Bank may, at initial recognition, designate a debt instrument meeting the criteria to be classified at amortized cost or at FVOCI, as a Financial Asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

This category also includes equity instruments which the Bank had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, Financial Assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of Financial Assets at FVPL are recognized in profit or loss.

As of December 31, 2024 and 2023, the Bank does not have Equity Securities at FVPL.

Reclassification

The Bank reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment

At the end of the reporting period, the Bank assesses its Expected Credit Losses (ECL). The Bank recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. The Bank, being categorized as having simple and non-complex operations, adopted the basic guidelines in setting up of allowance for credit losses provided for in Appendix 15 of the Manual of Regulations for Banks in recognizing ECLs for its loans and other receivables. The Bank looks beyond the past due/missed amortizations in classifying exposures and in providing allowance for credit losses.

The Bank considers a financial asset in default when contractual payments are not paid upon the due date. However, in certain cases, the Bank may also consider a financial asset to be in default when internal or external information indicates that the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Bank's ECL measurement, as determined by the Management, is disclosed in Note 6.1.1.

Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

4.1.3 Financial Liabilities

Initial Recognition and Measurement

Financial Liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized costs, the initial measurement is net of any directly attributable transaction costs.

Classification

The Bank classifies its Financial Liabilities at Initial Recognition as either Financial Liabilities at FVPL or Financial Liabilities at Amortized Cost.

As of December 31, 2024, the Bank does not have Liabilities at FVPL.

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, or through the amortization process.

As at December 31, 2024, the Bank's deposit liabilities, bills payable, and accrued and other liabilities (except statutory payables) are classified under this category as disclosed in Notes 16, 17 and 18.

Derecognition

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

Classification of Financial Instruments between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Bank does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Assets and Liabilities

Financial Assets and Financial Liabilities are offset and the net amount reported in the Statements of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

4.2 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any impairment loss. As no finite useful life for land can be determined, related carrying amount is not depreciated. All other Bank Premises, Furniture, Fixtures and Equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation and amortization commence once the assets are available for use and is calculated on the straight-line method over the estimated useful life of the depreciable assets, as follows:

Building	20 – 30 years
Transportation Equipment	5 – 8 years
Furniture, Fixtures and Equipment	5 years
IT Equipment	5 years

Leasehold improvements are amortized over the shorter between improvement's useful life of 25 years or the lease term.

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

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

Fully-depreciated assets still in use are retained in the financial statements. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the financial statements and any resulting gain or loss is credited or charged to profit or loss. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

4.3 Investment Properties

Properties that are held either to earn rental income or for capital appreciation or both, and are not significantly occupied by the Bank, are classified as Investment Properties.

Investment Properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed using straight-line method based on the estimated useful lives of the assets of 10 years. Land is not depreciated. An impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher between the property's fair value less cost to sell and value in use.

Investment properties are derecognized by the Bank upon disposal or when the investment property is permanently withdrawn from use and no future benefit is expected to arise from the continued use of the asset. Any gain or loss on derecognition of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income in the period in which the property is derecognized.

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

Transfers to and from Investment Property do not result in gain or loss.

4.4 Other Assets

Other assets not classified as financial assets include, intangible asset, prepayments and stationeries, supplies on hand and miscellaneous assets. 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.

4.5 Impairment of Non-Financial Assets

At each reporting date, the Bank assesses whether there is any indication that any non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

4.6 Financial Liabilities and Equity Instruments

4.6.1 Classification as Financial Liability or Equity Instruments

Components of Financial Liability and Equity Instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished. The equity component 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 of income tax effects, and is not subsequently remeasured.

Transaction costs that relate to the issue of the compound instruments 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 effective interest method.

4.6.2 Financial Liabilities

Financial Liabilities are classified as either Financial Liabilities “at FVPL” or “Other Financial Liabilities”.

Financial liabilities of the Bank include deposit liabilities, bills payables, and accrued interest, taxes and other expenses payable and other liabilities.

Financial liabilities are recognized when the Bank becomes a party to the contractual agreements of the instrument where the substance of the arrangement result in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost less payments.

After initial measurement, deposit liabilities and other similar financial liabilities not qualified as, and not designated at FVPL, are subsequently measured at amortized cost using the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium, if any, on the issue and fees that are an integral part of the effective interest rate.

Dividend distributions to members are recognized as financial liabilities when the dividends are evaluated by the BSP, approved by the Board of Directors and confirmed in the General Assembly.

4.6.3 Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under ‘Deposit Liabilities,’ ‘Bills Payable’ or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with that equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. Financial liabilities are initially measured at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated as FVPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

4.6.4 Derecognition of Financial Liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.6.5 Members' Equity

Share capital represents the nominal value of shares that have been issued. The share capital is presented as equity regardless of its features as prescribed by the Reporting Framework and the accounting requirements under the laws, rules, regulations, and principle promulgated by the Cooperative Development Authority (CDA). This corresponds to the members' contribution to the Bank. All withdrawals of capital contributions are subject to the approval of the Board of Directors.

Dividends on equity are recognized when they are declared.

Surplus free represents all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of appropriated to surplus reserves and dividend declared, if any.

Surplus reserves/statutory reserves include all current and prior period results, net of interest on share capital and patronage refunds, as reported in the statement of comprehensive income. They are as follows:

(a) *General Reserve Fund* – at least 10% of the Bank's net surplus is set aside for the General Reserve Fund. This is to be used for the stability of the Bank and to meet losses from its operations, if any. A corresponding fund should be set up either in the form of time deposit with local banks or government securities.

(b) *Education and Training Fund* – an amount retained by the Bank out of the mandatory allocation as stipulated in the Bank's By-Laws. It shall not exceed 10% of the net surplus.

(c) *Community Development Fund* – this is computed at not less than 3% of Bank's net surplus. This is used for projects or activities that will benefit the community where the Bank operates.

(d) *Optional Fund* – fund set aside from the net surplus for future use such as land and building, community developments, etc. It shall not exceed 7% of the Bank's net surplus.

4.7 Fair Value Measurement

The Bank uses the following hierarchy to estimate the fair value of financial instruments:

- Quoted price for an identical asset in an active market, which is usually the current bid price;

- When quoted prices are unavailable, the price of a recent transaction for an identical asset as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the last transaction price is not a good estimate of fair value, that price is adjusted; or

- If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, fair value is measured using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques include using recent arm's length market transactions for an identical asset between knowledgeable, willing parties, if available, reference to the current fair value of another asset that is substantially the same as the asset being measured, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the asset and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique.

The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-determined inputs. A valuation technique would be expected to arrive at a reliable estimate of the fair value if (a) it reasonably reflects how the market could be expected to price the asset, and (b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk return factors inherent in the asset.

The fair value of investments in assets that do not have a quoted market price in an active market is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset, or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

4.8 Provisions, Contingent Liabilities and Contingent Assets

4.8.1 Provisions

Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

4.8.2 Contingent Liabilities and Contingent Assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

4.9 Revenue Recognition

4.9.1 Revenue Recognition for Revenues Within the Scope of PFRS 15

Prior to January 01, 2018, under PAS 18 – Revenue, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Bank and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable by the Bank for services provided in the normal course of business. In addition, the following specific recognition criteria must also be met before revenue is recognized.

Upon adoption of PFRS 15, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Bank has assessed that it is acting as principal in all arrangements.

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

Income from Assets Sold or Exchange

Income from assets sold or exchanged is recognized when the title to the assets is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included as part of "other operating income" account in the statement of profit or loss.

Service Fees, Commissions and Other Income

Fees, commissions and other income are generally recognized on an accrual basis when the service has been provided. Penalties are recognized only upon collection or where there is a reasonable degree of certainty as to their collectibility.

4.9.2 Revenue Recognition for Revenues Outside the Scope of PFRS 15

For revenues outside the scope of PFRS 15, the following specific recognition criteria must also be met before revenue is recognized:

Interest Income

Interest income on loans and discount with advanced interest and service charges are recognized periodically using the effective interest method of amortization. On the other hand, the Bank recognizes interest income and service charges on current loans not discounted with lump sum payment term and other loan related income, only to the extent of cash collections received.

The Bank shall only charge interest based on 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.

In the case of past due accounts, interest income is recognized only upon the actual collection, as provided under existing BSP regulations.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the effective interest rate method and shown as deduction from loans.

Other Income

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

4.10 Cost and Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or
- immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Interest expense are expenses incurred that are associated with the Bank's deposit liabilities and bills payable. Non-interest expenses are costs attributable to administrative, marketing, collection and other business activities of the Bank.

4.11 Leases

4.11.1 The Bank as Lessee

For any new contracts entered into on or after January 01, 2023, 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 in exchange for consideration'. To apply this definition, the Bank assesses whether the contract meets three (3) key evaluations which are whether:

- 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.

- 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.

- 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 the lease commencement date, the Bank recognizes a right-of-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 the remaining term of the lease, whichever is shorter.

Subsequent to the 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, or profit and loss if the right-of-use asset is already reduced to zero.

4.12 Employee Benefits

Employee benefits are all forms of consideration given by the Bank in exchange for services rendered by employees, including Directors and Management.

4.12.1 Post-Retirement Benefits Obligations

The Bank maintains partially funded, tax-qualified and non-contributory post-employment benefit plan that will be administered by a trustee bank. The trustee bank will manage the fund in coordination with the Bank's Retirement Plan Committee who acts in the best interest of the plan assets and is responsible for setting the investment policies.

The normal retirement age is 60 with minimum of 10 years of credited service. The plan also provides for an early retirement at age 45 with minimum of 10 years of credited service and late retirement age after 60 but not beyond 65, both subject to the approval of the Bank's Board of Directors. Normal retirement benefit is an amount equivalent to 150% of plan salary for every year of credited service. The normal and late retirement benefits shall be computed in accordance with the retirement benefit formula as of normal or late retirement date.

4.12.2 Short-Term Employee Benefits

The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses, non-monetary benefits, and other short-term benefits.

4.13 Related Party Relationships and Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Bank, post-employment benefit plans for the benefit of Bank's employees, and close members of the family of any individuals owning directly or indirectly a significant voting power of the Bank that gives them significant influence in the financial and operating policy decisions of the Bank are also considered to be related parties.

A Related Party Transaction (RPT) is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Bank when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Bank.

Further, Section 131 of the MORB states that related parties shall cover the BSFI's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the BSFI exerts direct/indirect control over or that exerts direct/indirect control over the BSFI; the BSFI's DOSRI, and their close family members, as well as corresponding persons in affiliated companies. These shall also include such other person/juridical entity whose interests may pose potential conflict with the interest of the BSFI, hence, is identified as a related party.

The above definition shall also include direct or indirect linkages to a BSFI identified as follows:

(1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;

(2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;

(3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the BSFI and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or

(4) Permanent proxy or voting trusts in favor of the BSFI constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Related party transactions (RPTs) shall refer to transactions or dealings with related parties of the BSFI, including its trust department regardless of whether or not a price is charged. These shall include, but not limited to the following:

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

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

4.14 Income Tax

The Bank is a tax-exempt entity under Republic Act No. 9520, otherwise known as the Philippine Cooperative Code of 2008. Under R.A. No. 9520, the Bank is exempt from the payment of tax in respect to its registered operations. However, during the year, the Bank has incurred transactions with non-members resulting to income subjected to tax as disclosed in Note 20. The Bank identifies specific income and expense transactions attributable to non-members and allocates some expenses which cannot be specifically identified in proportion to the ratio of income from non-members to total income.

Tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is recognized in OCI or directly in equity, respectively.

4.14.1 Current Income Tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the Bank operates and generates taxable income.

4.15 Events After the Reporting Date

The Bank identifies events after the reporting date as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any event that provides additional information about the Bank's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires the Management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical Judgments in Applying Accounting Policies

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

5.1.1 Determination of Functional Currency

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.

5.1.2 Classification of Financial Instruments

The Bank classifies a financial instrument, or its components parts, on initial recognition, as a financial asset, 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 condition.

5.1.3 Evaluation of Provisions and Contingencies

Judgment is exercised by the Management to distinguish between provisions and contingencies.

5.1.4 Determining Whether or Not a Contract Contains a Lease

At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Identified Asset

An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer.

Substantive Substitution Rights

Even if the asset is specified, the Bank does not have the right to use an identified asset, if, at inception of the contract, a supplier has the substantive right to a substitute the asset throughout the period of use (i.e., the total period of time that an asset is used to fulfill a contract with the Bank, including the sum of any non-consecutive periods of time). A supplier's right to substitute an asset is substantive when both of the following conditions are met:

- The supplier has the practical ability to substitute alternative assets throughout the period of use (e.g., the Bank cannot prevent the supplier from substituting an asset and alternative assets are readily available to the supplier or could be sourced by the supplier within a reasonable period of time); and

- The supplier would benefit economically from the exercise of its right to substitute the asset (i.e., the economic benefits associated with substituting the asset is expected to exceed the costs associated with substituting the asset).

The Bank's evaluation of whether a supplier's substitution right is substantive is based on facts and circumstances at inception of the contract. At inception of the contract, the Bank does not consider future events that are not likely to occur.

Right to Obtain Substantially All of the Economic Benefits from Use of the Identified Asset

To control the use of an identified asset, the Bank is required to have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use (e.g., by having exclusive use of the asset throughout that period).

When assessing whether the Bank has the right to obtain substantially all of the economic benefits from the use of an asset, the Bank considers the economic benefits that result from use of the asset within the defined scope of the customer's right to use the asset. A right that solely protects the supplier's interest in the underlying asset (e.g., limits on the number of miles a customer can drive a supplier's vehicle) does not, in and of itself, prevent the Bank from obtaining substantially all of the economic benefits from use of the asset and, therefore, are not considered when assessing whether the Bank has the right to obtain substantially all of the economic benefits.

If a contract requires the Bank to pay the supplier or another party a portion of the cash flows derived from the use of an asset as consideration (e.g., a percentage of sales from the use of retail space), those cash flows are considered to be economic benefits that the Bank derives from the use of the asset.

Right to Direct the Use of the Identified Asset

The Bank has the right to direct the use of an identified asset throughout the period of use when either the Bank has the right to direct how and for what purpose the asset is used throughout the period of use. The Bank has the right to direct the use of an identified asset whenever it has the right to direct how and for what purpose the asset is used throughout the period of use (i.e., it can change how and for what purpose the asset is used throughout the period of use). When evaluating whether the Bank has the right to change how and for what purpose the asset is used throughout the period of use, its focus is on whether the Bank has the decision-making rights that will most affect the economic benefits that will be derived from the use of the asset. The decision-making rights that are most relevant are likely to depend on the nature of the asset and the terms and conditions of the contract.

5.1.5 Classification of Cost and Expenses

The Bank determines the classification of costs and expenses as interest expense, impairment losses, and other operating expenses. Classification of costs and expenses are determined on the basis of servicing activities of the Bank. All other costs and expenses are classified as other operating expenses.

5.1.6 Determining Method of Computing ECL

As stated in Bangko Sentral ng Pilipinas (BSP) Circular No. 1011, BSP-supervised financial institutions with credit operations that may not economically justify adoption of simple loan loss estimation methodology that is compliant with PFRS 9, shall, at a minimum, be subject to regulatory guidelines in setting up Allowance for Credit Losses (ACL) prescribed under Appendix 15 of the MORB.

The Bank crafted its own Loan Loss Methodology (LLM) with the provisions of Appendix 15 of the MORB as its guide. The Bank assessed the ECL in accordance with the said LLM and based on the Management judgement it was determined that the amount recognized as allowance is reasonable.

The Management believes that there was no material impact on the financial statements as a result of the departure since the ACL computed by the Bank is sufficient to cover the required ECL in PFRS 9.

5.1.7 Classifying Real and Other Properties Acquired (ROPA)

The Bank acquires properties in settlement of loans through foreclosure or *dation* in payment. These properties are recognized in accordance with Section 382 of the MORB, as follows:

(1) Land and buildings shall be accounted for using the cost model under PAS 40 "Investment Property";
(2) Other non-financial assets shall be accounted for using the cost model under PAS 16 "Property Plant and Equipment", provided that these are held for use in the production or supply of goods or services, or for administrative purposes; and
(3) PFRS 5 "Non-Current Assets Held for Sale" when the properties comply with the provisions of the standard.

Notwithstanding the above provisions, it is a regulatory expectation for the Bank to dispose these properties immediately.

5.2 Key Sources of Estimation Uncertainty

5.2.1 Impairment Losses on Financial Assets (Loans and Other Receivables and Investment Securities at Amortized Cost)

The Bank reviews its loans and other receivables and investment portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of operation, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditioned that correlate with defaults on assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Bank utilized different valuation methods and assumptions. Any change in the fair value of these financial assets and liabilities would affect profit and loss and equity. As of December 31, 2024 and 2023, the Management believes that the allowance provided by the Bank is sufficient to cover BSP requirements.

As of December 31, 2024 and 2023, investment securities at amortized cost previously classified as held-to-maturity financial assets amounted to Php10,256,851 as disclosed in Note 11.

As of December 31, 2024 and 2023, Loans and Other Receivables amounted to Php3,443,855,084 and Php3,137,601,086, respectively, net of ACL as disclosed in Note 12.

5.2.2 Reviewing Useful Lives and Depreciation Method of Bank Premises, Furniture, Fixtures and Equipment

The useful lives and depreciation method of the Bank Premises, Furniture, Fixtures and Equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Bank's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Bank considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Bank's assets.

In addition, the estimation of the useful lives is based on Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in 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. A reduction in the estimated useful lives of the Bank premises, furniture, fixtures and equipment would increase the recognized operating expenses and decrease non-current assets.

The Bank uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Bank expects to consume an asset's future economic benefits, the Bank shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

5.2.3 Impairment of Assets

An assessment is made at the date of the Statement of Financial Condition to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The Management has made significant estimates on the recoverability of the Bank premises, furniture, fixtures and equipment, and concluded that as of December 31, 2024 and 2023, no indications of impairment are present that would necessitate the recognition of impairment loss of the Bank's assets.

The carrying values of the Bank premises, furniture, fixtures and equipment amounted to Php318,315,458 and Php323,779,421, as of December 31, 2024 and 2023, respectively, as disclosed in Note 14.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES

6.1 General Risk Management Principles

The Bank's financial instruments comprise cash and cash equivalents which includes cash on hand, due from BSP and due from other banks, loans and receivables, investment securities at amortized cost, other assets, and other financial liabilities such as deposit liabilities, bills payable and accrued interest, and other expenses payable and other liabilities to finance the Bank's operation. The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk, interest rate risk and operation risk. The Management reviews and agrees on policies managing each of these risks and they are summarized below.

The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

Particulars	Notes	2024	2023
Financial Assets			
Cash and Other Cash Items	*8*	₱ **52,725,356**	₱ 53,463,235
Due from BSP	*9*	**5,137,336**	34,841,151
Due from Other Banks	*10*	**2,146,975,305**	2,144,383,568
Investment Securities at Amortized Cost	*11*	**10,256,851**	10,256,851
Loans and Receivables, Net	*12*	**3,443,855,084**	3,137,601,086
Other Assets*	*15*	**102,542,596**	54,944,752
Total		₱ **5,761,492,528**	₱ 5,435,490,643
Financial Liabilities			
Deposit Liabilities	16	₱ **3,000,900,211**	₱ 2,916,012,235
Bills Payables	17	**1,247,917,262**	1,173,250,000
Accrued Interest, Taxes and Other Expenses Payable**	18	**24,377,607**	10,082,122
Due to Federation	19	**2,312,607**	2,329,110
Other Liabilities***	20	**232,523,987**	231,679,447
Total		₱ **4,508,031,674**	₱ 4,333,352,914

**excluding non-financial assets amounting to Php14,234,105 and Php10,779,917, in 2024 and 2023 respectively, and net of allowance for credit losses of Php3,962,797 and Php4,040,358 in 2024 and 2023, respectively.*
***excluding accrued taxes amounting to Php2,390,906 and Php542,970 in 2024 and 2023, respectively.*
****excluding non-financial liabilities amounting to Php43,302,927 and Php17,444,080, in 2024 and 2023, respectively.*

6.1.1 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Bank enforces credit risk management fundamentally via its Credit Policy Manual (CPM), the provisions of which are regularly reviewed and updated to reflect changing risk conditions. The CPM defined, among others, the following:

a. the Bank's credit structure;
b. target market;
c. credit evaluation, administration, monitoring, and collection guidelines; and
d. remedial management.

The Bank likewise manages risk by setting limits, such as:

a. approving authority limits;
b. individuals and borrower group limits; and
c. concentration limits as to facility and industry segments.

Moreover, the Bank monitors credit exposures, and continually assesses the creditworthiness of counterparties. It also obtains security where appropriate, enters into collateral arrangement with counterparties, and limits the duration of exposures.

The Bank has an internal credit risk rating system for the purpose of measuring, in a consistent manner, credit risk for every exposure. The risk information derived is then used for business and financial decision making.

The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Bank's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk of the Bank without considering the effects of credit risk mitigation techniques.

Particulars	Notes	2024	2023
Due from BSP	9	₱ **5,137,336**	₱ 34,841,151
Due from Other Banks	*10*	**2,146,975,305**	2,144,383,568
Investment Securities at Amortized Cost	*11*	**10,256,851**	10,256,851
Loans and Other Receivables*	*12*	**3,592,074,722**	3,268,499,064
Other Assets**	*15*	**106,505,393**	58,985,110
Total		₱ **5,860,949,607**	₱ 5,516,965,744

**loans and other receivables at gross amount of allowance for credit loss amounting to Php148,219,638 and Php130,897,978 in 2024 and 2023, respectively.*
***other assets at gross amount of allowance for credit loss amounting to Php3,962,797 and Php4,040,358, in 2024 and 2023, respectively, and excluding non-financial assets totalling to Php14,234,105 and Php10,779,918, in 2024 and 2023, respectively.*

Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as of December 31, 2024 and 2023.

2024				
Particulars	**Neither Past Due Nor Impaired**	**Past Due But Not Impaired**	**Impaired**	**Total**
Cash and Other Cash Items	₱ 52,725,356	₱ 0	₱ 0	**₱ 52,725,356**
Due from BSP	5,137,336	0	0	**5,137,336**
Due from Other Banks	2,146,975,305	0	0	**2,146,975,305**
Investment Securities at Amortized Cost	10,256,851	0	0	**10,256,851**
Loans and Other Receivables*	3,279,581,302	312,493,420	0	**3,592,074,722**
Other Assets**	102,542,596	0	3,962,797	**106,505,393**
Total	**₱ 5,597,218,746**	**₱ 312,493,420**	**₱ 3,962,797**	**₱ 5,913,674,963**

**loans and other receivables at gross amount of allowance for credit loss amounting to Php148,219,638.*
***other assets at gross amount of allowance for credit loss amounting to Php3,962,797 and excluding non-financial assets totalling Php14,234,105.*

2023				
Particulars	**Neither Past Due Nor Impaired**	**Past Due But Not Impaired**	**Impaired**	**Total**
Cash and Other Cash Items	₱ 53,463,235	₱ 0	₱ 0	₱ 53,463,235
Due from BSP	34,841,151	0	0	34,841,151
Due from Other Banks	2,144,383,568	0	0	2,144,383,568
Investment Securities at Amortized Cost	10,256,851	0	0	10,256,851
Loans and Other Receivables*	3,059,231,142	209,267,922	0	3,268,499,064
Other Assets**	54,944,752	0	4,040,358	58,985,110
Total	**₱ 5,357,120,699**	**₱ 209,267,922**	**₱ 4,040,358**	**₱ 5,570,428,979**

**loans and other receivables at gross amount of allowance for credit loss amounting to Php130,897,978.*
***other assets at gross amount of allowance for credit loss amounting to Php4,040,358 and excluding non-financial assets totalling Php10,779,918.*

Neither past due nor impaired cash on hand and in banks is working capital cash fund placed, invested, or deposited in local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability. Other neither past due nor impaired accounts are loans and other receivables and investment securities which have a very remote likelihood of default and have consistently exhibited good paying habits.

Past due but not impaired loans and receivables and investment securities are loans and receivables and investment securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available or status of collection of amounts owed to the Bank.

Loans with negotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, the Bank has made concessions that it would not otherwise consider.

Impaired loans and receivables and investment securities are loans and receivables and investment securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the promissory notes and securities agreements. Loans and receivables that have been provided with 100% allowance for credit losses and those under litigation are considered impaired.

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

Aging Analysis

An aging analysis of the Bank's loans and other receivables as of December 31, 2024 and 2023, are as follows:

Particulars	2024	2023
Outstanding Receivables:		
Current Accounts	**₱ 3,279,581,302**	₱ 3,059,231,142
Past Due Accounts:		
1 – 30 Day(s) Past Due	**45,513,809**	37,096,142
31 – 60 Days Past Due	**35,562,454**	12,840,826
61 – 90 Days Past Due	**26,619,389**	10,911,595
Over 90 Days Past Due	**204,797,768**	148,419,359
Total	**₱ 3,592,074,722**	₱ 3,268,499,064

**amounts are gross of allowance for credit losses but net of unamortized discount.*

Impairment Assessment

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

The two methodologies applied by the Bank in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment. Under specific/individual assessment, the Bank assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Bank when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

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

6.1.2 Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate Liquidity Risk Management Framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Bank seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Bank's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

As of December 31, 2024 and 2023, the minimum liquidity ratio of the Bank is 71.80% and 75.66%, respectively.

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

2024						
Particulars	**On Demand**	**Due Within 1 Year**	**Due Beyond 1 Year But Within 5 Years**	**Due Beyond 5 Years But Within 10 years**	**Due Beyond 10 Years**	**Total**
Financial Assets						
Cash and Other Cash Items	₱ 52,725,356	₱ 0	₱ 0	₱ 0	₱ 0	**₱ 52,725,356**
Due from BSP	5,137,336	0	0	0	0	**5,137,336**
Due from Other Banks	2,146,975,305	0	0	0	0	**2,146,975,305**
Investment Securities at Amortized Cost	0	0	0	10,256,851	0	**10,256,851**
Loans and Other Receivables*	245,424,398	2,457,934,070	884,633,386	4,082,868	0	**3,592,074,722**
Other Assets**	106,505,393	0	0	0	0	**106,505,393**
Total	**₱ 2,556,767,788**	**₱ 2,457,934,070**	**₱ 884,633,386**	**₱ 14,339,719**	**₱ 0**	**₱ 5,913,674,963**
Financial Liabilities						
Deposit Liabilities	₱ 2,265,898,507	₱ 618,848,757	₱ 116,152,947	₱ 0	₱ 0	**₱ 3,000,900,211**
Bills Payable	0	1,091,392,270	156,524,992	0	0	**1,247,917,262**
Accrued Interest, Taxes and Other Expenses Payable***	24,377,607	0	0	0	0	**24,377,607**
Due to Federation	2,312,607	0	0	0	0	**2,312,607**
Other Liabilities****	232,523,987	0	0	0	0	**232,523,987**
Total	**₱ 2,525,112,708**	**₱ 1,710,241,027**	**₱ 272,677,939**	**₱ 0**	**₱ 0**	**₱ 4,508,031,674**

**gross of allowance for credit losses of Php148,219,638 and net unamortized discounts of Php34,593,133.*
***gross of allowance for credit losses of Php3,962,797 and excluding non-financial assets of Php14,234,105.*
****excludes accrued taxes amounting to Php2,390,906.*
*****excludes non-financial liabilities amounting to Php43,302,927.*

2023						
Particulars	**On Demand**	**Due Within 1 Year**	**Due Beyond 1 Year But Within 5 Years**	**Due Beyond 5 Years But Within 10 years**	**Due Beyond 10 Years**	**Total**
Financial Assets						
Cash and Other Cash Items	₱ 53,463,235	₱ 0	₱ 0	₱ 0	₱ 0	₱ 53,463,235
Due from BSP	34,841,151	0	0	0	0	34,841,151
Due from Other Banks	2,144,383,568	0	0	0	0	2,144,383,568
Investment Securities at Amortized Cost	0	0	0	10,256,851	0	10,256,851
Loans and Other Receivables*	3,059,231,143	98,158,523	111,109,398	0	0	3,268,499,064
Other Assets**	58,985,110	0	0	0	0	58,985,110
Total	**₱ 5,350,904,207**	**₱ 98,158,523**	**₱ 111,109,398**	**₱ 10,256,851**	**₱ 0**	**₱ 5,570,428,979**
Financial Liabilities						
Deposit Liabilities	₱ 2,258,876,188	₱ 509,787,450	₱ 147,348,597	₱ 0	₱ 0	₱ 2,916,012,235
Bills Payable	0	945,000,000	228,250,000	0	0	1,173,250,000
Accrued Interest, Taxes and Other Expenses Payable***	10,082,122	0	0	0	0	10,082,122
Due to Federation	2,329,147	0	0	0	0	2,329,147
Other Liabilities****	231,679,447	0	0	0	0	231,679,447
Total	**₱ 2,502,966,904**	**₱ 1,454,787,450**	**₱ 375,598,597**	**₱ 0**	**₱ 0**	**₱ 4,333,352,951**

**gross of allowance for credit losses of Php130,897,978 and net unamortized discounts of Php35,515,254.*
***gross of allowance for credit losses of Php4,040,358 and excluding non-financial assets of Php10,779,917.*
****excludes accrued taxes amounting to Php542,970.*
*****excludes non-financial liabilities amounting to Php17,444,080.*

6.1.3 Interest Rate Risk

Interest rate risk is the risk to the earning or capital resulting from adverse movements in the interest rates. The Bank closely monitors the movements of interest rates in the market and reviews its asset and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits. The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis on interest rate risk is not readily estimable as interests are unpredictable.

Market Risk

Market risk is risk that movements of market prices will adversely affect the Bank's financial condition. In managing its market risk exposure, the Bank focuses on managing price which is the risk of loss arising from any change in the value of any asset or trading instrument. These risks apply to both the Bank's trading and accrual positions.

Interest Rate Risk

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Bank is exposed to interest rate risk since its financial assets and financial liabilities have fixed and variable rates. For that matter, a periodic survey of existing lending and deposit interest rates in the market, particularly with its peer banks, is conducted by the Treasury Department. The result of same is being reported and discussed by the Bank's Management through the Executive Committee (EXECOM). Recommendation(s) on interest increase and/or reduction is/are made, subject to approval by the Board of Directors. Thereafter, the latest interest rate advisories are cascaded through memorandum to all operating units of the Bank with proper notice to concerned clients.

Measurement of Interest Rate Risk

1. Earnings-Based Measures. The earnings-based measures focus on the impact of changes in interest rates on future accrued or reported earnings. These are suited for measuring the short- and medium-term vulnerabilities of the Bank, i.e., those occurring within the next three (3) years. Depending on the complexity of the Bank's operations, it is necessary to develop assumptions on client/market behavior and its own management response to the evolving economic climate, such as:
   a) The volume and type of new/replacement assets and liabilities expected to be originated over the evaluation period;
   b) The volume and type of asset and liability redemptions/reductions over that period;
   c) The interest rate basis and margin associated with the new assets and liabilities, and with those redeemed/withdrawn; and
   d) The impact of any fees collected/paid for the exercise of options.

2. Economic Value-Based Measures. An EV-based measure of interest rate risk represents an assessment of the present value of expected net cash flows, discounted to reflect market rates. Fluctuations in interest rates will affect the Bank's earnings and its net worth as well. Thus:
   a) changes in economic value can be measured using a variety of techniques that differ in terms of complexity and ability in capturing different types of interest rate sensitivity;
   b) in coming up with present values, the relevant risk-free rate shall be used to formulate discount factors; and
   c) the resulting weighted net positions across tenors shall be aggregated to determine the EVE in each currency under different shock scenarios.

Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk 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 for 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 areas:

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 Unit of Audit, Risk Management & Compliance Office (ARMCO). 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. Further, the Bank has internally developed a Loss Events Registry System, which serves as database for loss events in the bank.

Model Measurement

It is would also be useful for the Bank to quantify its operational risk exposures by using the output of the risk assessment tools, as inputs into a model, such as the Internal Capital Adequacy Assessment Process (ICAAP) or the Own Risk And Solvency Assessment (ORSA), that estimates operational risk exposure. The quantification/estimate shall be compared the required capital for operational risk and the relevant capital adequacy/minimum required capital guideline for additional value, if inadequate. The results of the model shall be used in an economic capital process, which can be allocated to business lines to link risk and return. Regardless of the operational risk quantification approach that will be undertaken, the key assumptions shall be documented, and appropriate validation, vetting and verification activities shall be performed.

7. FAIR VALUE MEASUREMENT

The following table presents a comparison by category of carrying amounts and estimated fair value of the Bank's financial instruments as of December 31, 2024 and 2023:

2024					
Particulars	Carrying Value	Total	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and Other Cash Items	₱ 52,725,356	₱ 52,725,356	₱ 0	₱ 52,725,356	₱ 0
Due from BSP	5,137,336	5,137,336	0	5,137,336	0
Due from Other Banks	2,146,975,305	2,146,975,305	0	2,146,975,305	0
Investment Securities at Amortized Cost	10,256,851	10,256,851	0	10,256,851	0
Loans and Receivables, Net	3,443,855,084	3,443,855,084	0	3,443,855,084	0
Other Assets*	102,542,596	102,542,596	0	102,542,596	0
Total	**₱ 5,761,492,528**	**₱ 5,761,492,528**	**₱ 0**	**₱ 5,761,492,528**	**₱ 0**
Financial Liabilities					
Deposit Liabilities	₱ 3,000,900,211	₱ 3,000,900,211	₱ 0	₱ 3,000,900,211	₱ 0
Bills Payables	1,247,917,262	1,247,917,262	0	1,247,917,262	0
Accrued Interest, Taxes and Other Expenses Payable**	24,377,607	24,377,607	0	24,377,607	0
Due to Federation	2,312,607	2,312,607	0	2,312,607	0
Other Liabilities***	232,523,987	232,523,987	0	232,523,987	0
Total	**₱ 4,508,031,674**	**₱ 4,508,031,674**	**₱ 0**	**₱ 4,508,031,674**	**₱ 0**

2023					
Particulars	Carrying Value	Total	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets					
Cash and Other Cash Items	₱ 53,463,235	₱ 53,463,235	₱ 0	₱ 53,463,235	₱ 0
Due from BSP	34,841,151	34,841,151	0	34,841,151	0
Due from Other Banks	2,144,383,568	2,144,383,568	0	2,144,383,568	0
Investment Securities at Amortized Cost	10,256,851	10,256,851	0	10,256,851	0
Loans and Receivables, Net	3,137,601,086	3,137,601,086	0	3,137,601,086	0
Other Assets*	54,944,752	54,944,752	0	54,944,752	0
Total	**₱ 5,435,490,643**	**₱ 5,435,490,643**	**₱ 0**	**₱ 5,435,490,643**	**₱ 0**
Financial Liabilities					
Deposit Liabilities	₱ 2,916,012,235	₱ 2,916,012,235	₱ 0	₱ 2,916,012,235	₱ 0
Bills Payables	1,173,250,000	1,173,250,000	0	1,173,250,000	0
Accrued Interest, Taxes and other Expenses Payable**	10,082,122	10,082,122	0	10,082,122	0
Due to Federation	2,329,147	2,329,147	0	2,329,147	0
Other Liabilities***	231,679,447	231,679,447	0	231,679,447	0
Total	**₱ 4,333,352,951**	**₱ 4,333,352,951**	**₱ 0**	**₱ 4,333,352,951**	**₱ 0**

**excluding non-financial assets amounting to Php14,234,105 and Php10,779,917, in 2024 and 2023 respectively, and net of allowance for credit losses of Php3,962,797 and Php4,040,358 in 2024 and 2023, respectively.*
***excluding accrued taxes amounting to Php2,390,906 and Php542,970 in 2024 and 2023, respectively.*
****excluding non-financial liabilities amounting to Php43,302,927 and Php17,444,080, in 2024 and 2023, respectively.*

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities:

Cash and Other Cash items, Due from BSP, Due from Other Banks, Other Assets, Accrued Interest, and Other Expenses Payable and Other Liabilities

The carrying values of these financial assets and liabilities approximate their fair values due to the relatively short-term maturities of these financial assets and liabilities.

Loans and Other Receivables

Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of loans and receivables.

Investment Securities at Amortized Cost

The carrying values of held to maturity investments approximate their fair value since the maturity values of the investments are equivalent to their face value.

Deposit Liabilities and Bills Payable

Fair values are estimated using the discounted cash flow methodology, using the incremental borrowing rates for similar borrowings with maturities consistent with those remaining liabilities being valued.

Fair Value Hierarchy

The Bank uses the following hierarchy as guide for determining the fair value of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For financial assets with fair values included in Level 1, the Management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

There were neither transfers between Levels 1 and 2 instruments in both years.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-financial Assets

The fair value of the Bank's investment properties, as disclosed in Note 13, is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's Management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

Fair values of the Bank's investment properties amounted to Php247,961,263 and Php180,502,869 as of December 31, 2024 and 2023, respectively, as disclosed in Note 13, and are currently categorized within Level 2. In estimating the fair value of these properties, the Management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets.

8. CASH AND OTHER CASH ITEMS

Particulars	2024	2023
Cash on Hand	₱ **51,804,556**	₱ 52,378,335
Cash in ATM	**920,800**	1,084,900
Total	₱ **52,725,356**	₱ 53,463,235

9. DUE FROM BANGKO SENTRAL NG PILIPINAS

Particular	2024	2023
Due from Bangko Sentral ng Pilipinas	₱ **5,137,336**	₱ 34,841,151

Due from BSP is a non-interest-bearing deposit maintained with the Bangko Sentral ng Pilipinas to meet revenue requirements. As per BSP Circular No. 1201 series of 2024, reserves against deposit liabilities for banks are reduced to zero percent (0%) for savings, time, and demand deposits. The bank has satisfactorily complied with the reserve requirements of the BSP as of December 31, 2024 and 2023.

Under Section 252 of the MORB, the required reserves shall be kept in the form of deposits placed in the banks' demand deposit accounts with the BSP. This further provides that such deposit account with the BSP is not considered as a regular current account as BSP checks for drawings against such deposit shall be limited to settlement of obligations with the BSP and withdrawals to meet cash requirements.

10. DUE FROM OTHER BANKS

The account consists of the following:

Particulars		2024		2023
Demand	₱	**294,639,073**	₱	292,315,496
Savings		**1,852,336,232**		1,852,068,072
Total	₱	**2,146,975,305**	₱	2,144,383,568

Due from other banks pertains to savings deposit, special savings deposit and current deposit which earn interest ranging from 1.15% to 6.5% and 1.15% to 6.375%, in 2024 and 2023, respectively.

Interest income amounted to Php68,325,050 and Php52,783,976 in 2024 and 2023, respectively, and is presented as part of interest income in the statements of operation.

11. INVESTMENT SECURITIES AT AMORTIZED COST

The Bank has investments in retail treasury bonds classified as investment securities at amortized cost in 2024 and 2023. Details are as follows:

Particulars		2024		2023
Retail Treasury Bonds	₱	**13,085,168**	₱	13,642,463
Unamortized Premium		**183,127**		183,127
Allowance for Impairment Losses *(Note 27)*		**(3,011,444)**		(3,568,739)
Total	₱	**10,256,851**	₱	10,256,851

The interest rate ranges from 3.25% to 3.625% per annum with maturity of ten (10) years to twenty (20) years.

Interest income recognized in 2024 and 2023 amounted to Php604,868 and Php1,581,633, respectively, and is presented as part of interest income in the statements of comprehensive income.

The movement of investment securities at amortized cost is as follows:

Particulars		2024		2023
Beginning	₱	**10,256,851**	₱	75,330,576
Matured/Redeemed		**0**		(65,073,725)
Total	₱	**10,256,851**	₱	10,256,851

12. LOANS AND OTHER RECEIVABLES, NET

The account consists of the following:

Particulars	*Note*		2024		2023
Current Loans		₱	**3,308,024,667**	₱	3,020,244,529
Past Due Loans			**282,056,968**		259,873,043
Under Litigation			**19,898,747**		10,653,584
Total Loans Receivable			**3,609,980,382**		3,290,771,156
Unamortized Discounts			**(34,593,133)**		(35,515,254)
Total Loans Receivable, Net of Discounts			**3,575,387,249**		3,255,255,902
Sales Contract Receivables, Net of Discounts			**16,687,473**		13,243,162
Total Loans and Other Receivables			**3,592,074,722**		3,268,499,064
Allowance for Credit Losses:					
Loans Receivable			**(145,810,001)**		(128,040,561)
Sales Contract Receivables			**(2,409,637)**		(2,857,417)
Total Allowance for Credit Losses	27		**(148,219,638)**		(130,897,978)
Total Loans and Other Receivables, Net		₱	**3,443,855,084**	₱	3,137,601,086
Past Due Ratio			**8.36%**		8.22%

Loans receivables earn interest income at interest rates ranging from 4% to 57% in 2024 and 2023. Total earned interest amounted to Php537,184,699 and Php451,430,537 in 2024 and 2023, respectively.

As of December 31, 2024 and 2023, bills payable amounting to Php1,000,000,000 and Php573,250,000, respectively, are secured by pledge of loans receivable with outstanding balances of Php402,492,101 and Php667,825,965, respectively, as disclosed in Note 17.

The breakdown of sales contract receivable, are as follows:

Particulars	2024	2023
Performing	₱ 4,891,667	₱ 27,253
Non-Performing	12,214,590	13,753,425
Total	17,106,257	13,780,678
Discounts	(418,784)	(537,516)
Total	16,687,473	13,243,162
Allowance for Credit Losses	(2,409,637)	(2,857,417)
Sales Contract Receivables, Net	₱ 14,277,836	₱ 10,385,745

Sales Contract Receivables represent contractual commitments of buyers in the acquisition of foreclosed properties of the Bank.

Allowance for Credit Losses for loans receivables consists of:

Particulars	2024	2023
Specific	₱ 114,125,679	₱ 98,395,751
General	31,684,322	29,644,810
Total	₱ 145,810,001	₱ 128,040,561

The allowance for credit losses which includes both specific and general loan loss reserves, represents management estimates of probable loss inherent in the portfolio, after consideration of the prevailing and anticipated economic conditions, prior to loss experience, estimated recoverable value based on fair market values of underlying collateral and prospects of support from guarantors, subsequent collections and evaluations made by BSP Supervision and Examination Sector.

With the foregoing level of allowance for credit losses, the Management believes that the Bank has sufficient allowance to manage any risk from non-collection or non-collateral of the Bank's loans and other receivables.

For unclassified loans whether regular or micro-finance, a general loan loss provision equivalent to 1% is provided.

The Bank crafted its own Loan Loss Methodology (LLM) with the provisions of Appendix 15 of the MORB as its guide. However, some provisions, particularly the allowance rates, were modified on the basis of the Bank's historical and acceptable data.

Individual Assessment

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 90 days	Substandard (Under Performing)	NPV	Stage 2
Over 90 days	Substandard, Doubtful or Loss (Non-Performing)	NPV	Stage 3

Collective Assessment

1. Secured Agricultural Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	4%	Stage 2
91 – 180 days	Substandard (Non-Performing)	7%	Stage 3
181 – 360 days	Substandard (Non-Performing)	21%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

2. Secured Commercial Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	3%	Stage 2
91 – 180 days	Substandard (Non-Performing)	6%	Stage 3
181 – 360 days	Substandard (Non-Performing)	21%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

3. Todo Ani Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	6%	Stage 2
61 – 90 days	Substandard (Under Performing)	13%	Stage 2
91 – 180 days	Substandard (Non-Performing)	22%	Stage 3
181 – 360 days	Substandard (Non-Performing)	42%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

4. Todo Ani Loan Plus

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	5%	Stage 2
91 – 180 days	Substandard (Non-Performing)	10%	Stage 3
181 – 360 days	Substandard (Non-Performing)	29%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

5. Kabayan Microfinance Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	3%	Stage 2
91 – 180 days	Substandard (Non-Performing)	8%	Stage 3
181 – 360 days	Substandard (Non-Performing)	29%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

6. Kabayan Enterprise Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	5%	Stage 2
91 – 180 days	Substandard (Non-Performing)	9%	Stage 3
181 – 360 days	Substandard (Non-Performing)	24%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

7. Other Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	4%	Stage 2
91 – 180 days	Substandard (Non-Performing)	7%	Stage 3
181 – 360 days	Substandard (Non-Performing)	21%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

8. Multi-Purpose Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	2%	Stage 3
181 – 360 days	Substandard (Non-Performing)	8%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

9. Agri-Negosyo Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	2%	Stage 3
181 – 360 days	Substandard (Non-Performing)	2%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

10. Check Rediscounting Line Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	2%	Stage 3
181 – 360 days	Substandard (Non-Performing)	2%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

11. Fringe Benefit Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	2%	Stage 3
181 – 360 days	Substandard (Non-Performing)	8%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

12. Pension Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	2%	Stage 3
181 – 360 days	Substandard (Non-Performing)	5%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

13. Professional Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	2%	Stage 3
181 – 360 days	Substandard (Non-Performing)	5%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

14. Purchase of Receivable Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	2%	Stage 3
181 – 360 days	Substandard (Non-Performing)	6%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

15. Salary Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	5%	Stage 3
181 – 360 days	Substandard (Non-Performing)	20%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

16. TODA Loans

Days Unpaid/Missed	Loan Classification	ACL	ECL
1 – 30 day(s)	EM (Performing)	2%	Stage 1
31 – 60 days	Substandard (Under Performing)	2%	Stage 2
61 – 90 days	Substandard (Under Performing)	2%	Stage 2
91 – 180 days	Substandard (Non-Performing)	2%	Stage 3
181 – 360 days	Substandard (Non-Performing)	6%	Stage 3
361 – 1,800 days	Doubtful	50%	Stage 3
1,801 days and above	Loss	100%	Stage 3

The Management of the Bank believes that the allowance for credit losses resulting from the Bank's own LLM is a better representation of the quality of its total loan portfolio.

12.1 Non-Performing Loans

Section 304 of the MORB defined non-performing loans (NPLs) as follows:

Loans, investments, receivables or any financial asset shall be considered non-performing, even without missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

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

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

As of December 31, 2024 and 2023, non-performing loans (NPLs) not fully covered by allowance for credit losses, are as follows:

Particulars		2024		2023
Total Non-Performing Loans	₱	**243,974,201**	₱	158,409,069
Less: Non-Performing Loans Covered by Allowance for Credit Losses		**114,125,679**		98,395,752
Total	₱	**129,848,522**	₱	60,013,317

Information regarding the Bank's non-performing loans, are as follows:

Particulars		2024		2023
Total NPLs at Gross	₱	**243,974,201**	₱	158,409,069
Total NPLs at Net	₱	**129,848,522**	₱	60,013,317
Ratio of Gross NPLs to Gross TLP		**6.82%**		4.87%
Ratio of Net NPLs to Gross TLP		**3.63%**		1.84%
Ratio of Total Allowance to Gross NPLs		**59.76%**		80.83%
Ratio of Specific Allowance on the Gross TLP to Gross NPLs		**46.78%**		62.11%

All accounts were assessed and provided with corresponding sufficient allowance for credit losses. Other non-performing loans are not provided with 100% allowance because of the positive net present value of the collateral.

12.2 Past Due Loans

Past due loans of a bank shall, as a general rule, refer to all accounts in its loan portfolio, all receivable components of trading account securities and other receivables, which are not paid at maturity.

BSP Manual of Regulations for Banks (MORB), Section 304, defined the classification of past due loans as follows:

As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual date, in which case, the total outstanding balance thereof shall be considered past due.

Installment refers to principal and/or interest amortizations that are due on several dates as indicated in the loan documents. The allowance for loan losses is the estimated amount of losses in the Bank's loan portfolio, based on evaluation of the collectibility of loans and prior loss experience.

Any amounts set aside in respect of losses on loans and advances in addition to those losses that have been specifically identified or potential losses which experience indicates to be present in the portfolio of loans and advances are accounted for as appropriations from retained earnings. Any credits resulting from the reduction of such amounts result in an increase in retained earnings and are not included in the determination of net profit or loss for the period.

The allowance is increased by provisions charged to expenses and reduced by write-offs and reversals.

The Bank's system automatically tags past due accounts.

13. INVESTMENT PROPERTIES, NET

This account consists of the following:

2024								
Particulars		**Land**		**Building**		**Others**		**Total**
Cost:								
Balance, January 1	₱	116,759,274	₱	48,908,739	₱	3,329,665	₱	**168,997,678**
Addition		18,094,430		9,125,032		23,586,999		**50,806,461**
Disposal		(11,137,549)		(10,601,896)		(15,376,480)		**(37,115,925)**
Reversal		0		0		(748,145)		**(748,145)**
Balance, December 31		123,716,155		47,431,875		10,792,039		**181,940,069**
Accumulated Depreciation:								
Balance, January 1		0		13,431,134		0		**13,431,134**
Depreciation *(Note 24)*		0		5,553,783		0		**5,553,783**
Disposal		0		(2,198,341)		0		**(2,198,341)**
Balance, December 31		0		16,786,576		0		**16,786,576**
Accumulated Impairment: *(Note 27)*								
Balance, January 1		63,240		7,214,934		0		**7,278,174**
Provision		113,613		30,200		0		**143,813**
Disposal		0		(639,305)		0		**(639,305)**
Reversal		(63,240)		(6,231,649)		0		**(6,294,889)**
Balance, December 31		113,613		374,180		0		**487,793**
Carrying Amount	₱	**123,602,542**	₱	**30,271,119**	₱	**10,792,039**	₱	**164,665,700**

2023								
Particulars		**Land**		**Building**		**Others**		**Total**
Cost:								
Balance, January 1	₱	66,906,437	₱	28,158,501	₱	10,916,657	₱	105,981,595
Addition		61,346,817		21,057,774		2,713,636		85,118,227
Disposal		(11,493,980)		(307,536)		(10,300,628)		(22,102,144)
Balance, December 31		116,759,274		48,908,739		3,329,665		168,997,678
Accumulated Depreciation:								
Balance, January 1		0		9,436,027		0		9,436,027
Depreciation *(Note 24)*		0		4,056,614		0		4,056,614
Disposal		0		(61,507)		0		(61,507)
Balance, December 31		0		13,431,134		0		13,431,134
Accumulated Impairment: *(Note 27)*								
Balance, January 1		127,608		7,214,934		0		7,342,542
Provision		63,240		0		0		63,240
Reclassification		(127,608)		0		0		(127,608)
Balance, December 31		63,240		7,214,934		0		7,278,174
Carrying Amount	₱	**116,696,034**	₱	**28,262,671**	₱	**3,329,665**	₱	**148,288,370**

During the year, assets with carrying amount of Php34,278,279 are sold for Php51,167,504, resulting to a gain on sale of Php16,889,225, as disclosed in Note 23. Collections from sale amounted to Php46,275,837.

In 2023, assets with carrying amount of Php24,040,637 are sold for Php56,765,741, resulting to a gain on sale of Php32,725,104, as disclosed in Note 23. Collections from sale amounted to Php56,765,741.

The Bank acquired its investment properties through foreclosure. In 2024 and 2023, transaction costs amounting to Php10,182,175 and Php541,032, respectively, were incurred in relation to foreclosure of properties.

The fair value is determined on the basis of the appraisals performed by an appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's Management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The Bank carried out a review of the recoverable amounts of its investment properties. The Bank has determined that there is an indication that an impairment loss has occurred on its investment properties resulting to recognition of impairment losses in the amount of Php487,793 and Php7,278,174, as of December 31, 2024 and 2023, respectively. Fair values of the Bank's investment properties amounted to Php247,961,263 and Php180,502,869 as of December 31, 2024 and 2023, respectively, as disclosed in Note 7.

No amount of investment property of the Bank has been pledged to secure general banking facilities granted to the Bank.

14. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFFE), NET

A reconciliation of the carrying amounts at the beginning and end of years 2024 and 2023, and the gross carrying amounts and accumulated depreciation of Bank premises, furniture, fixtures and equipment are shown below.

2024								
Particulars	Land	Building	Construction in Progress	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Right-of-Use Asset	Total
Cost								
At January 1	₱ 30,355,934	₱ 99,596,301	₱ 3,891,900	₱ 119,343,548	₱ 73,483,696	₱ 99,739,701	₱ 155,945,136	**₱ 582,356,216**
Addition	0	0	0	14,890,927	9,727,910	7,854,766	0	**32,473,603**
Addition (PFRS 16)	0	0	0	0	0	0	17,103,436	**17,103,436**
Disposal	0	0	0	(47,634)	(1,704,800)	0	0	**(1,752,434)**
Derecognized	0	0	(902,390)	(5,644,567)	(4,366,300)	(1,971,321)	(11,975,363)	**(24,859,941)**
At December 31	30,355,934	99,596,301	2,989,510	128,542,274	77,140,506	105,623,146	161,073,209	**605,320,880**
Accumulated Depreciation								
At January 1	0	46,775,180	0	98,274,765	46,620,228	48,639,676	18,266,946	**258,576,795**
Depreciation *(Note 24)*	0	2,963,018	0	9,550,720	6,265,625	6,583,280	20,249,936	**45,612,579**
Disposal	0	0	0	(47,626)	(1,675,087)	0	0	**(1,722,713)**
Derecognized	0	0	0	(5,644,282)	(4,356,285)	(1,971,322)	(3,489,350)	**(15,461,239)**
At December 31	0	49,738,198	0	102,133,577	46,854,481	53,251,634	35,027,532	**287,005,422**
Net Carrying Amount	**₱ 30,355,934**	**₱ 49,858,103**	**₱ 2,989,510**	**₱ 26,408,697**	**₱ 30,286,025**	**₱ 52,371,512**	**₱ 126,045,677**	**₱ 318,315,458**

2023								
Particulars	Land	Building	Construction in Progress	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Right-of-Use Asset	Total
Cost								
At January 1	₱ 19,407,646	₱ 92,389,377	₱ 1,324,488	₱ 111,893,324	₱ 68,228,509	₱108,422,094	₱ 0	₱ 401,665,438
Addition	10,948,288	0	2,567,412	9,745,348	8,159,306	5,603,454	0	37,023,808
Addition (PFRS 16)	0	0	0	0	0	0	155,945,136	155,945,136
Reclassification of BPFFE Items	0	7,206,924	0	0	0	(7,206,924)	0	0
Disposal	0	0	0	(45,500)	(830,121)	0	0	(875,621)
Derecognized	0	0	0	(2,249,624)	(2,073,998)	(7,078,923)	0	(11,402,545)
At December 31	30,355,934	99,596,301	3,891,900	119,343,548	73,483,696	99,739,701	155,945,136	582,356,216
Accumulated Depreciation								
At January 1	0	37,863,065	0	92,190,179	43,486,438	54,760,643	0	228,300,325
Depreciation *(Note 24)*	0	2,763,806	0	8,435,235	6,022,903	7,114,059	18,266,946	42,602,949
Reclassification of BPFFE Items	0	6,148,309	0	0	0	(6,148,309)	0	0
Disposal	0	0	0	(45,498)	(827,112)	0	0	(872,610)
Derecognized/Disposed	0	0	0	(2,305,151)	(2,062,001)	(7,086,717)	0	(11,453,869)
At December 31	0	46,775,180	0	98,274,765	46,620,228	48,639,676	18,266,946	258,576,795
Net Carrying Amount	**₱ 30,355,934**	**₱ 52,821,121**	**₱ 3,891,900**	**₱ 21,068,783**	**₱ 26,863,468**	**₱ 51,100,025**	**₱ 137,678,190**	**₱ 323,779,421**

Construction in progress pertains to building under construction which will be used as office space upon completion.

The Management believes that there are no indications of impairment in the value of its Bank premises, furniture, fixtures and equipment as of December 31, 2024 and 2023.

Depreciation expense are shown as separate components of operating expenses in the statement of comprehensive income in 2024 and 2023, respectively, as disclosed in Note 24.

All additions were paid in cash.

During the year, furniture, fixtures and equipment with carrying amount of Php29,721 were sold for Php475,911, resulting to a gain on sale of Php446,190, as disclosed in Note 23.

In 2023, furniture, fixtures and equipment with carrying amount of Php3,011 were sold for Php315,919, resulting to a gain on sale of Php312,908, as disclosed in Note 23.

As of December 31, 2024 and 2023, the Bank has no commitment to purchase Bank premises, furniture, fixtures and equipment. The following are the lease agreements entered into by the Bank and outstanding as of December 31, 2024 and 2023:

Location of Leased Property	Leased Property	Start of Term	End of Term	Lease Payment	Escalation Clause
		Lease Term			
Abulug, Cagayan	Building	09/01/2017	08/31/2032	40,000	10% every 3 years
Aliaga, Nueva Ecija	Building	11/10/2020	10/10/2035	40,000	5% every 3 years
Aurora, Isabela	Building	09/01/2011	08/31/2026	25,000	10% every 3 years
Baliwag City, Bulacan	Building	01/01/2015	12/31/2027	60,000	5% every year
Bambang, Nueva Vizcaya	Building	07/01/2021	06/01/2036	40,000	10% every 2 years
Cabiao, Nueva Ecija	Building	01/01/2024	01/01/2039	50,000	5% every three years
Camiling, Tarlac	Building	10/01/2023	10/01/2033	50,000	6% every 3 years
Concepcion, Tarlac	Building	08/01/2022	07/31/2027	55,000	7% every year
Cordon, Isabela	Building	08/22/2022	08/22/2032	25,000	5% every year
Diffun, Quirino	Building	02/01/2014	09/01/2026	44,000	10% every other year
Dinalupihan, Bataan	Building	12/01/2022	11/30/2032	37,000	10% every 2 years
Echague, Isabela	Building	03/06/2015	03/15/2030	45,000	10% every year
Gapan City, Nueva Ecija	Building	02/15/2022	02/14/2027	55,000	5% every year
Guimba, Nueva Ecija	Building	02/07/2023	02/07/2038	60,000	5% every year
Ilagan City, Isabela	Building	12/01/2018	12/01/2033	40,000	5% every year
Jones, Isabela	Building	01/01/2012	12/31/2032	20,000	3% every 3 years
Lingayen, Pangasinan	Building	07/03/2012	07/16/2027	45,450	5% every year
Maddela, Quirino	Building	11/06/2016	01/05/2031	30,000	7.50% after a year
Malasiqui, Pangasinan	Building	03/01/2018	02/28/2033	56,000	5% every 2 years
Science City of Muñoz, Nueva Ecija	Building	04/01/2018	03/31/2033	30,000	5% every 3 years
Paniqui, Tarlac	Building	08/20/2017	08/19/2027	40,000	15% every 3 years
Ramon, Isabela	Building	05/30/2023	05/30/2038	30,000	5% every year
Rizal, Nueva Ecija	Building	10/01/2014	10/01/2029	40,000	None
San Fernando City, Pampanga	Building	12/17/2021	12/16/2036	40,000	5% every year
San Jose City, Nueva Ecija	Lot	04/01/2020	03/31/2026	55,000	None
San Mateo, Isabela	Lot	05/15/2023	05/15/2033	35,000	5% every other year
Santiago City	Building	11/15/2016	11/15/2031	55,800	10% every year
Solana, Cagayan	Lot	03/01/2020	02/28/2035	15,000	None
Solano, Nueva Vizcaya	Lot	08/01/2017	07/31/2027	45,000	5% every other year
Tabuk City, Kalinga	Building	04/30/2018	04/30/2033	55,000	5% every 2 years
Tuguegarao City, Cagayan	Building	06/04/2020	06/04/2035	50,000	5% every year
Tumauini, Isabela	Building	08/10/2023	08/10/2032	70,000	5% every year
Urdaneta City, Pangasinan	Lot	07/01/2016	06/30/2031	50,000	5% every year
Zaragoza, Nueva Ecija	Lot	08/01/2014	07/31/2029	45,000	None
Aparri, Cagayan	Building	05/15/2024	05/15/2034	60,000	5% every two years
Rosales, Pangasinan	Building	10/01/2023	10/31/2038	40,000	5% beginning 9th year and every five years thereafter

The lease contracts are renewable upon such terms and conditions mutually agreed by the both parties prior to expiration. The leased assets are being depreciated based on useful life of the leased asset or remaining term of the lease, whichever is shorter.

The following are the lease agreements terminated and expired as at December 31, 2024 and 2023.

Location of Leased Property	Leased Property	Start of Term	Termination Date	Reason for Termination
		Lease Term		
Cabanatuan City, Nueva Ecija	Building	12/01/2014	04/07/2023	Building was purchased
Ramon, Isabela	Building	03/01/2022	05/31/2023	Relocation of office
San Mateo, Isabela	Building	02/29/2020	03/29/2023	Relocation of office
Tumauini, Isabela	Building	08/01/2013	07/31/2023	End of lease term
Aparri, Cagayan	Building	07/29/2019	12/31/2024	Cancelled

15. OTHER ASSETS

This account consists of the following:

Particulars	Notes	2024	2023
Plan Assets	28	₱ **35,640,712**	₱ 35,640,712
Accrued Interest Receivable		**60,055,399**	8,771,175
Rent Deposit		**6,161,978**	5,766,189
Accounts Receivables		**4,861,278**	4,806,921
Sinking Fund – Preferred Shares		**2,489,505**	2,476,953
Prepaid Expenses		**2,314,595**	2,355,505
Stationery and Supplies		**1,954,270**	1,686,057
Other Investments		**1,384,486**	1,293,160
Petty Cash		**240,000**	230,000
Miscellaneous Assets		**5,637,275**	6,738,355
Total		**120,739,498**	69,765,027
Allowance for Credit Losses	27	**(3,962,797)**	(4,040,358)
Other Assets, Net		₱ **116,776,701**	₱ 65,724,669

Plan assets pertains to fund set aside for settlement of retirement benefits of employees.

Accounts receivable represents various advances and payments subject to liquidation made by the Bank to employees.

Miscellaneous assets represent various assets of the Bank which cannot be properly identified and merged with other common accounts such as rent deposits and other assets not yet distributed to the branches.

Movements of intangible assets follow:

Particulars	2024	2023
Cost:		
Balance, January 1	₱ 11,990,685	₱ 11,990,685
Balance, December 31	11,990,685	11,990,685
Accumulated Amortization:		
Balance, January 1	11,990,685	7,303,692
Amortization for the Year *(Note 24)*	0	4,686,993
Balance, December 31	₱ 11,990,685	₱ 11,990,685
Net Carrying Value	₱ 0	₱ 0

16. DEPOSIT LIABILITIES

This account consists of the following:

Particulars	2024	2023
Savings	₱ 2,382,914,468	₱ 2,400,075,398
Time Certificate of Deposits	579,914,984	471,425,047
Demand	38,070,759	44,511,790
Total	₱ 3,000,900,211	₱ 2,916,012,235

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.

Time deposits have different maturity dates and bear different interest rates based on the amount of deposits and term of placements.

Interest expense recognized in 2024 and 2023 amounted to Php63,032,791 and Php57,744,190 and is presented as part of interest expense in the statements of operation.

17. BILLS PAYABLE

The Bank's borrowings are, as follows:

Particulars	2024	2023
Land Bank of the Philippines	₱ 1,000,000,000	₱ 900,000,000
Small Business Corporation	247,917,262	273,250,000
Total	₱ 1,247,917,262	₱ 1,173,250,000

Changes in Bank's bills payable are as follows:

Particulars	2024	2023
Beginning Balance	₱ 1,173,250,000	₱ 890,000,000
Availment	1,187,900,000	1,174,000,000
Payment	(1,113,232,738)	(890,750,000)
Ending Balance	₱ 1,247,917,262	₱ 1,173,250,000

Interest rate on bills payable ranges from 2% to 5.87% and 2% to 6% in 2024 and 2023, respectively. Interest expense incurred in 2024 and 2023 amounted to Php20,218,167 and Php16,327,534, respectively, and is presented as part of interest expense in the statements of comprehensive income.

As of December 31, 2024 and 2023, bills payable amounting to Php1,000,000 and Php573,250,000, respectively, are secured by pledge of loans receivable with outstanding balance of Php402,492,101 and Php667,825,965, respectively, as disclosed in Note 12.

18. ACCRUED INTEREST, TAXES AND OTHER EXPENSES PAYABLE

This account consists of:

Particulars	2024	2023
Accrued Interest Payable	₱ 12,821,687	₱ 8,308,828
Accrued Taxes	2,390,906	542,970
Accrued Other Expenses	11,555,920	1,773,294
Total	₱ 26,768,513	₱ 10,625,092

Accrued interest payable represents interest due on deposit liabilities and borrowings of the Bank.

Accrued other expenses payable are various year-end expenses payable on the following year such as utilities, litigation, travel and others.

19. DUE TO FEDERATION

Movement of due to federation/union are, as follows:

Particulars	2024	2023
Beginning	₱ 2,329,110	₱ 1,939,174
Addition	804,664	739,936
Payment	(821,167)	(350,000)
Total	₱ 2,312,607	₱ 2,329,110

This account pertains to the accumulated amount set aside to be credited to Union/Federation where the Bank is a member.

20. OTHER LIABILITIES

This account consists of:

Particulars	*Note*	2024	2023
Lease Liability		₱ 138,519,103	₱ 145,015,774
Pension and Other Post-Retirement Benefits Obligation	*28*	54,074,030	46,605,736
Deposit for Stock Subscription		34,049,000	10,000,000
Dividends Payable		21,936,532	19,293,575
Accounts Payable		16,830,322	19,600,362
Government Payables and Contributions		9,253,927	7,444,080
Redeemable Preferred Shares		1,164,000	1,164,000
Total		₱ 275,826,914	₱ 249,123,527

Pension and Other Post-Retirement Benefit Obligation represents liability recognized by the Bank for the benefit of its officers and employees upon reaching their retirement age, as disclosed in Note 28.

Accounts Payable represent various liabilities incurred by the Bank for its own account and the third parties, arising from short-term obligations still outstanding at the cut-off date.

Redeemable Preferred Share refers to preferred shares issued which provide for redemption on a specific date at the option of the owners.

The deposit for capital subscription as of December 31, 2024, did not meet all the requirements for classifying the deposit for capital subscription as an equity, thus, was classified as liability.

Movement of dividends payable are, as follows:

Particulars	*Note*	2024	2023
Beginning		₱ 19,293,575	₱ 17,876,823
Declaration	*21*	17,840,503	17,306,056
Payment		(15,197,546)	(15,889,304)
Total		₱ 21,936,532	₱ 19,293,575

Movement of deposit for stock subscription are, as follows:

Particulars	2024	2023
Beginning	₱ 10,000,000	₱ 0
Addition	24,049,000	10,000,000
Total	₱ 34,049,000	₱ 10,000,000

The details of the Bank's lease liability and its carrying amounts are, as follows:

Particulars	2024	2023
January 1	₱ 145,015,774	₱ 155,945,136
Addition	17,103,436	0
Interest	9,336,223	9,485,065
Payments	(23,208,414)	(20,414,427)
Derecognition	(9,727,916)	0
December 31	₱ 138,519,103	₱ 145,015,774

The breakdown of lease liabilities as to current and non-current is as follows:

Particulars	December 31, 2024	December 31, 2023
Current	₱ 14,657,790	₱ 12,816,311
Non-Current	123,861,313	132,199,463
Total	₱ 138,519,103	₱ 145,015,774

The maturity analysis of lease liabilities as of December 31, 2024 and 2023 is as follows:

2024						
Particulars		Lease Payments		Finance Charges		Net Present Values
Within 1 Year	₱	23,489,797	₱	8,832,007	₱	14,657,790
1 – 2 Years		23,046,932		7,835,233		15,211,699
2 – 3 Years		20,066,449		6,858,187		13,208,262
3 – 4 Years		18,863,348		6,007,168		12,856,180
4 – 5 Years		19,316,276		5,088,086		14,228,190
More Than 5 Years		81,777,030		13,420,048		68,356,982
Total	**₱**	**186,559,832**	**₱**	**48,040,729**	**₱**	**138,519,103**

2023						
Particulars		Lease Payments		Finance Charges		Net Present Values
Within 1 Year	₱	22,103,543	₱	9,287,232	₱	12,816,311
1 – 2 Years		23,645,609		8,478,232		15,167,377
2 – 3 Years		23,394,542		7,444,258		15,950,284
3 – 4 Years		21,385,004		6,385,317		14,999,687
4 – 5 Years		19,551,082		5,419,960		14,131,122
More Than 5 Years		86,755,183		14,804,190		71,950,993
Total	**₱**	**196,834,963**	**₱**	**51,819,189**	**₱**	**145,015,774**

21. MEMBERS' EQUITY

21.1 Preferred Shares

Shown below are the details on the movements of preferred shares.

Particulars	2024			2023		
	Shares	Amount		Shares	Amount	
Authorized						
at ₱1,000 Par Value						
Preferred A	**750**	**₱**	**750,000**	750	₱	750,000
Preferred B	**1,750**		**1,750,000**	1,750		1,750,000
Preferred C	**77,500**		**77,500,000**	77,500		77,500,000
Total	**80,000**	**₱**	**80,000,000**	80,000	₱	80,000,000
Paid-up						
Balance, January 1	**70,027**	**₱**	**70,027,500**	60,250	₱	60,250,750
Addition	**1,178**		**1,178,250**	20,901		20,901,000
Withdrawals	**0**		**0**	(11,124)		(11,124,250)
Balance, December 31	**71,205**	**₱**	**71,205,750**	70,027	₱	70,027,500

Preferred Shares "A"

(a) Shall comprise seven hundred fifty (750) shares equivalent to seven hundred fifty thousand pesos (Php750,000) to be issued only against the investment of the Development Bank of the Philippines (DBP) in the capital stock of the Cooperative Bank. Preferred Shares so issued shall have preference over Common Share in the assets of the Bank in the event of liquidation, as provided hereunder.

(b) Shall be non-voting, but in case of sale by the DBP of its Preferred Share to the regular members of the Bank, such share shall automatically become Common Share with voting rights, thereby reducing the number of Preferred Share "A" and increasing the number of outstanding Common Share.

(c) Shall share in dividend distribution at two percentum (2%) thereof without preference. The amount of any dividends payable to any holder of share may be applied to the repayment of the stockholders' indebtedness to the Bank.

Preferred Shares "B"

(a) Shall comprise one thousand seven hundred fifty (1,750) shares equivalent to one million seven hundred fifty thousand pesos (Php1,750,000) to be made available for subscription by the Land Bank of the Philippines (LBP) and other government agencies or institutions. Preferred Shares so issued shall have preference over Common Share in the distribution of dividends. Dividends shall be subject to the investment guidelines, policies and procedures of the subscribing government bank or agency.

(b) Shall be non-voting, but in case of sale by the government of its Preferred Share to the regular members of the Bank, such share shall be automatically become Common Share with voting rights thereby, reducing the number of outstanding Preferred Share and increasing the number of outstanding Common Share. The Board of Directors shall have the authority to convert such number of unissued Preferred Shares "B" into other class of Preferred Shares of the Bank to be issued for sale or subscription, with such features, terms or restrictions of the kind or class of shares to which said Preferred Shares "B" have been converted.

Preferred Shares "C"

(a) Comprise seventy-seven thousand five hundred (77,500) shares equivalent to seventy-seven million five hundred thousand pesos (Php77,500,000) to be made available for subscription by Filipino individuals or associations qualified to be associate members of the Cooperative Bank. Preferred Shares so issued shall have preference over Common Share in the distributions of dividend. The amount of any dividends payable to any holder of share may be applied to the repayment of the stockholders indebtedness to the Bank. The Board of Directors shall have the authority to convert such number of unissued Preferred Shares "C" into other class of Preferred Shares of the Bank to be issued for sale or subscription, with such features, terms, and restrictions of the kind or class of shares to which said Preferred Shares "C" have been converted.

21.2 Common Shares

Only one kind of common share with voting rights shall be issued. The common shares shall be made available for sale to or subscription by only the regular members of the Bank. Provided, that the investment of the members shall be subject to restrictions as may be allowed by applicable provisions of applicable laws, pertinent rules and regulations of the Philippines.

Shown below are the details on the movements of common shares.

Particulars	2024			2023		
	Shares		Amount	Shares		Amount
Authorized at ₱1,000 Par Value	**185,000**	**₱**	**185,000,000**	185,000	₱	185,000,000
Issued and Fully Paid at ₱1,000 Par Value						
Balance, January 1	**149,957**	**₱**	**149,957,000**	149,957		149,957,000
Issuance of Shares	**800**		**800,000**	0		0
Stock Dividends Issued	**6,295**		**6,295,000**	0		0
Balance, December 31	**157,052**	**₱**	**157,052,000**	149,957	₱	149,957,000

21.3 Stock Dividends Distributable

During the year, the Bank, through Board Resolution No. 23-05-16, approved the stock dividends on all common shares as of December 31, 2023 amounting to Php28,748,000 equivalent to 28,748 shares.

In 2023, the Bank, through Board Resolution No. 23-05-08 SM, approved the stock dividends on all common shares as of December 31, 2022 amounting to Php22,500,000 equivalent to 22,500 shares.

As of December 31, 2024 and 2023, the movement of outstanding stock dividends distributable is as follows:

Particulars		2024		2023
Beginning Balance	**₱**	**22,545,000**	₱	45,000
Declaration		**28,748,000**		22,500,000
Issuance		**(6,295,000)**		0
Total	**₱**	**44,998,000**	₱	22,545,000

21.4 Surplus Reserves/Statutory Funds

The movements in total statutory reserves are as follows:

Particulars		2024		2023
Surplus Reserves, Beginning	**₱**	**643,528,823**	₱	597,586,816
Appropriations During the Year		**62,763,822**		57,714,977
Expenditure from Reserves		**(7,153,514)**		(11,814,826)
Appropriation for Union/Federation		**(804,664)**		(739,936)
Adjustment on CETF		**0**		781,792
Surplus Reserves, Ending	**₱**	**698,334,467**	₱	643,528,823

Detailed movement of surplus reserves/statutory funds are, as follows:

Particulars		General Reserve		Optional Fund		Community Development Fund		Education and Training Fund		Total
Balance at December 31, 2022	₱	467,459,364	₱	84,405,107	₱	39,583,884	₱	6,138,461	₱	597,586,816
Appropriation During the Year		44,396,136		7,399,356		4,439,614		1,479,871		57,714,977
Expenditure from Reserves		0		(4,418,152)		(476,421)		0		(4,894,573)
Utilization		0		0		0		(6,920,253)		(6,920,253)
Adjustment on CETF		0		0		0		781,792		781,792
Appropriation for Union/Federation		0		0		0		(739,936)		(739,936)
Balance at December 31, 2023		511,855,500		87,386,311		43,547,077		739,935		643,528,823
Appropriation During the Year		48,279,864		8,046,644		4,827,986		1,609,328		62,763,822
Expenditure from Reserves		0		(5,536,059)		(877,520)		0		(6,413,579)
Utilization		0		0		0		(739,935)		(739,935)
Appropriation for Union/Federation		0		0		0		(804,664)		(804,664)
Balance at December 31, 2024	**₱**	**560,135,364**	**₱**	**89,896,896**	**₱**	**47,497,543**	**₱**	**804,664**	**₱**	**698,334,467**

21.5 Surplus Free

This account consists of:

Particulars	2024	2023
Beginning Balance	₱ 680,934,074	₱ 624,889,523
Net Profit	160,932,881	147,987,123
Appropriations During the Year	(62,763,822)	(57,714,977)
Expenditures in Reserves	739,935	6,920,253
Adjustment on CETF	0	(781,792)
Dividends Declared	(46,588,503)	(40,366,056)
Ending Balance	₱ 733,254,565	₱ 680,934,074

Dividends declared consists of:

Particulars	2024	2023
Stock Dividends	₱ 28,748,000	₱ 22,500,000
Cash Dividends *(Note 20)*	17,840,503	17,306,056
CDA Dividends	0	560,000
Total	₱ 46,588,503	₱ 40,366,056

On May 13, 2024, the Bank, through General Assembly Resolution No. 08 (GA 2024), declared cash dividend to be paid to Common and Preferred Stockholders on records as of December 31, 2023, a 10% for common stockholders, a 2% for Preferred "A" and "B" stockholders and a 3% to 10% for individual and juridical persons Preferred "C" stockholders amounting to Php17,840,503. A report on dividend declaration dated May 25, 2024 was sent to the supervision and examination sector of the BSP.

On May 27, 2023, the Bank, through General Assembly Resolution No. 08 (GA 2023), declared cash dividend to be paid to Common Stockholders on records as of December 31, 2022, a 2% for preferred "A" and "B" stockholders and a 3% to 10% for individual and juridical persons Preferred "C" stockholders amounting to Php17,306,056. A report on dividend declaration dated May 27, 2023 was sent to the supervision and examination sector of the BSP.

On March 06, 2001, the CDA made a cash infusion to the Bank which was treated as investment with a redemption period of ten (10) years at a fixed dividend rate of 6% per annum. The CDA dividends pertains to the interest earned on the investment as dividend.

21.6 Capital Management

The primary objective of the Bank's capital management is to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios, in order to support its business and to maximize shareholders' value.

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.

Appendix 62 of the MORB, as amended by BSP Circular Nos. 1079 and 1084, discuss the guidelines implementing the risk-based capital adequacy framework for stand-alone thrift banks, rural banks, and cooperative banks.

The minimum capital ratios shall be expressed as a percentage of capital to risk-weighted assets as shown below:

Minimum Capital Ratio	Capital	% of Risk-Weighted Assets
Common Equity Tier 1 (CET1) Ratio	CET1	at least 6.0%
Tier 1 Ratio	Tier 1	at least 7.5%
Capital Adequacy Ratio (CAR)	Qualifying Capital	at least 10.0%

A capital conservation buffer (CCB) of two and a half percent (2.5%), comprised of CET1 capital, shall likewise be imposed.

The minimum capital ratios based on the new compositions and the CCB shall take effect starting January 01, 2023.

Qualifying capital consists of the following elements, net of required deductions:

a) Tier 1 Capital, which is composed of:

   i. CET1 Capital; and
   ii. Additional Tier 1 (AT1) Capital.

b) Tier 2 Capital

   CET1 Capital consists of:
   a) Paid-up common stock;
   b) Common stock dividend distributable;
   c) Statutory reserves/statutory funds; and

d) Surplus free.

Subject to Deductions/Regulatory Adjustment for:
(i) Defined benefit pension asset (liability)

AT1 Capital consists of:
a) Paid-up perpetual and non-cumulative preferred stock

Tier 2 Capital consists of:
a) General loan loss provision; and
b) Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption.

Deduction from Tier 2 Capital consist of:
a) Sinking fund for redemption of limited life redeemable preferred stock without replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor).

Additionally, CCB is meant to promote the conservation of capital and build-up of adequate cushion above the minimum level that can be drawn down by banks to absorb losses during periods of financial and economic stress. The buffer is on top of the minimum capital requirements. The capital must first be used to meet the minimum CET1 ratio before the remainder can contribute to the CCB.

Where a bank does not have positive earnings, has CET1 ratio of lower than eight and a half percent (8.5%) [CET1 ratio of six percent (6%) plus conservation buffer of two and a half percent (2.5%)], and has not complied with other minimum capital ratios, the Bank would then be restricted from making distribution of earnings.

Information regarding the Bank's qualifying capital as of December 31, 2024 and 2023 are shown below:

Particulars	2024	2023
Common Equity Tier 1 (CET1) Capital	**₱ 1,687,713,062**	₱ 1,543,570,633
Additional Tier 1 (AT1) Capital	**71,205,750**	70,027,500
Tier 1 Capital	**1,758,918,812**	1,613,598,133
Tier 2 Capital	**30,358,817**	28,331,857
Total Qualifying Capital	**₱ 1,789,277,629**	₱ 1,641,929,990
Total Risk-Weighted Assets	**₱ 7,268,095,974**	₱ 6,795,900,334
CET1 Ratio	**23.22%**	22.71%
CCB	**17.22%**	16.71%
Tier 1 Capital	**24.20%**	23.74%
Total CAR	**24.62%**	24.16%

The Bank's leverage ratio, computed as total capital over total assets, is 27.24% and 26.48%, as of December 31, 2024 and 2023, respectively.

Shown below are the details of the breakdown of the total qualifying capital and total risk-weighted assets:

Particulars	2024
A. Tier 1 Capital	
A.1 CET1 Capital	
(1) Paid-up Common Stock	**₱ 157,052,000**
(2) Common Stock Dividend Distributable	**44,998,000**
(3) Retained Earnings	**1,270,656,151**
(4) Undivided Profits	**160,932,881**
Total	**1,633,639,032**
A.2 AT1 Capital	
(1) Paid-up Perpetual and Non-Cumulative Preferred Stock	**71,205,750**
A.3 Deductions from Tier 1 Capital	**(54,074,030)**
Total Tier 1 Capital	**1,758,918,812**
B. Tier 2 Capital	
B.1 Tier 2 Capital	
(1) Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption	**1,164,000**
(2) General loan loss provision (limited to 1.00% of total credit risk-weighted assets)	**31,684,322**
B.2 Deductions from Tier 2 Capital	
(1) Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon requirement upon redemption	**(2,489,505)**
Total Tier 2 Capital	**30,358,817**
C. Total Qualifying Capital (A + B)	**₱ 1,789,277,629**

The capital requirements of the Bank for risk-weighted assets, as of December 31, 2024.

Capital Requirements	
Credit Risk	**₱ 6,390,560,796**
Market Risk	**0**
Operational Risk	**877,535,178**
Total	**₱ 7,268,095,974**

Particulars		2023
A. Tier 1 Capital		
A.1 CET1 Capital		
(1) Paid-up Common Stock	₱	**149,957,000**
(2) Common Stock Dividend Distributable		**22,545,000**
(3) Retained Earnings		**1,176,475,774**
(4) Undivided Profits		**147,987,123**
Total		**1,496,964,897**
A.2 Additional Tier 1 (AT1) Capital		
(1) Paid-up Perpetual and Non-Cumulative Preferred Stock		**70,027,500**
A.3 Deductions from Tier 1 Capital		**(46,605,736)**
Total Tier 1 Capital		**1,613,598,133**
B. Tier 2 Capital		
B.1 Tier 2 Capital		
(2) Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption		**1,164,000**
(3) General loan loss provision (limited to 1.00% of total credit risk-weighted assets)		**29,644,810**
B.2 Deductions from Tier 2 Capital		
(1) Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon requirement upon redemption		**(2,476,953)**
Total Tier 2 Capital		**28,331,857**
C. Total Qualifying Capital (A + B)	₱	**1,641,929,990**

The capital requirements of the Bank for risk-weighted assets, as of December 31, 2023.

Capital Requirements		
Credit Risk	₱	**5,949,450,433**
Market Risk		**0**
Operational Risk		**846,449,901**
Total	₱	**6,795,900,334**

22. INCOME TAXES

The Bank has been duly registered with CDA pursuant to R.A. No. 9520 under Registration Certificate No. 9520-02008989 dated September 10, 1976. The Bank has Certificate of Tax Exemption dated July 20, 2020, valid until July 20, 2025.

As a cooperative transacting with members and non-members with accumulated reserves and undivided net savings of not more than ten million (Php10,000,000), the Bank is entitled to the following tax exemptions and incentives provided for under Article 60 of R.A. No. 9520, as implemented by Section 7 of Joint Rules and Regulations Implementing Article 60 and 144 of R.A. No. 9520:

1. Exemption from income tax on income from CDA-registered operations;

2. Exemption from Value Added Tax (VAT) on CDA-registered sales or transactions;

3. Exemption from other percentage tax;

4. Exemption from donor's tax on donation to duly accredited charitable, research and educational institution, and reinvestment in socio-economic projects within the area of cooperation of the cooperative;

5. Exemption from excise tax for which it is directly liable;

6. Exemption from Documentary Stamp Tax (DST): *provided, however*, that the other party to the taxable document/transaction who is not exempt shall be the one directly liable for the tax;

7. Exemption from payment of the annual registration fee of five hundred pesos (Php500); and

8. Exemption from all taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 15% final income tax on interest income derived from the depositary bank under the expanded foreign currency deposit system.

22.1 Income Tax Recognized in Profit or Loss

Components of income tax expense are, as follows:

Particulars		2024		2023
Income Tax Expense – Current	₱	**483,337**	₱	158,882
Income Tax Expense – Final		**3,909**		254,522
Total	₱	**487,246**	₱	413,404

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2024 and 2023 are, as follows:

Particulars	2024	2023
Accounting Profit	₱ **161,420,127**	₱ 148,400,527
Tax Expense at 25%	**40,355,032**	37,100,132
Tax Effect of:		
Income Exempted from Tax	**(42,332,793)**	(32,283,332)
Income Subject to Final Tax, Net of Tax Paid	**(17,207,296)**	(13,326,241)
Origination of NOLCO	**5,329,946**	5,192,301
Interest Expense Limitation	**3,442,241**	2,716,153
Provision for Credit Losses	**7,716,497**	515,533
Recovery from Charged-off Assets	**(469,634)**	(301,454)
Provision for Retirement	**2,500,000**	252,450
Excess Lease Liability over ROU	**383,182**	231,546
Limitation on Representation Expense	**231,570**	164,097
MCIT	**483,337**	158,882
Payment for Retirement	**(104,066)**	(50,137)
Non-Deductible Expenses	**453,649**	43,474
Written-off Accounts Receivable	**(294,419)**	0
Income Tax Expense	₱ **487,246**	₱ 413,404

22.1.1 Minimum Corporate Income Tax (MCIT)

Section 27 (E) of the National Internal Revenue Code provides that an MCIT of two percent (2%) of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year.

Details of the Bank's MCIT are as follows:

Year Incurred	Amount	Applied in Prior Year	Applied in Current Year	Expired	Balance	Date of Expiry
2019	₱ 69,446	₱ 0	₱ 0	₱ 69,446	₱ 0	2022
2020	550,395	0	0	550,395	0	2023
2021	317,569	0	0	317,569	0	2024
2023	158,882	0	0	0	158,882	2026
2024	483,337	0	0	0	483,337	2027
Total	₱ **1,579,629**	₱ **0**	₱ **0**	₱ **937,410**	₱ **642,219**	

22.1.2 Net Operating Loss Carry Over (NOLCO)

Under Section 34 (D) of the National Internal Revenue Code of 1997, the net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

In 2020, to address the impact of COVID-19, the Senate and the House of Representatives enacted Republic Act (RA) No. 11494 or the Bayanihan to Recover as One Act (Bayanihan II) effective September 15, 2020 with an original expiry date of December 19, which has since been extended to mid-2021. Bayanihan II provides for COVID-19 response and recovery interventions and mechanisms to accelerate the recovery and to bolster the resiliency of the economy.

Among the response and recovery interventions provided under Bayanihan II are the carry-over of net operating losses incurred by the business or enterprise for taxable years 2020 and 2021 as deductions from gross income (for purposes of computing net taxable income subject to regular corporate income tax) over the next five (5) consecutive taxable years immediately following the year of such loss Section 4 (bbbb) of the Bayanihan II).

Under Bayanihan II, NOLCO would remain in effect even after the expiration of the Act, provided that the deductions are claimed within the next five (5) consecutive taxable years.

On December 22, 2020, the Bureau of Internal Revenue (BIR) clarified, through Revenue Memorandum Circular (RMC) No. 138-2020, that the net operating loss carry-over (NOLCO) may be availed of under RR No. 25-2020 for taxpayers operating on fiscal-year reporting. The RMC enumerated fiscal years ending between July 31 and November 30, 2020 and January 31 to June 30, 2021 as falling within the taxable year 2020. Meanwhile, fiscal years ending between July 31 to November 30, 2021 and January 31 to June 30, 2022 fall within the taxable year 2021. Thus, net losses incurred by businesses or taxpayers during these fiscal years can be carried over as deductions from gross income for the next five (5) consecutive taxable years.

It should be noted that generally, under existing rules (Section 34 of the Tax Code and RR No. 14-01), the accumulated net operating loss of a business by individuals engaged in trade or business or practice of profession and domestic and resident foreign corporations can be carried over as a deduction from gross income only for the next three (3) consecutive taxable years.

Details of the Bank's NOLCO are as follows:

Year Incurred	Amount	Applied in Prior Year	Applied in Current Year	Expired	Balance	Date of Expiry
A. NOLCO with 3-Year Expiration						
2023	₱ 20,769,204	₱ 0	₱ 0	₱ 0	₱ 20,769,204	2026
2024	21,319,783	0	0	0	21,319,783	2027
B. NOLCO with 5-Year Expiration *(under Bayanihan II Act)*						
2020	8,411,374	0	0	0	8,411,374	2025
2021	3,071,535	0	0	0	3,071,535	2026
Total	**₱ 53,571,896**	**₱ 0**	**₱ 0**	**₱ 0**	**₱ 53,571,896**	

22.2 Unrecognized Deferred Tax Assets

There was no recognition of deferred tax assets for the current and previous years since the Management believes that they will not generate taxable income in the future to which they can fully utilize the deferred tax assets. The breakdown of the unrecognized deferred tax assets as at December 31, 2024 and 2023, are as follows:

Particulars	2024		2023	
	Amount	Tax Effect	Amount	Tax Effect
Allowance for Credit Losses – Loans and Other Receivables	**₱ 148,219,638**	**₱ 37,054,910**	₱ 130,897,978	₱ 32,724,495
NOLCO	**53,571,896**	**13,392,974**	32,252,113	8,063,028
Allowance for Impairment Loss – Investment Properties	**487,793**	**121,948**	7,278,174	1,819,544
Allowance for Credit Losses – Investment Securities at Amortized Cost	**3,011,444**	**752,861**	3,568,738	892,185
Allowance for Credit Losses – Other Assets	**3,962,797**	**990,699**	4,040,358	1,010,090
Excess of MCIT over RCIT	**0**	**483,337**	0	158,882
Total		**₱ 52,796,729**		₱ 44,668,224

22.3 Revenue Regulations (RR) No. 34-2020 – Related Party Transaction (RPT) Form and Transfer Pricing Documentation

The Bureau of Internal Revenue, in its Revenue Regulation No. 34-2020, requires taxpayers to submit BIR Form No. 1709 (RPT Form) to allow the BIR to verify that taxpayers are reporting their related party transactions at arm's length prices. It is also intended to improve and strengthen the Bureau's transfer pricing risk assessment and audit functions. Most importantly, the information that will be gathered from the RPT Form and its attachments will be used by the BIR during the transfer pricing risk assessment to determine whether or not to conduct a thorough review/audit of a particular entity or transaction.

Under the said RR, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

1. Large taxpayers;
2. Taxpayers enjoying tax incentives, i.e., Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
3. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
4. A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (1), (2) or (3) above. For this purpose, key management personnel (KMP), as defined under Section 3 (7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

In addition, the preparation and submission of Transfer Pricing Documentation (TPD) under RR No. 02-2013, otherwise known as "Transfer Pricing Guidelines" and all other relevant issuances, shall be mandatory for taxpayers enumerated above who meet the following materiality thresholds:

a. Annual gross sales/revenue for the subject taxable period exceeds Php150 million and the total amount of related party transactions with foreign and domestic related parties exceeds Php90 million; or

b. Related Party Transactions (RPTs) meeting the following materiality threshold:
   i. If it involves sale of tangible goods in the aggregate amount exceeding Php60 million within the taxable year;
   ii. If it involves service transaction, payment of interest, utilization of intangible goods or other RPTs in the aggregate amount exceeding Php15 million within the taxable year; and
   iii. If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

As it does not belong to taxpayers who are required to file and submit the RPT Form under Section 2 of RR 34-2020, the Bank is not covered by the requirements and procedures for RPTs under the said RR.

22.4 Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act

On February 03, 2021, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.

Under the proposed law, effective July 01, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding Php100 million, excluding land, and total net taxable income of not more than Php5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The bill would also lower the minimum corporate income tax (MCIT) from 2% to 1% effective July 2020 until June 30, 2023.

Other key provisions of the CREATE bill include:

- Effective January 01, 2021, income tax rate for non-resident foreign corporation is reduced from 30% to 25%.

- Preferential income tax rate for proprietary educational institutions and hospitals which are non-profit is reduced from 10% to 1% effective July 01, 2020 to June 30, 2023.

- Effective January 01, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of two (2) years at the time of the dividend distribution.

- Qualified export enterprises shall be entitled to four (4) to seven (7) years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).

- Qualified domestic market enterprises shall be entitled to four (4) to seven (7) ITH to be followed by five (5) years ED.
- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH; and
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The said bill was signed into law on March 26, 2021, except for certain provisions that were vetoed, by the President of the Philippines.

As clarified by the Philippine Financial Reporting Standards (PFRS) Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020, even though some of the provisions have retroactive effect to July 01, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT/2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Bank would have been subjected to lower regular corporate income tax rate of 25% effective July 01, 2020.

23. OTHER OPERATING INCOME

This account consists of the following:

Particulars		2024		2023
Fees and Commission	₱	**120,383,340**	₱	117,853,882
Service Charge		**19,885,686**		24,248,992
Gain from Sale/Derecognition of Assets		**17,335,415**		33,038,012
Intermediation Services		**2,547,021**		3,096,663
Passed on GRT		**340,135**		448,320
Miscellaneous Income		**56,359,044**		47,697,852
Total	₱	**216,850,641**	₱	226,383,721

Miscellaneous income composed of other income related to loans, recovery on charged-off assets which pertains to collections on written-off accounts, income from retirement fund and others.

Gain from sale/derecognition of assets consists of the following:

Particulars	*Notes*		2024		2023
Investment Properties	*13*	₱	**16,889,225**	₱	32,725,104
Bank Premises, Furniture, Fixtures and Equipment	*14*		**446,190**		312,908
Total		₱	**17,335,415**	₱	33,038,012

24. OTHER OPERATING EXPENSES

This account consists of the following:

Particulars	2024	2023
Personnel Costs	₱ **304,631,470**	₱ 263,059,962
Depreciation and Amortization	**51,166,362**	51,346,556
Security, Messenger and Janitor Services	**38,366,211**	33,632,808
Travelling	**34,833,325**	24,064,349
Taxes and Licenses	**13,014,237**	10,596,396
Stationeries and Supplies Used	**12,838,027**	13,272,259
Representation and Entertainment	**10,908,908**	11,565,557
Training and Education	**10,101,133**	8,630,315
Fuel, Oil and Lubricants	**9,963,123**	10,322,188
Interest Expense – Lease	**9,336,223**	9,485,065
Power, Light and Water	**9,142,613**	8,844,679
Repairs and Maintenance	**8,514,825**	10,216,741
Insurance Expense – Others	**6,673,442**	11,500,024
Insurance Expense – PDIC	**5,955,299**	6,066,752
Postage, Telephone and Telegram	**5,936,619**	6,675,655
Advertising and Publicity	**3,728,413**	3,848,279
Fees and Commission	**3,544,305**	3,124,974
Management and Other Professional Fees	**2,658,007**	2,299,107
Information Technology Expenses	**1,133,360**	0
Supervision Fees	**977,753**	906,326
Litigation/Assets Acquired Expenses	**521,661**	223,339
Donations and Charitable Contributions	**248,370**	285,000
Membership Fees and Dues	**89,471**	63,080
Periodicals and Magazines	**73,905**	72,418
Fines and Penalties	**43,584**	137,922
Rent	**0**	844,914
Miscellaneous	**3,027,539**	2,285,953
Total	₱ **547,428,185**	₱ 493,370,618

Litigation expenses pertain to attorney fees, filing fees for document in court for the foreclosure of mortgage properties and other legal related expenses.

Rent expense pertains to the rent payments made for those lease contract terminated and expired as of December 31, 2023.

Personnel costs consist of:

Particulars	2024	2023
Salaries and Wages	₱ **118,898,931**	₱ 113,034,402
Allowances and Other Benefits – Officers and Employees	**117,795,535**	90,738,968
Directors' Compensation and Committee Member's Fee	**43,393,916**	36,491,072
SSS, Pag-ibig, Philhealth Contribution	**14,543,088**	14,795,520
Retirement Expense *(Note 28)*	**10,000,000**	8,000,000
Total	₱ **304,631,470**	₱ 263,059,962

Depreciation and amortization expense consist of:

Particulars	Notes	2024	2023
Investment Properties	*13*	₱ **5,553,783**	₱ 4,056,614
Bank Premises, Furniture, Fixtures and Equipment	*14*	**45,612,579**	42,602,949
Intangible Assets	*15*	**0**	4,686,993
Total		₱ **51,166,362**	₱ 51,346,556

25. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loans and other transactions with certain Directors, Officers, Stakeholders and Related Interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the terms as with other individuals and businesses of comparable risks.

25.1 DOSRI Loans

The General Banking Act and BSP regulations limit the amount of loans to each Directors, Officers, Stakeholders and Related Interests (DOSRI).

a) The individual ceiling for credit accommodation of a bank to each of its DOSRI shall be equivalent to his/her outstanding deposits and book value of his/her paid-in capital in the lending bank. The unsecured credit accommodation to each of the Bank's DOSRI shall not exceed thirty percent (30%) of his total credit accommodations.

b) The aggregate ceiling for credit accommodation whether direct or indirect, to DOSRI of a bank shall not exceed fifteen percent (15%) of the total loan portfolio of the Bank or its combined capital accounts met of deferred income tax, unbooked valuation reserves and other capital adjustments required by the BSP, whichever is lower. The total unsecured direct and indirect borrowings of DOSRI shall not exceed thirty percent (30%) of the aggregate ceiling or outstanding direct/indirect credit accommodation thereto, whichever is lower.

As of December 31, 2024 and 2023, the Bank has no DOSRI loans.

2024				
Particulars		DOSRI Loans		Related Party Loans (Inclusive of DOSRI Loans)
Total Outstanding DOSRI/Related Party Loans	₱	0	₱	578,000
Percent of DOSRI/Related Party Loan Accounts to Total Loans		0		0.02%
Percent of Unsecured DOSRI/Related Party Accounts to DOSRI Accounts		0		0.00%
Percent of Past Due DOSRI/Related Party Loan Accounts to Total DOSRI Accounts		0		0.00%
Percent of Non-Performing DOSRI/Related Party Loan Accounts to Total DOSRI Accounts		0		0.00%

2023				
Particulars		DOSRI Loans		Related Party Loans (Inclusive of DOSRI Loans)
Total Outstanding DOSRI/Related Party Loans	₱	0	₱	2,191,310
Percent of DOSRI/Related Party Loan Accounts to Total Loans		0		0.07%
Percent of Unsecured DOSRI/Related Party Accounts to DOSRI Accounts		0		3.65%
Percent of Past Due DOSRI/Related Party Loan Accounts to Total DOSRI Accounts		0		0.00%
Percent of Non-Performing DOSRI/Related Party Loan Accounts to Total DOSRI Accounts		0		0.00%

Total Allowance for Credit Losses (ACL) recognized amounted to Php53,216 and Php40,931 as of December 31, 2024 and 2023, respectively.

Total provision recognized in 2024 and 2023 amounted to Php35,300 and Php40,931, respectively.

25.2 DOSRI Deposits

Certain key management personnel maintain deposit accounts and placements with the Bank, which are included as part of Deposit Liabilities account in the statements of financial condition. Such accounts are interest-bearing and subject to normal banking terms and conditions applied by the Bank to ordinary depositors.

25.3 Remuneration of Key Management Personnel

Particulars		2024		2023
Short-Term Employee Benefits	₱	50,804,416	₱	43,154,443
Post-Employee Benefits		2,356,234		1,149,279
Total	₱	53,160,650	₱	44,303,722

The key management compensation is shown as part of personnel costs under other operating expenses account in the statements of operation.

26. NOTES TO STATEMENT OF CASH FLOWS – RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the reconciliation analysis of liabilities arising from financing activities for the years ended December 31, 2024 and 2023.

Particulars		December 31, 2023		Cash Flows		Non-Cash Changes Dividend Declaration		December 31, 2024
2024								
Bills Payable	₱	1,173,250,000	₱	74,667,262	₱	0	₱	1,247,917,262
Dividends Payable		19,293,575		(15,197,546)		17,840,503		21,936,532
Deposit for Stock Subscription		10,000,000		24,049,000		0		34,049,000
Total Liabilities from Financing Activities	₱	**1,202,543,575**	₱	**83,518,716**	₱	**17,840,503**	₱	**1,303,902,794**

Particulars		December 31, 2022		Cash Flows		Non-Cash Changes Dividend Declaration		December 31, 2023
2023								
Bills Payable	₱	890,000,000	₱	283,250,000	₱	0	₱	1,173,250,000
Dividends Payable		17,876,823		(15,889,304)		17,306,056		19,293,575
Deposit for Stock Subscription		0		10,000,000		0		10,000,000
Total Liabilities from Financing Activities	₱	**907,876,823**	₱	**277,360,696**	₱	**17,306,056**	₱	**1,202,543,575**

In 2024, cash flows related to bills payable is net of cash inflow amounting to Php1,187,900,000 and cash outflow amounting to Php1,113,232,738.

In 2023, cash flows related to bills payable is net of cash inflow amounting to Php1,174,000,000 and cash outflow amounting to Php890,750,000.

27. ALLOWANCE FOR CREDIT AND IMPAIRMENT LOSSES

The movements of account are, as follows:

Particulars		Investment Securities at Amortized Cost *(Note 11)*		Loans and Other Receivables *(Note 12)*		Investment Properties *(Note 13)*		Other Assets *(Note 15)*		Total
Balance, December 31, 2022	₱	4,921,868	₱	125,570,062	₱	7,342,542	₱	2,594,531	₱	140,429,003
Provision		0		14,955,539		63,240		1,318,219		16,336,998
Recovery-on-Charged of Assets		0		(8,562,258)		0		0		(8,562,258)
Written-off Accounts		(1,353,129)		0		0		0		(1,353,129)
Allowances to ROPA		0		(1,065,365)		0		0		(1,065,365)
Reclassification		0		0		(127,608)		127,608		0
Balance, December 31, 2023		3,568,739		130,897,978		7,278,174		4,040,358		145,785,249
Provision		0		30,640,226		143,813		81,949		30,865,988
Recovery-on-Charged of Assets		0		(6,394,887)		(6,294,889)		(67,686)		(12,757,462)
Written-off Accounts		(557,295)		(7,162,602)		0		0		(7,719,897)
Disposal		0		0		(639,305)		0		(639,305)
Adjustment		0		238,923		0		(91,824)		147,099
Balance, December 31, 2024	**₱**	**3,011,444**	**₱**	**148,219,638**	**₱**	**487,793**	**₱**	**3,962,797**	**₱**	**155,681,672**

28. RETIREMENT BENEFIT OBLIGATION

R.A. No. 7641 (New Retirement Law) took effect on January 17, 1993. Under the new law, the Bank is required to provide minimum retirement benefits to qualified retiring employees.

The Bank maintains a partially funded, tax-qualified and non-contributory post-employment benefit plan that will be administered by a trustee bank that is legally separated from the Bank. The trustee bank will manage the fund in coordination with the Bank's Retirement Plan Committee, who acts in the best interest of the plan assets and is responsible for setting the investment policies.

The normal retirement age is 60 with minimum of 10 years of credited service. The plan also provides for an early retirement at age 45 with minimum of 10 years of credited service and late retirement age after 60 but not beyond 65, both subject to the approval of the Bank's Board of Directors. Normal retirement benefit is an amount equivalent to 100% to 150% of plan salary for every year of credited service. The normal and late retirement benefits shall be computed in accordance with the retirement benefit formula as of normal or late retirement date.

As of December 31, 2024 and 2023, the accumulated balance of retirement benefit obligation amounted to Php54,074,030 and Php46,605,736, respectively, and is presented under Other Liabilities as Pension and Other Post-Retirement Benefits Obligations which is funded under other asset account, as plan assets.

Movements of retirement benefit obligation as disclosed in Note 20 are, as follows:

Particulars		2024		2023
Beginning Balance	₱	**46,605,736**	₱	39,584,470
Retirement Expense *(Note 24)*		**10,000,000**		8,000,000
Payments		**(2,531,706)**		(978,734)
Ending Balance	₱	**54,074,030**	₱	46,605,736

Retirement fund as of December 31, 2024 and 2023 amounted to Php35,640,712 as disclosed in Note 15.

29. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when the Bank has a present obligation, whether legal or constructive, as a result of past event, or when it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 its delinquent borrowers. The final decision of which cannot be determined at present. The loans and receivables under litigation amounted to Php19,898,747 and Php10,653,584, as of December 31, 2024 and 2023, respectively, as disclosed in Note 12.

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

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

d) The Bank had no outstanding outward and inward bills for collection at the end of the year.

Aside from those stated above, the Bank has no other contingent assets and liabilities as of December 31, 2024 and 2023.

30. EVENTS AFTER THE REPORTING DATE

No events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date), and that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 20, 2025.

32. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

Revenue Regulation (RR) No. 21–2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions. Moreover, RR No. 19-2011 that prescribes the use of new income tax forms starting with calendar year 2011 became effective on December 09, 2011. Companies are now required to include, as part of the notes to the financial statements, the schedules and information on taxable income and deductions.

Below are the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

RR 15-2010

32.1 Gross Receipts Tax (GRT)

Section 8 of Articles 60, 61 and 144 of Republic Act 9520, otherwise known as the Philippine Cooperative Code of 2008 provides that Cooperatives with accumulated reserves and undivided net savings of more than Ten Million (Php10,000,000.00) are subject to percentage tax on sales of goods and/or services rendered to non-members using applicable percentage taxes imposed by Title V of the NIRC, as amended, except sales made by producers, marketing or service cooperatives;

Gross receipts taxes paid or accrued in relation to income from non-members for the years ended December 31, 2024 and 2023 consist of:

Particulars	Paid	Accrued	Total
2024			
Gross Receipt Tax	**₱ 8,687,316**	**₱ 2,390,906**	**₱ 11,078,222**

Particulars	Paid	Accrued	Total
2023			
Gross Receipt Tax	₱ 5,757,125	₱ 0	₱ 5,757,125

32.2 Importations

The Bank has no importations for the years ended December 31, 2024 and 2023.

32.3 Excise Taxes

The Bank is exempted from excise tax for which it is directly liable.

32.4 Documentary Stamp Taxes

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 (DST) of the Internal Revenue Code of 1997 (as amended)", below are some of the circulars affecting the operation of bank and non-bank financial intermediaries. One peso and fifty centavos (Php1.50) on each two hundred pesos (Php200.00) 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.

32.5 All Other National and Local Taxes

All other local and national taxes paid by the Bank and presented as part of other operating expenses for the two periods ended December 31, 2024 and 2023 consist of:

Particulars	2024	2023
National Taxes		
Percentage Tax	**₱ 11,078,222**	₱ 7,007,715
Local Taxes		
Business Permit	**969,006**	1,789,342
Vehicle Registration	**338,548**	291,780
Documentary Stamp Tax	**72,864**	11,438
Others	**555,597**	1,496,121
Total	**₱ 13,014,237**	₱ 10,596,396

32.6 Withholding Taxes

Withholding taxes paid or accrued for the years ended December 31, 2024 and 2023 consist of:

Particulars		Paid		Accrued		Total
2024						
Expanded Withholding Tax	₱	4,242,576	₱	1,669,146	₱	5,911,722
Final Withholding Tax		1,709,248		570,508		2,279,756
Withholding Tax on Compensation		8,355,142		4,967,822		13,322,964
Total	**₱**	**14,306,966**	**₱**	**7,207,476**	**₱**	**21,514,442**

Particulars		Paid		Accrued		Total
2023						
Expanded Withholding Tax	₱	3,491,728	₱	1,249,015	₱	4,740,743
Final Withholding Tax		2,040,935		581,134		2,622,069
Withholding Tax on Compensation		7,856,800		3,626,259		11,483,059
Total	**₱**	**13,389,463**	**₱**	**5,456,408**	**₱**	**18,845,871**

32.7 Tax Assessments

The Bank has no outstanding tax assessments as of December 31, 2024 and 2023.

32.8 Tax Cases

The Bank has no outstanding tax cases in any other court or bodies outside of the BIR as of December 31, 2024 and 2023.

33. SUPPLEMENTARY INFORMATION REQUIRED UNDER BSP CIRCULAR NO. 1074

On January 08, 2020, the Monetary Board (MB) amended BSP Circular No. 1074, requiring Banks to include the additional information on the following:

33.1 Basic Quantitative Indicators of Financial Performance

The following basic ratio measures the financial performance of the Bank:

Particulars	2024	2023
Return on Average Equity (ROE)	**9.84%**	**9.87%**
Return on Average Asset (ROA)	**2.64%**	**2.59%**
Net Interest Margin	**9.30%**	**13.28%**

33.2 Capital Instruments Issued

Description of capital instrument issued by the Bank is disclosed in Note 21.

33.3 Significant Credit Exposures

The Bank's concentration of credit as to industry/economic sector (net of unamortized discount) are as follows:

Particulars	2024	% as to Industry	% to Tier 1	2023	% as to Industry	% to Tier 1
Agriculture, Forestry And Fishing	**₱ 1,259,867,364**	**35.24%**	**71.63%**	₱ 1,227,126,405	37.70%	76.05%
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	**597,193,011**	**16.70%**	**33.95%**	641,006,388	19.69%	39.73%
Activities of Households as Employers; Undifferentiated Goods – And – Services – Producing Activities of Households for Own Use	**625,582,454**	**17.50%**	**35.57%**	499,520,457	15.35%	30.96%
Construction	**336,579,484**	**9.41%**	**19.14%**	265,175,057	8.15%	16.43%
Accommodation and Food Service Activities	**112,210,393**	**3.14%**	**6.38%**	53,760,200	1.65%	3.33%
Real Estate Activities	**71,864,528**	**2.01%**	**4.09%**	86,888,806	2.67%	5.38%
Electricity, Gas, Steam and Air-Conditioning Supply	**47,684,879**	**1.33%**	**2.71%**	52,942,610	1.63%	3.28%
Transportation and Storage	**11,189,952**	**0.31%**	**0.64%**	12,588,062	0.39%	0.78%
Administrative and Support Service Activities	**10,426,316**	**0.29%**	**0.59%**	10,231,624	0.31%	0.63%
Education	**9,035,776**	**0.25%**	**0.51%**	3,719,823	0.11%	0.23%
Manufacturing	**8,922,670**	**0.25%**	**0.51%**	10,253,640	0.31%	0.64%
Human Health and Social Work Activities	**5,634,278**	**0.16%**	**0.32%**	7,559,405	0.23%	0.47%
Professional, Scientific and Technical Activities	**5,319,719**	**0.15%**	**0.30%**	5,203,343	0.16%	0.32%
Arts, Entertainment and Recreation	**4,155,282**	**0.12%**	**0.24%**	4,861,718	0.15%	0.30%
Mining and Quarrying	**3,629,692**	**0.10%**	**0.21%**	4,568,366	0.14%	0.28%
Information and Communication	**2,337,853**	**0.07%**	**0.13%**	1,015,067	0.03%	0.06%
Water Supply, Sewerage, Waste Management and Remediation Activities	**612,196**	**0.02%**	**0.03%**	7,621,330	0.23%	0.47%
Financial	**0**	**0.00%**	**0.00%**	1,800,000	0.06%	0.11%
Other Service Activities	**463,141,402**	**12.95%**	**26.33%**	359,413,601	11.04%	22.27%
Total	**₱ 3,575,387,249**	**100.00%**		₱3,255,255,902	100.00%	

The BSP considers the concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio or 10% of Tier 1 Capital, which is equivalent to Php175,891,881 and Php161,359,813 as of December 31, 2024 and 2023, respectively.

In 2024 and 2023, the Bank is exposed to credit risk concentration on agricultural, forestry and fishing amounting to more than 30% of total loan portfolio. Also, the Bank is exposed to credit risk concentration on agricultural, forestry and fishing, wholesale and retail trade, repair of motor vehicles and motorcycles, activities of households as employers; undifferentiated goods – and – services – producing activities of households for own use, construction and other service activities amounting to more than 10% of Tier 1 capital.

33.4 Breakdown of Total Loans

33.4.1 As to Security

As to security, loans are classified into (net of unamortized discount):

Particulars	2024	%	2023	%
Secured Loans:				
Real Estate Mortgage	**₱ 2,626,093,161**	**73.45%**	₱ 2,417,247,553	74.26%
Other Collateral	**25,990,316**	**0.73%**	37,882,395	1.16%
Total Secured	**2,652,083,477**	**74.18%**	2,455,129,948	75.42%
Unsecured	**923,303,772**	**25.82%**	800,125,954	24.58%
Total Loans	**₱ 3,575,387,249**	**100.00%**	₱ 3,255,255,902	100.00%

33.4.2 As to Status

Breakdown of loans as to performing and non-performing status per product is as follows:

2024						
Particulars		Performing		Non-Performing		Total
Other Agricultural Credit Loans	₱	827,270,554	₱	36,801,215	₱	864,071,769
Medium Enterprise		1,020,145,765		85,628,633		1,105,774,398
Salary Loan		1,489,302		8,133,680		9,622,982
Small Enterprise		292,024,464		16,584,640		308,609,104
Agrarian Reform Loans		242,127,471		59,395,080		301,522,551
Microenterprise Loans		13,428,651		8,159,328		21,587,979
Loans to Individuals for Consumption and Other Purposes		934,926,841		29,271,625		964,198,466
Total	**₱**	**3,331,413,048**	**₱**	**243,974,201**	**₱**	**3,575,387,249**

2023						
Particulars		Performing		Non-Performing		Total
Other Agricultural Credit Loans	₱	850,674,696	₱	23,287,802	₱	873,962,498
Medium Enterprise		863,604,271		23,460,370		887,064,641
Salary Loan		321,089		9,109,353		9,430,442
Small Enterprise		308,565,960		13,357,348		321,923,308
Agrarian Reform Loans		245,715,265		56,626,395		302,341,660
Microenterprise Loans		40,593,820		12,573,803		53,167,623
Loans to Individuals for Consumption and Other Purposes		787,371,732		19,993,998		807,365,730
Total	**₱**	**3,096,846,833**	**₱**	**158,409,069**	**₱**	**3,255,255,902**

33.5 Information on Related Party Loans

Information on related party loans is disclosed in Note 25.

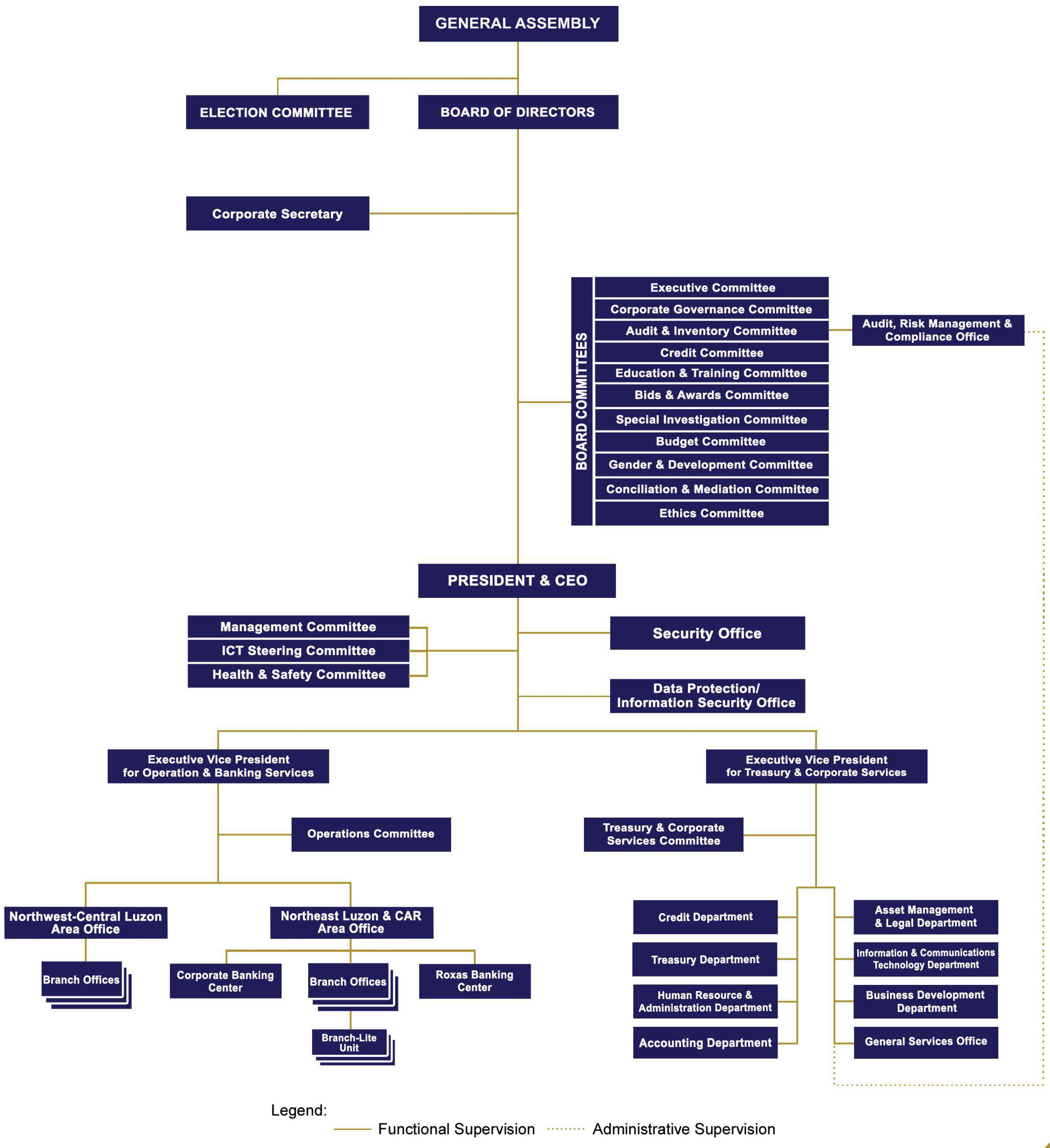
33.6 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2024 and 2023, bills payable amounting to Php1,000,000,000 and Php573,250,000, respectively, are secured by pledge of loans receivable with outstanding balance of Php402,492,101 and Php667,825,965, respectively, as disclosed in Note 12.

33.7 Contingencies and Commitments Arising from Off-balance Sheet Items

As of December 31, 2024 and 2023, the Bank has no contingencies and commitments arising from off-balance sheet items as described in Circular No. 1074.

Organizational Structure



BOARD OF DIRECTORS

2024

Mr. ERWIN B. TABUCOL
Chairperson of the Board

Filipino and Chairperson of the Board of Directors of FICOBank since 2017; and member of the Board for 11 years now. Incumbent Chairperson of the Executive Committee, Bids & Awards Committee, Special Investigation Committee, Budget Committee and Conciliation & Mediation Committee; member of the Corporate Governance Committee. Current Chairperson and former employee of the Village Farmer's Multi-Purpose Cooperative. A former employee of the Land Bank of the Philippines for twenty (20) years, Farm System Development Corporation for two (2) years, and Local Government Unit of Roxas, Isabela. Graduate of Bachelor of Science in Commerce (major in Accounting), University of the East and Juris Doctor, Isabela State University. A Certified Public Accountant (CPA).

Dr. PASENCIA B. BATTUNG
Vice Chairperson of the Board

Filipino and Vice Chairperson of the Board of Directors since 2018; member of the Board for 11 years now; and former Treasurer of FICOBank. Incumbent Chairperson of the Education & Training Committee; and member of the Executive Committee, Bids & Awards Committee, Budget Committee and Conciliation & Mediation Committee. Current Chairperson of the Board of the Damortis Multi-Purpose Cooperative and member of the Board of the Mallig Samahang Nayon Area Marketing Cooperative; and Principal II of the Department of Education. Graduate of Bachelor of Elementary Education, St. Ferdinand College, Master of Arts in Education, Mallig Plains College, and Doctor of Education, Northeastern College. A Licensed Professional Teacher (LPT) and a Passer of the National Qualifying Examination for School Head.

Ms. AILEEN GALE M. AGCAOILI
Director

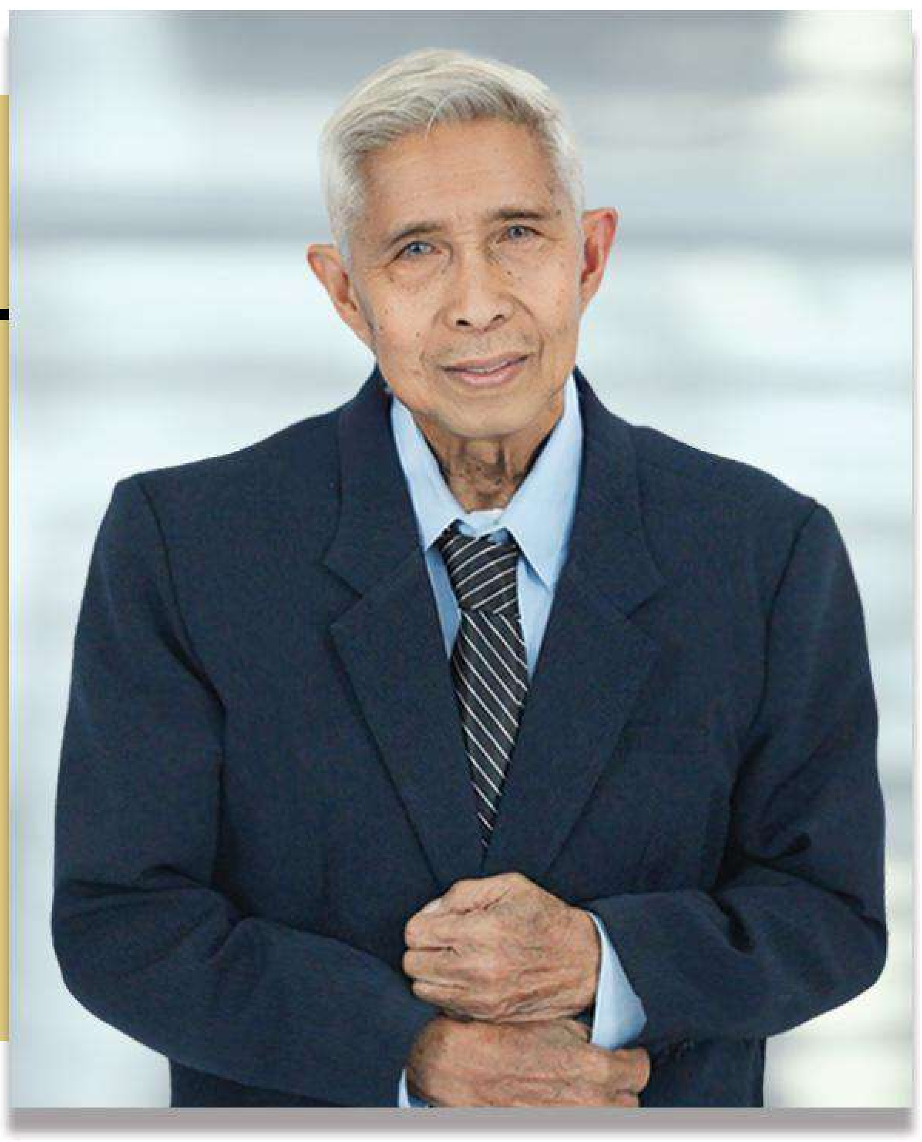
Filipino and Independent Director of FICOBank since 2017. Incumbent Chairperson of the Corporate Governance Committee; and member of the Executive Committee and Audit & Inventory Committee. Current Chairperson of the Mapuroc Marketing Cooperative and member of the Board of the Mapuroc Multi-Purpose Cooperative Inc. Former Private Nurse of the Skylab Diagnostic and Medical Laboratory, and Lecturer/Review Analyst of the Achievers Review Center, Santiago City. Graduate of Bachelor of Science in Nursing, Northeastern College, Bachelor of Science in Secondary Education, University of La Salette and Master in Business Administration (MBA), World Citi Colleges, Quezon City. A Registered Nurse (RN).

Mr. WILFREDO DC. ANTONIO
Director

Filipino and Director of FICOBank since 2013 and former Chairperson and Vice Chairperson of the Board of Directors. Incumbent Vice Chairperson of Ethics Committee; and member of the Executive Committee, Education & Training Committee and Budget Committee. Current Chairperson of the Board of Directors of the San Manuel Multi-Purpose Cooperative. Former Sangguniang Bayan (SB) Member of the Local Government Unit of San Manuel, Isabela; and Farm Management Technician of the Bureau of Agricultural Extension, Department of Agriculture. Graduate of Bachelor of Science in Agriculture, Major in Animal Husbandry and Minor in Economics, Central Luzon State University.

Mr. EUFEMIO M. BASUEL
Director

Filipino and Director of FICOBank since 2011 (on staggered terms) and former Board Secretary. Incumbent Chairperson of the Gender & Development Committee; and member of the Credit Committee and Special Investigation Committee. Current Chairperson of the San Pablo Multi-Purpose Cooperative and Alliance of Samahang Nayon Marketing Cooperative; and Director of the Cagayan Valley Development Cooperative. Former Agricultural Cooperative Development Officer of the Ministry of Local Government and Community Development; Agricultural Food Technologist of the Ministry of Agriculture and Food; and Agricultural Technician of the Department of Agriculture. Graduate of Bachelor of Science in Elementary Education, Major in Agriculture (BSEEd-Ag), Tarlac College of Agriculture, Camiling, Tarlac. A recipient of local, regional and national awards, foremost of which is the Gawad Geny Lopez Bayaning Pilipino Award by the ABS-CBN and UGAT Foundation.



Mr. ROGELIO B. BENITEZ
Director

Filipino and Director of FICOBank since 2016 and former Board Secretary. Incumbent member of the Education & Training Committee, Bids & Awards Committee and Credit Committee. Current Chairperson of the New Casili Multi-Purpose Cooperative, Casili Marketing Cooperative and Mallig Samahang Nayon Marketing Cooperative. Former Municipal Planning and Development Coordinator and retired Sangguniang Bayan (SB) Secretary of the Local Government Unit of Mallig, Isabela; Farm Management Technician and then Agrarian Reform Technician of the Department of Agrarian Reform; and Vice President and then Director of the Philippine League of Secretaries to the Sanggunian Inc. Graduate of Bachelor of Science in Agriculture, Araneta University Foundation, and Master in Public Administration, Our Lady of the Pillar College.

Mr. ERNESTO C. GAMBOA
Director

Filipino and Director of FICOBank since 2014 and former Vice Chairperson of the Board of Directors. Current Treasurer of FICOBank. Incumbent member of the Executive Committee, Audit & Inventory Committee, Corporate Governance Committee, Budget Committee, Conciliation & Mediation Committee and Ethics Committee. Current Chairperson of the Board of the Bantug Multi-Purpose Cooperative, Inc. and Current Director of the Bantug Marketing Cooperative. Former Collector, Loan Officer and then Bookkeeper of the Rural Bank of Burgos; Loan Officer and then Branch Manager of the Consolidated Rural Bank (Cagayan Valley) Inc., and a former Sangguniang Bayan (SB) Member of the Local Government Unit of Roxas, Isabela. Graduate of Bachelor of Science in Business Administration (major in Accounting), National College of Business and Arts and Master in Public Administration, Northeastern College.

Engr. JEFFERSON G. MARIANO
Director

Filipino and Independent Director of FICOBank since 2017. Incumbent Chairperson of the Audit & Inventory Committee; and a member of the Corporate Governance Committee. Current Director of the Natan-oc Multi-Purpose Cooperative and Natan-oc (San Roque) Marketing Cooperative. Former Project Engineer of the Golden Tech Construction in Santiago City and Cadeliña Construction in San Mateo, Isabela. Graduate of Bachelor of Science in Civil Engineering, St. Mary's University. A Registered Civil Engineer.

Mr. FREDERIQUE M. OBEDOZA
Director

Filipino and Director of FICOBank since 2018 and former Board Secretary. Incumbent Chairperson of the Credit Committee and Ethics Committee; and a member of the Corporate Governance Committee, Budget Committee and Special Investigation Committee. Current Chairperson of the Bugallon Proper Multi-Purpose Cooperative and Bugallon Proper Marketing Cooperative. Former Loan Officer/Appraiser of the Land Bank of the Philippines; Accountant of the Universal Earth Resources Corporation; Branch Manager of FICOBank; and Executive Secretary and then Head of the Economic Enterprise Department of the Local Government Unit of Ramon, Isabela. Graduate of Bachelor of Science in Accountancy, Philippine School of Business Administration, and Juris Doctor, Northeastern College. A Certified Public Accountant (CPA).

Atty. HUBERT E. MOLINA
President & CEO

Ms. MAY A. SUNIO
Board Secretary

SENIOR MANAGEMENT

Atty. HUBERT E. MOLINA
President & CEO

Filipino and President & CEO of FICOBank since 2016. Current Part-time Lecturer at the College of Law of the Isabela State University since 2002. Former Executive/Senior Vice President for Treasury & Corporate Services Group, Vice President of Administration & Support Services, Head of Asset Management & Legal Department, Executive Assistant to the President, and Board Secretary of FICOBank. Former Board Chairperson of the Cooperative Banks Federation of the Philippines (BANGKOOP), Senior Associate Lawyer of JGLaw, Part-time Lecturer of the Manuel L. Quezon University-College of Law, Instructor of the Centro Escolar University and the St. Scholasticas' College, and Consultant of the Department of Agrarian Reform. Graduate of Bachelor of Science in Commerce (major in Accounting), University of Sto. Tomas, and Juris Doctor, San Beda University. Completed a Diploma Program in Banking, Ateneo De Manila University Graduate School of Business. A Certified Public Accountant (CPA) and a Full-fledged Lawyer.

Atty. GILBERT A. GALOPE
Executive Vice President, Treasury & Corporate Services Group

Filipino and Executive Vice President for Treasury & Corporate Services Group of FICOBank since 2017. Former Head of Accounting Department and Accounting Assistant of FICOBank. Former Part-time Instructor at the College of Business Management of the Isabela State University and the Our Lady of the Pillar College-San Manuel, Inc. Former Board Secretary of the Cooperative Banks Federation of the Philippines (BANGKOOP). Graduate of Bachelor of Science in Accountancy, Central Luzon State University, Master in Business Administration, Our Lady of the Pillar College, and Juris Doctor, Isabela State University. A Certified Public Accountant (CPA), a Certified International Bookkeeper (CIB), and a Full-fledged Lawyer.

Mr. RONALD C. BUSTO
Executive Vice President, Operation & Banking Services Group

Filipino and Executive Vice President for Operation & Banking Services Group of FICOBank since 2021. Former Assistant Vice President/ Area Manager, Risk-Based Lending Management Officer/Asset Management Head, Corporate Banking Services Head and Branch Manager of FICOBank. Former Branch Manager and then Area Manager of the PR Bank; Bookkeeper, Account Officer and then OIC-Manager of the Norphil Bank; and Bookkeeper of the Agrarian Reform Beneficiaries MPC. Graduate of Bachelor of Science in Commerce (major in Accounting), St. Ferdinand College.

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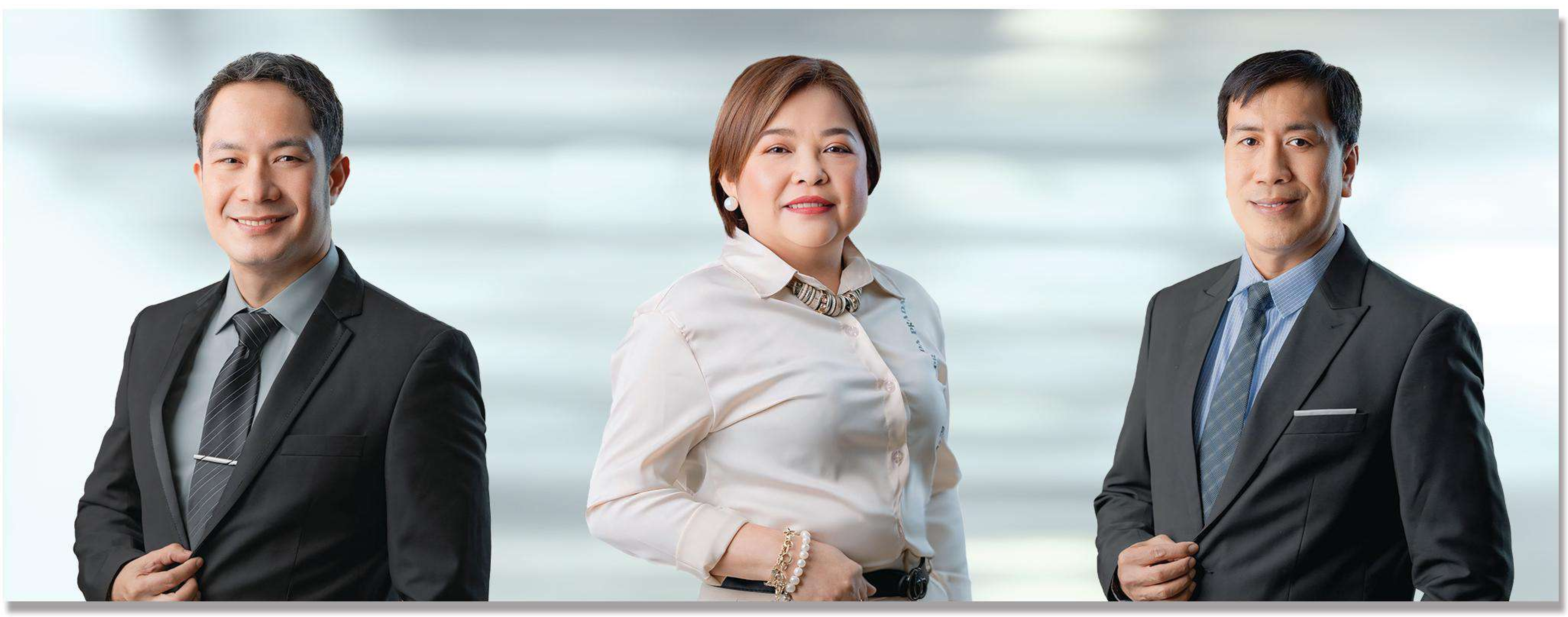

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Mr. JOEL V. MAMURIC
Manager, FICOBank Malasiqui

Ms. ROELLA MAY V. GAMIDO
Manager, FICOBank Muñoz

DEPOSIT PRODUCTS

REGULAR SAVINGS & DEMAND DEPOSIT

These savings accounts offer fixed interest rates and withdrawal flexibility, with options ranging from passbook-evidenced savings to the convenience of checkbook access, ensuring worry-free transactions and facilitating check issuances through linked savings balances.

TERM & SPECIAL SAVINGS DEPOSIT

These deposit products offer fixed interest rates and specialized features, ranging from Certificate of Time Deposit with fixed maturity dates to passbook-evidenced savings for future financial needs, and high-yielding savings accounts for maximizing interest earnings.

Deposits are insured by PDIC up to P1,000,000 per depositor.

LOAN PRODUCTS

AGRICULTURAL LOANS

These agricultural loans cater to various needs of farmers, fishers and agricultural cooperatives, providing financing for productivity enhancement, additional working capital, acquisition of farm machinery and short-term funding for specific crops like onions and seed growers, bridging financial gaps between production and sale periods.

COMMERCIAL LOANS

These commercial loans cater to small and medium entrepreneurs and businesses, offering financial support for expansion, land acquisition/construction, additional working capital, and meeting maturing obligations.

CONSUMER/PERSONAL LOANS

These consumer/personal loans cater to variety of needs, offering financial assistance for productive and providential purposes. It includes options such as loans backed by jewelry items as collateral, general-purpose loans and specialized loans tailored for government employees.

OTHER FEE-BASED SERVICES

- Inter-Branch Cash Deposit
- Inter-Branch Cash Withdrawal
- Inter-Branch Fund Transfer
- Inter-Branch Loan Payment
- SuperPOS ATM Withdrawal
- PERA HUB Remittance
- PERA HUB GCash In

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SOON TO OPEN BRANCHES

- **FICOBank Alfonso Lista (Ifugao)**
- **FICOBank Tayug (Pangasinan)**

REGION I

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Matriarch Enterprise Bldg.
Avenida Rizal East, Poblacion
Lingayen, Pangasinan
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FICOBank Malasiqui
Quezon Blvd., Poblacion
Malasiqui, Pangasinan
Tel./Fax No.: (075) 615-6708

FICOBank Rosales
General Luna St., Zone II
Rosales, Pangasinan
Tel. No.: (075) 202-1832

FICOBank Urdaneta
McArthur Hwy., Poblacion
Urdaneta City, Pangasinan
Tel. No.: (075) 649-3841

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FICOBank Abulug
Great Ava Trinity Corp. Bldg.
Junction Libertad, Abulug, Cagayan
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Mobile No.: 0915-495-8624

FICOBank Alicia
Alicia-San Mateo Rd.
Antonino, Alicia, Isabela
Tel./Fax Nos.: (078) 307-1265/
258-2409

FICOBank Aparri
Pilgrim's Building, Cor. Rizal &
Alvarado Sts., Centro 14
Aparri, Cagayan
Tel. No.: (078) 888-0753

FICOBank Aurora
WDN Bldg., National Hwy.
San Jose, Aurora, Isabela
Tel. No.: (078) 652-1379/258-2405

FICOBank Bambang
Maharlika Hwy., Calaocan
Bambang, Nueva Vizcaya
Tel./Fax No.: (078) 362-0025

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Cor. Tandang Sora & Claudio Sts.
Brgy. Centro, Cabatuan, Isabela
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Cor. Don Juan Dacanay &
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Cauayan City, Isabela
Tel. Nos.: (078) 652-3363/652-0215

FICOBank Cordon
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Tel. No.: (078) 325-6448

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A. Bonifacio, Diffun, Quirino
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Public Market, Smart (Poblacion)
Gonzaga, Cagayan
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Abarca Bldg., Calamagui 2nd
Ilagan City, Isabela
Tel. No.: (078) 307-1276

FICOBank Jones
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Bugallon Proper, Ramon, Isabela
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FICOBank Santiago
Heritage Bldg., Maharlika Hwy.
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Tel. No.: (078) 305-5515

FICOBank Solana
Municipal Compound
Centro Southeast
Solana, Cagayan
Tel./Fax No.: (078) 377-0948

FICOBank Solano
Alvarez Bldg., Cor. Burgos &
Luna Sts., Quirino, Solano
Nueva Vizcaya
Tel. No.: (078) 362-3141

FICOBank Tuguegarao
JB Prime Bldg.
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Tuguegarao City, Cagayan
Tel. No.: (078) 844-2502

FICOBank Tumauini
Uy Bldg., Maharlika Hwy.
Lingaling, Tumauini, Isabela
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CAR

FICOBank Tabuk
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REGION III

FICOBank Aliaga
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Baliwag City, Bulacan
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FICOBank Cabanatuan
Maharlika Hwy., Dicarma District
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FICOBank Cabiao
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Camiling, Tarlac
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Tel. No.: (045) 925-9622

FICOBank Dinalupihan
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FICOBank Gapan
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Tel. No.: (044) 940-8016

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Guimba, Nueva Ecija
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535 T. Delos Santos St., Poblacion West
Science City of Muñoz, Nueva Ecija
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Brgy. F.E. Marcos
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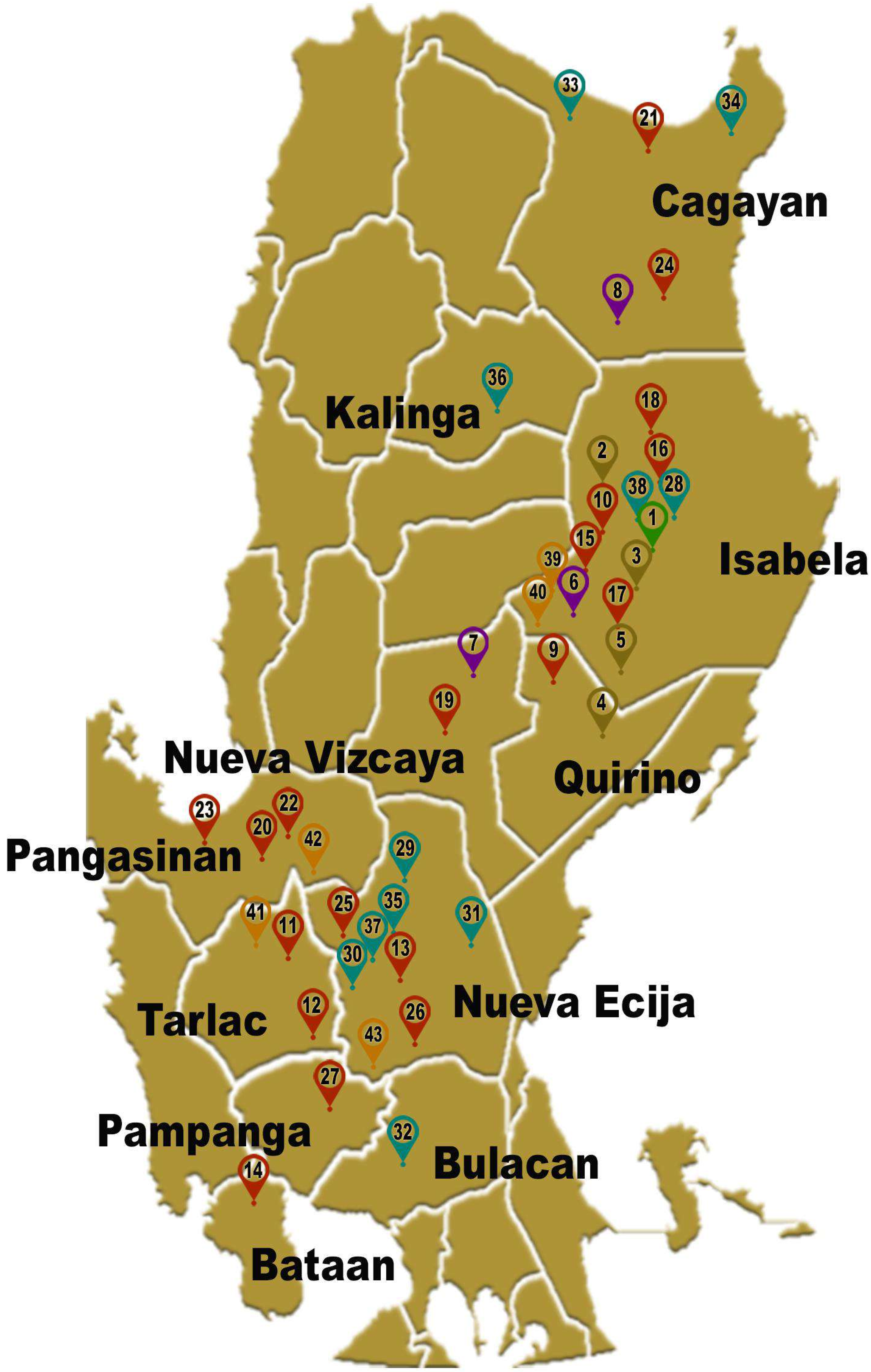
Market Footprints



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Home Market (1976)
Market Expansion I (1995-1998)
Market Expansion II (2003-2005)
Market Expansion III (2007-2013)
Market Expansion IV (2014-2021)
Market Expansion V (2022-2024)

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