1st Valley Bank
A Development Bank

# ANNUAL REPORT 2024

## Onward, 1VB!


SALES RALLY 2024
ZAMBOANGA PENINSULA, LANAO & MIS. OCC A


1st Valley Bank
INQUIRE NOW

1st Valley Bank
DEPOSIT
HR DEPT
1st Valley Bank
SALES RALLY 2024

1st Valley Bank
A Development Bank
HR DEPT
LET'S TAKE PHOTOS

KILUSANG 1VB
Padung sa Paglambo

SME
1st Valley Bank
A Development Bank
INQUIRE NOW!

BARANGAY 1VB

SALES RALLY 2024

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OPS. UNIT
1st Valley Bank
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INQUIRE NOW!


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# OUR VISION

Our vision is to be the preferred banking institution in delivering innovative and customer-centered financial services.

# OUR MISSION

In becoming the preferred banking institution delivering innovative and customer-centered financial services, our mission is as follows:

01. To be one 1st Valley Bank.
02. To be the go bank for our clients.
03. To be the top employer for our staff.
04. To ensure the delivery of high returns for our stakeholders.
05. To promote development in the areas where we operate.

# Core Values

## Conducting Our Business

We conduct our business with integrity, transparency, honesty, and highest ethical standards.

## Treating Our Clients

Treating our clients with equality, fairness, and respect is foremost in our delivery of excellent banking services.

## Developing Our Business

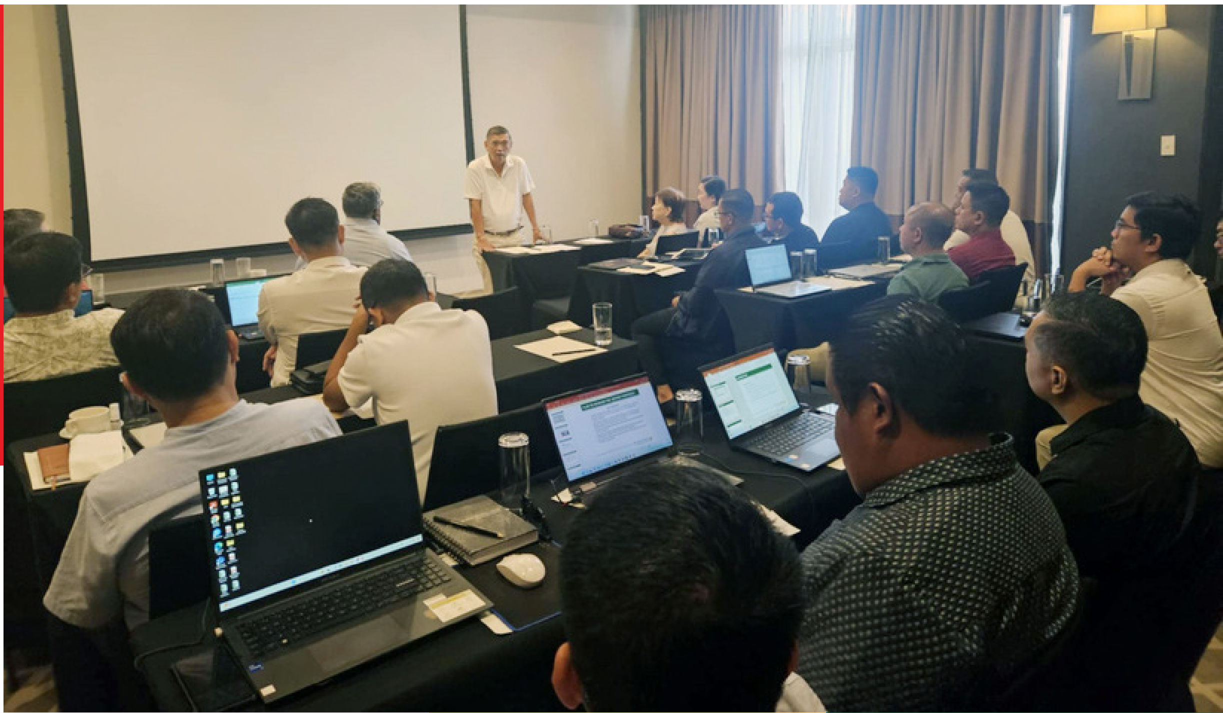
We develop our business through innovation, enthusiasm, creativity, and our constant quest for excellence.

# LIFETIME FRIENDSHIP IS WHAT MAKES 1ST VALLEY BANK DIFFERENT FROM OTHER BANKS.

1st Valley Bank (1VB) is different from other banks because in delivering high quality financial services, it considers its consumers as its lifetime friends. This means the Bank is committed to building trust and ensuring the achievement of its consumers' financial aspirations. It will work with its lifetime friends all the way to their success.

# 1VB Business Model

Granting medium and long-term funds to agricultural and industrial businesses emphasizing small and medium-scale industries is at the core of 1VB business model. 1VB's primary source of credit funds is the amount of deposits entrusted by its clients. Its Board of Directors (BOD) determines the direction of the Bank with the Senior Management exercising its corporate powers to ensure the viability and sustainability of the Bank's business model.



# THE PRESIDENT SPEAKS

Nicolette Lim-Gica
President / CEO
2024 Present

Today is about building connections, creating a strong and solid 1VB Team. From my 16 years with 1st Valley Bank, my aim as PRESIDENT/ CEO is to build upon the increasing progress being made to diversify our capabilities and offerings consequently creating opportunities and value for our clients, our shareholders, and our people. Regardless of our role, we all play an integral part in the success of 1VB.

As part of Barangay 1VB, our battle cry is I AM 1VB.

What does this mean? Each and every one of us represents 1VB. How we work, how we deal with customers, how the bank is perceived is all connected and relies on you, me, all of us.

Atty. Nicolas J. Lim
President / CEO
2023-2024

The success of 1VB depends on us. In 2024, we were able to raise 8.73B  deposit liabilities, grow our loan portfolio to 11.65B, implement stronger IT governance frameworks, conduct extensive risk assessments, apply robust cybersecurity measures, foster a culture of continuous learning, build strong talent pipeline, encourage a culture of compliance among many others.

We will continue these achievements in 2025 under the helm of Ms. Nicolette Lim-Gica, your new President. We know we can grow beyond what we have previously achieved. We know that we have the talents in place to deliver on our targets. We believe in the strength of the organization and in the collective knowledge of the team.

Onward, let us prove that we can increase our market share.  Let us grow our loans.  Let us entice more deposits.  AND let us ensure that we manage our risks.

Are you with me?  Onward, 1VB!

# COMPARATIVE
# PRESENTATION

**1st Valley Bank, Inc., A Development Bank**
Vamenta corner Lirio Street, Carmen, Cagayan de Oro City
**ANNUAL REPORT-MINIMUM REQUIRED DATA**
**SOLO (1VB has no subsidiaries)**

| | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|
| **PROFITABILITY** | | |
| Total Net Interest Income | 1,142,953,934 | 896,281,208 |
| Total Non-Interest Income | 389,404,516 | 400,176,246 |
| Total Non-Interest Expenses | 1,018,480,411 | 877,179,118 |
| Pre-Provision Profit | **513,878,039** | **419,278,336** |
| Allowance for Credit Losses | 169,798,866 | 165,338,555 |
| Tax Expense | 101,558,133 | 63,590,180 |
| Net Income | **242,521,040** | **190,349,601** |
| **SELECTED BALANCE SHEET DATA** | | |
| Liquid Assets | 2,583,430,214 | 1,873,762,552 |
| Gross Loans | 11,649,001,727 | 10,636,227,356 |
| Total Assets | 15,266,138,125 | 13,523,368,080 |
| Deposits | 8,729,835,801 | 7,492,304,987 |
| Total Equity | 2,708,873,006 | 2,680,433,528 |
| **SELECTED RATIOS** | | |
| Return on Average Capital | 9.00% | 7.54% |
| Return on Average Resources | 1.68% | 1.66% |
| Capital Adequacy Ratio | 17.84% | 18.71% |
| **OTHERS** | | |
| Cash Dividends Declared | 200,000,000 | 200,000,000 |
| Headcount | 789 | 777 |
| Officers | 248 | 225 |
| Staff | 541 | 552 |

# OPERATIONAL & FINANCIAL RESULTS

**11.6B**
Loans

**8.7B**
Deposit

**1.1B**
Net Interest Income

**242.5M**
Net Income

**15.27B**
As of 31 December 2024, 1st Valley Bank has total Resources of Php15.27 Billion

**12.56B**
Total Liabilities of Php12.56 Billion

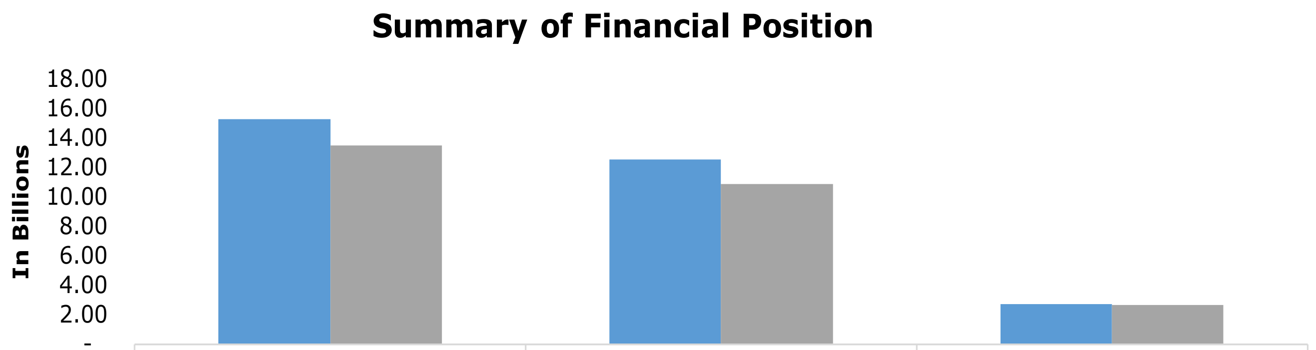
**2.71B**
Capital Funds of Php2.71 Billion

**242.5M**
Net Income of 242.5 Million

# FINANCIAL HIGHLIGHTS

December 2024

As of 31 December 2024, 1st Valley Bank has Total Resources of Php15.27 Billion, Total Liabilities at Php12.56 Billion and Capital Funds at Php2.71 Billion. The total of Cash and Other Cash Items, Due from Other Banks and Due from Bangko Sentral ng Pilipinas is at Php1.98 Billion. Net Profit is at Php242.52 Million.




| | Assets | Liabilities | Capital |
|---|---|---|---|
| 2024 | 15.27 | 12.56 | 2.71 |
| 2023 | 13.50 | 10.84 | 2.66 |

The Bank's Total Assets increase compared to December 2023. This is due to the increase in Cash & Cash Equivalents, Investment Securities, Loans, Bank Premises, Furniture, Fixtures and Equipment and Investment Properties.

Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas and Investment Securities at Amortized Cost posted increases. On the other hand, Due from Other Banks decreases.

The increase in loans is due to the high volume of releases and renewals on loans to barangay officials in the first three months of 2024. There are also increases in loans to medium and large enterprises, secured agricultural and individual loans, small business loans, unsecured other loans, gold and gems, supervised credit and motor loans.

Bank Premises increase due to the on-going renovation of existing branches and purchase of furniture, fixtures, equipment and vehicles.

Total Liabilities increased due to the increase in Deposits and Bills Payable. Both high-cost and low-cost deposits increase. The Bank avails from its rediscounting line to fund its loan releases.

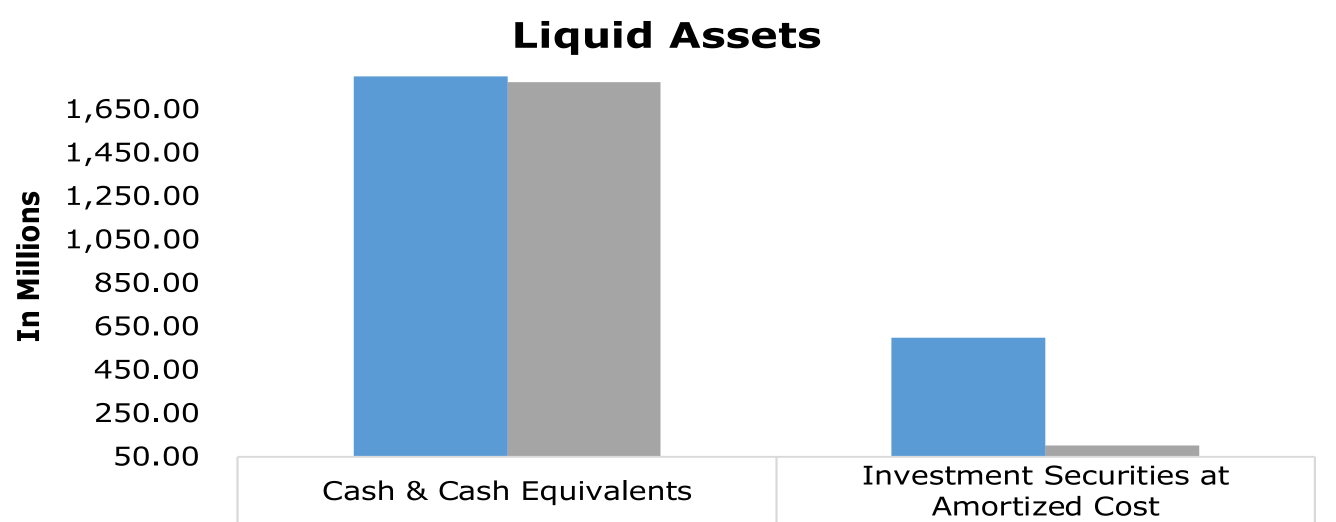
Below is the breakdown of the Bank's Tier 1 Capital Components:

| ACCOUNT | AMOUNT |
|---|---|
| Capital Stock | 1,525,226,000 |
| Retained Earnings | 930,339,028 |
| Undivided Profit | 242,521,040 |
| Other Comprehensive Income | 10,786,938 |
| **TOTAL** | **2,708,873,006** |

Below are the deductions from Tier 1 Capital:

| ACCOUNT | AMOUNT |
|---|---|
| Deferred Tax Asset | 74,078,228 |
| Goodwill | 12,376,524 |
| **TOTAL** | **86,454,752** |

The allocated Retained Earnings for Credit Risk is at 45,910,363.

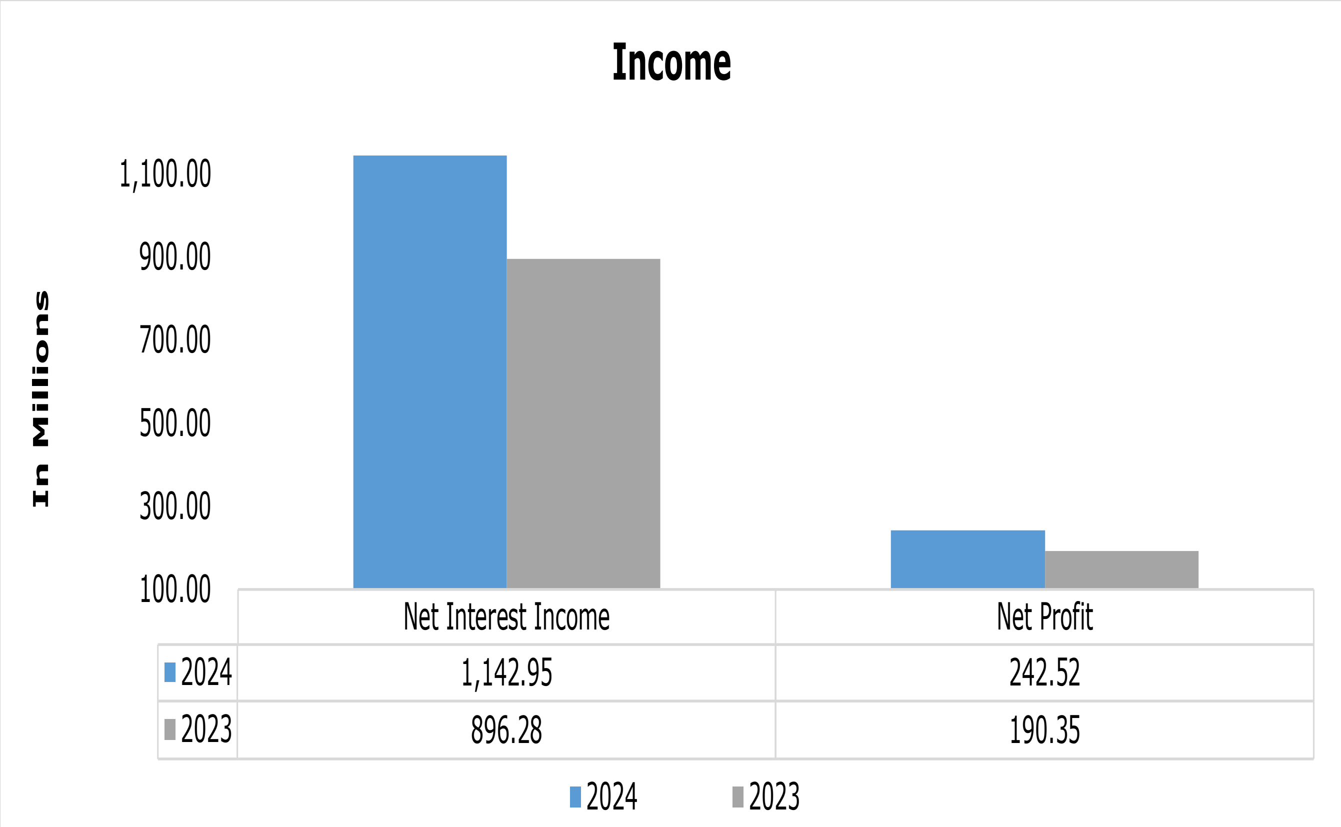



| | Cash & Cash Equivalents | Investment Securities at Amortized Cost |
|---|---|---|
| 2024 | 1,985.66 | 597.77 |
| 2023 | 1,772.44 | 101.33 |

Liquidity level is at 20% to 27%, with an average Minimum Liquidity Ratio of 24.92% for the year. Cash and Cash Equivalents, Investment Securities at Amortized Cost and Due from Bangko Sentral ng Pilipinas increased. Due from Other Banks decreased slightly.

The Reserve Requirement is at 2% at the beginning of the year. It is, then reduced to only 1% starting the reserve week of October 25, 2024. This reduces the required amount that banks should maintain in its Demand Deposit Account with the BSP. Further, the percentage of the Minimum Liquidity Ratio is set at 20% for the whole year.

# **NET** INCOME




Net Interest Income is higher against last year. This is due to the increase in Interest Income on Loans Receivable brought about by the increase in the loan portfolio balance of the Bank's high-earning loan products.

There is a decrease in Interest Income on Investment Securities at Amortized Cost due to its lower outstanding balance throughout the year. Interest Expense on Bills Payable is higher against 2023. The Bank availed rediscounting during the year to fund the loan releases. There is also an increase in the interest rates of the Bank's newly availed bills payable.

Return on Average Capital is at 9% and Return on Average Resources is at 1.68%. Capital Adequacy Ratio is at 17.84%.

# TRUSTED SINCE 1956

# OPERATIONAL EXCELLENCE

With a steadfast commitment to operational excellence, 1st Valley Bank has focused on the streamlining of processes, as well as ensuring regulatory compliance to support the Bank's growth and the evolving needs of its consumers. The Operations Department continues to play a pivotal role in enhancing the efficiency, security, and overall experience of 1VB consumers using the Bank's products and services.



## KEY FINANCIAL INSTITUTION

Through accessible banking services, and support for local businesses, 1VB aligns its efforts with the needs of the communities it serves.

The Bank continues to play a pivotal role in driving positive economic impact, enhancing financial inclusion, and supporting long-term development. 1VB commits to fostering sustainable economic growth and development in the communities where it operates.

# Operational Highlights

## Increasing Accessibility

Relocation of Osmeña and Bayugan branches to a more convenient and accessible locations; opening of a new branch lite unit in Wao, Lanao del Sur; and installation of  ATMs in twenty (20) branches mostly in the remote areas

## Market Expansion & Partnerships

Product enhancements aimed at capturing the unserved markets, and receipt of recognitions from several institutions and agencies such as the Banko Sentral ng Pilipinas (BSP).

## Employee Engagement & Sales Growth

Conduct of Sales Rally in four (4) strategic locations:  CDO, Pagadian, Davao. and Cebu;  participation in the Kaamulan Festival in Bukidnon.

# BRANCH RELOCATION


## Easier Access

The relocation ensures that 1VB services are now better positioned to meet the need of its consumers, offering easier access to both individuals and business in Osmeña, Cebu and in Bayugan, Agusan del Sur

Osmeña, Cebu and Bayugan, Agusan del Sur

Purok 3, Brgy. Western Poblacion, Wao, Lanao Del Sur

May 09, 2024

# WAO Branch Lite Opens


Efficiency and convenience are important. That's why 1st Valley Bank opened its WAO Branch Lite Unit on 9 May 2024. By increasing its presence in Wao, Lanao del Sur, 1VB continues to strengthen its position as a trusted financial partner dedicated to supporting local growth and to providing exceptional service to its consumers.

The opening of WAO Branch Lite Unit is a significant milestone in 1VB’s commitment to expanding its footprint to better serve the consumers.  This new branch lite unit is designed to offer convenient access to 1VB’s full range of financial solutions.

# EXPANDED NETWORK **MORE AVAILABLE**

Convenience and availability are two benefits from adding ATMs in 20 more branches. This brings to a total of 60 branches in the 1VB network with ATMs ready to serve its consumers.

**20**

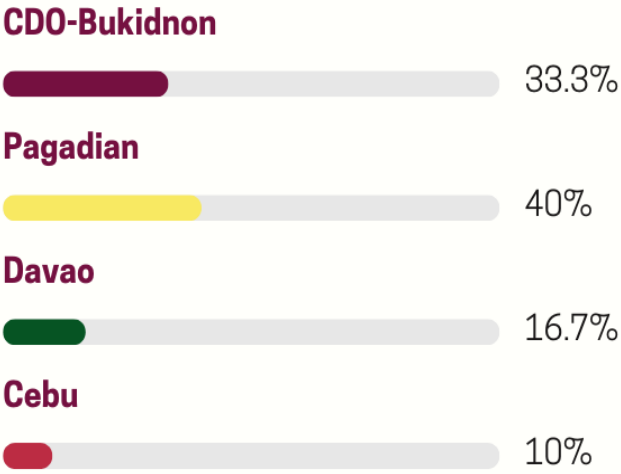
Additional Branches with ATMs

### 1VB Rolls Out More ATMs

1st Valley Bank has expanded its digital network by adding ATMs to 20 branches in 2024, namely, Villanueva, Opol, Midsayap, Kabacan, M'lang, Jimenez, San Miguel, Iligan, Cabanglasan, Cabadbaran, Gingoog, Oroquieta, Aurora, Dumaguete, Bayawan, WAO, Dipolog, Liloy, and Dumalinao.

## CRITICAL DIGITAL CHANNEL

The ATM is a critical digital channel of 1VB in its modern-connected journey. Here is the percentage of branches with ATMs by sales rally points/locations:





# Recognition & Appreciation

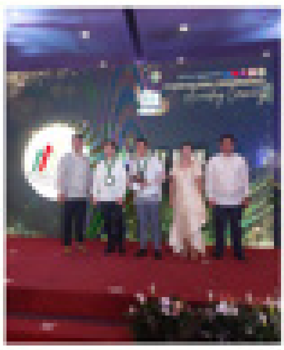
## *Going Above and Beyond*

1st Valley Bank became a Currency Exchange Center officially in 2024 in partnership with the Bangko Sentral ng Pilipinas. The BSP also recognized the Bank for contributing to the success of the regulatory body's programs and policies.

# Boosting Morale & Productivity

The simple act of acknowledging achievement is a major boost for employee morale and performance/productivity. And that's why recognition is so critical.





# Supporting Institutions

Recognition reflects 1VB's unwavering commitment to supporting financial stability, promoting financial inclusion, and the implementation of the own programs and policies by various institutions.

# MANAGING THE INTEREST RATE RISK IN THE BANKING BOOK

1st Valley Bank (1VB) complies with the guidelines set by the BSP in managings its interest rate risk in the banking book (IRRBB). The Bank has a system in place to identify, measure, monitor and control the risk exposures. IRRBB refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions.


## IDENTIFICATION

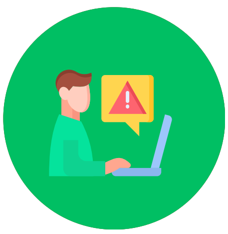
The Bank's interest rate - sensitive assets consist of Due from Banks, Loans and Investments. Moreover, its interest rate – sensitive assets include Deposits and Bills Payable.


## MEASUREMENT

1VB has systems and tools to determine the impact of these risk exposures on earnings and capital for both short – term and long – term time buckets. Reports are submitted to the Board of Directors on a regular basis.


## CONTROL

Policies and controls are in place. Lines of authority and accountability are properly defined to make sure that risk exposures are within the limits approved by the Bank's Board of Directors and within the Bank's risk appetite.



## MONITOR

Monthly monitoring of the Bank's interest rate risk position is performed. The Chief Finance Officer prepares the reports and submits the same to the Chief Risk Officer. The said reports are also presented to the ALCO and the Executive Committee every month and to the Risk Management Committee every quarter.

# Risk Management Culture & Philosophy

### Critical Part of Internal Control

Risk management is a critical part of the internal control of 1VB.

### Balancing Risk & Reward

An important risk management strategy is to balance risk and reward.


## Overall Culture & Philosophy

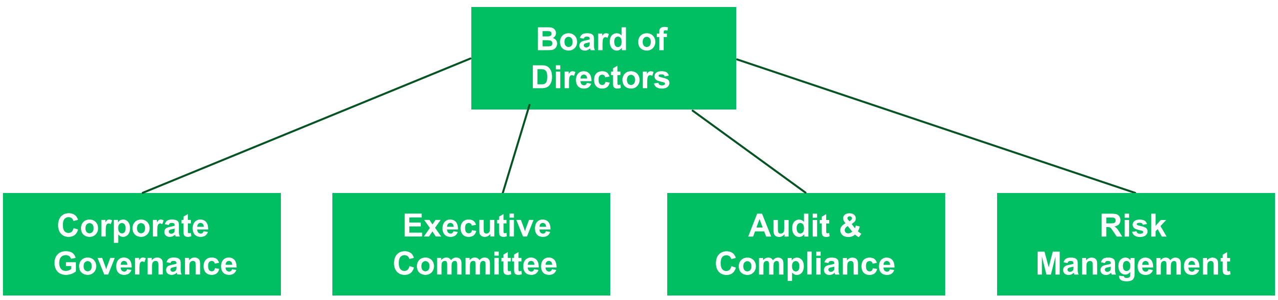
The focus of 1VB risk management in 2024 is to maintain financial stability through identifying, evaluating, and effective handling of potential risks that could cause financial, operational, and reputational losses to the Bank.

The Bank acknowledges the inevitability of risks, and its philosophy is to minimize or control these risks.  Effective and efficient risk management can prevent unexpected losses while allowing 1VB to maintain its financial strength.

# Risk Strategy

Our strategy is a dedicated plan that focuses on risk-reward balance.  1st Valley Bank ensures risks remain consistent with its risk appetite and strategic directions.


## RISK GOVERNANCE STRUCTURE




**The Board of Directors establishes and oversees the Bank's risk management framework. 1st Valley Bank has four board-level committees that perform oversight responsibilities and functions in the areas of risk policy formulation, decision-making and risk portfolio management: Corporate Governance, Executive, Audit & Compliance, and Risk Management Committees.**

# Risk Appetite and Strategy

**LR** « **MR** « **HR**

**Low Risk**
Controls are prudently designed and effective.

**Moderate Risk**
Controls are adequately designed and are generally effective.

**High Risk**
Controls maybe inadequately designed or ineffective.

## Conservative Risk Appetite

It is the Risk Management Committee that defines the risk appetite statements for each functional areas and oversees the development and implementation of the overall risk management program of the Bank.

The Bank has an overall conservative risk appetite. It will act following the risk appetite statements to achieve its strategic objectives. The Bank manages nine categories of risk to effectively supervise and ensure a safe banking system.

# Risk Categories

### → Strategic
- Low risk appetite
- Activities must align with vision-mission
- Bank will build on responsible Innovation

### → Financial
- Low risk appetite
- Prudent stewardship of financial resources
- Compliance with applicable regulatory & accounting standards.

### → Asset Quality
- Moderate risk appetite
- Performance of client due diligence
- Application of high quality underwriting

### → Reputation
- No appetite for fraud and dishonesty
- Zero tolerance policy
- Integrity is non-negotiable

### → People and Culture
- Low risk appetite
- High premium / value on its employees
- Committed to a s afe work environment

### → Operational
- Low risk appetite
- Operational losses must not cause material damage
- High standards of security measures

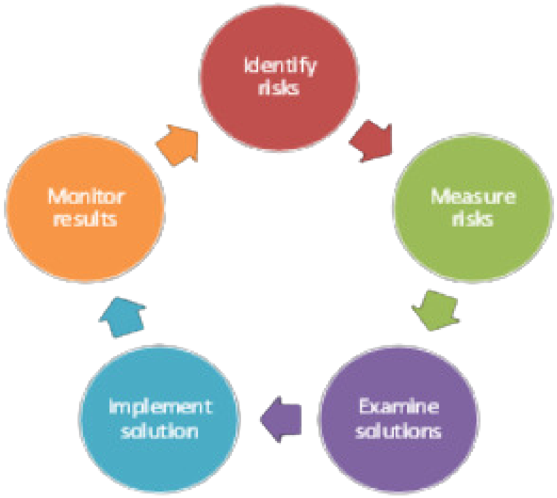
### → Legal and Compliance
- Low risk appetite
- Strong legal & compliance culture
- Fulfillment of legal obligations

### → Technology & Sustainability
- Systems support core bank functions
- Innovative technology solutions
- Greener & sustainable environment

# RISK MANAGEMENT PROCESS

## Series of Steps

The 1VB Risk Management process involves a series of steps to identify potential financial risks, assess their severity, and identify how they can be managed. The overarching process is the following:



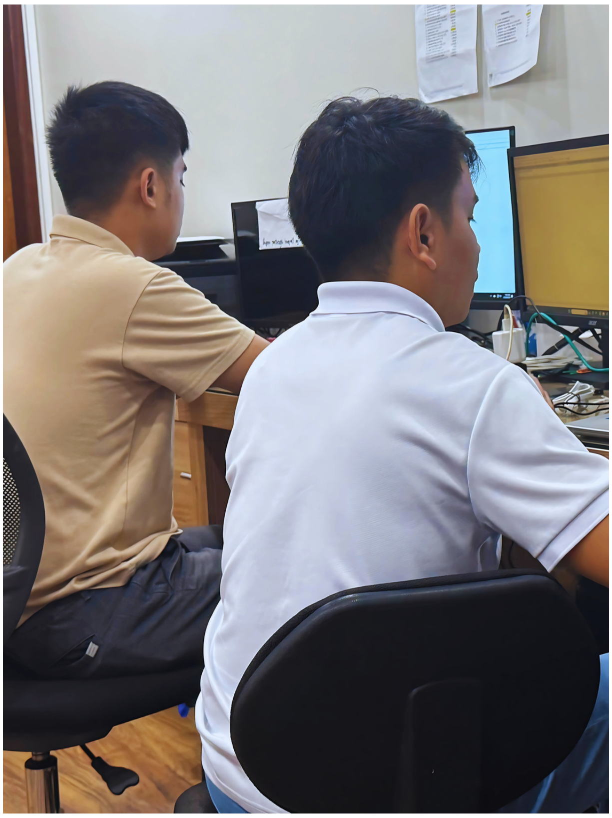

# RISK CONTROL SELF-ASSESSMENT (RCSA)

The RCSA, conducted annually, allows the business and support units to consider the extent to which potential events have an impact on the achievement of the unit's and the Bank's objectives.

The risk owners provide a quantitative assessment of the identified risks by means of computing for estimated loss which can be based on internal loss data/historical loss, additional costs due to rework, costs due to opportunity loss and contingency costs.

# ANTI-MONEY LAUNDERING GOVERNANCE & CULTURE





1st Valley Bank ensures that risks associated with money laundering and terrorists financing are addressed appropriately to the end that the Bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism.

In accordance with R.A. 9160, as amended, the AMLC Revised Implementing Rules and Regulations, and BSP Circular 706, as amended by R. A. Nos. 9194, 10167 and 10365, and by BSP Circular Nos. 950 and 1022, 1st Valley Bank ensures that the four (4) areas of sound risk management practices are in place: (1) Governance, (2) Money Laundering and Terrorism Financing Prevention Program (MTPP), (3) Monitoring and Reporting, and (4) Risk Assessment.

# ML/TF RISK MANAGEMENT FRAMEWORK

**GOVERN-ANCE**

- Board Oversight
- Senior Management Oversight
- Operational Management

**MTPP**

- Risk-based MTPP
- Risk mitigation
- Implementation of ML/TF risk management system

**MONITOR & REPORT**

- AML/CFT monitoring system
- Timely, accurate and complete reports

**RISK ASSESSMENT**

- Appropriate assessment methodology
- Risk-based approach

# Overall Corporate Governance Structure

Corporate Governance ensures that 1st Valley Bank (1VB) maintains transparency and accountability in its decision-making process.

A strong commitment to corporate governance is shared by the Board of Directors, management, staff and shareholders.

The Board of Directors (BOD) is at the forefront of good governance, setting the general corporate direction and fostering a culture of accountability. The Management oversees the implementation of plans and manages operational activities in relation to the Bank's business objectives.

In addition to setting the policies for achieving the bank's corporate objectives, the BOD shall provide an independent check on Management. Consequently, the Board is primarily accountable for 1st Valley Bank's operations and performance.

# SELECTION PROCESS

The Directors and Senior Management Officers of 1st Valley Bank have all of the qualifications and none of the disqualifications.

## Board of Directors

The Bank has a rigorous and stringent selection process for the nomination and election of directors to ensure diversity of the Board. They are selected from a pool of qualified candidates, with due consideration of their experience, technical expertise, integrity and track record, among others. Likewise, there shall be no discrimination as to sex, religion, creed, race, or natural origin. Through the collaborative efforts of the Corporate Governance Committee, only qualified and fit and proper candidates are considered to be a member of the Board.

A director must be able to perform his duties and responsibilities, preferably exceeding expectations. He must also behave in a manner consistent with RA 8791 and other applicable laws. As a matter of practice, all shareholders are invited to recommend nominees for election as a director of the Bank.

## Senior Management

The selection of our Senior Management undergoes a rigorous evaluation process to ensure that a candidate chosen for a Senior Management role is fit and proper for the said key position, taking into account his/her qualifications and experiences, academic and professional backgrounds, and expertise relevant and beneficial to the business of the Bank.

Through the collaborative efforts of the Corporate Governance Committee, only qualified and fit and proper candidates are considered to be a member of the Senior Management.

Once a candidate is selected, the approval of the Board of Directors, as endorsed by the President and the Corporate Governance Committee is sought.

# OVERALL RESPONSIBILITY OF THE BOARD OF DIRECTORS (BOD)

The Board reviews and approves the Bank's objectives and strategies, overseeing their implementation by management, nurturing the Bank's long-term success, and creating long term value for its stakeholders. It oversees the Bank's business operations, as well as reviewing strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, acquisitions and divestments, annual and interim financial statements, and corporate governance practices. Likewise, the Board is in-charge of: (1) ensuring that strategies are implemented in order to meet the Bank's objectives, (2) approving and monitoring the risk governance framework's implementation;(3) creating a sound and effective Corporate Governance Framework; (4) defining the Bank's culture and values, and (5) approving the appointment of CEO and key members of Senior Management and control functions and overseeing their performance.

# Stockholders & BOD Composition

## Major Stockholders

*Every stockholder is entitled to one (1) vote for each share of stock outstanding in his name on the books of the Bank. Cumulative voting shall be used in the election of members of the Board.*

| Type of Class | Name | Nationality | % of Stockholdings |
|---|---|---|---|
| Common | Lim Family Group | Filipino | 43.78% |
| Common | Bridge Philippines | Singaporean | 35.00% |
| Common | Te Family Group | Filipino | 15.47% |

## BOD Composition

| Name of Director | Type of Directorship | Principal Stockholder, if Nominee | No. of Years as Director | No. of Direct and Indirect Shares Held | % of Shares Held to Total Outstanding Shares |
|---|---|---|---|---|---|
| Atty. Nicolas Jagman Lim | Non-Executive | | 29 | 13,782,938 | 9.04% |
| Nicolette Lim Gica | Executive | | 1 | 4,640,326 | 3.04% |
| Celeste Marie Valencia Lim | Non-Executive | | 13 | 4,640,326 | 3.04% |
| Allan Jagman Lim | Non-Executive | | 13 | 5,202,733 | 3.41% |
| Hazel Saavedra Te | Non-Executive | | 11 | 3,952,687 | 2.59% |
| Paul Francis Kocourek | Non-Executive | Bridge Philippines | 11 | 1 | 0.00% |
| Angus James Poston | Non-Executive | Bridge Philippines | 13 | 2 | 0.00% |
| Antonio Montehermoso Dumaliang | Independent Director | | 9 | 51 | 0.00% |
| Louella Delfin Leones | Independent Director | | 2 | 51 | 0.00% |
| Joey Achazo Bermudez | Independent Director | | 4 | 27 | 0.00% |
| Maria Cristina Helena Gatmaitan Samaniego | Independent Director | | 4 | 26 | 0.00% |

# Board Demographics & Role & Contribution of the Chairman of the Board

## Board Demographics


## Role & Contribution of the Chairman of the Board

The Chairman of the Board leads the Board of Directorsin achieving its mandate of setting the overall strategicdirection of the organization and representing theinterests of the shareholders.

He provides leadership in the Board of Directors,ensures that the Board takes an informed decision andsets the tone of good governance from the top.

# Board-Level Committees

The Board has established four (4) committees to help in discharging its duties and responsibilities. These committees derive their authority from and report directly to the Board. Their mandates and scopes of responsibility are set forth in their respective Committee Charter, subjected to periodic review and may be updated or changed in order to meet the Board's needs or for regulatory compliance.

The number and membership composition of the committees may be increased or decreased by the Board as it deems appropriate, consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees.

As of 31 December 2024, three (3) of the four (4) board-level committees are chaired by independent directors.

# EXECUTIVE COMMITTEE

The Executive Committee, within its Board delegated authority, is responsible for the following:

- Exercises the power of the Board in the management and direction of the affairs of the Bank.
- Acts as the main approving body for loans, credits, advances or commitments and property-related proposals.
- Reviews and recommends for Board approval major credit policies, including delegation of credit approval limit.

Chairman:
- Angus James Poston

Members:
- Nicolette L. Gica
- Hazel S. Te
- Paul F. Kocourek
- Celeste Marie V. Lim

# CORPORATE GOVERNANCE

The Committee shall have general powers and supervision over the election of the officers of the bank, adopting the rules and procedures for balloting and nomination and ensuring the proper conduct of election of the officers of the bank.

Specifically it shall, as defined by Circular 969:

- Oversee the nomination process for the members of the Board of Directors and Senior Management Positions.
- Oversee the continuing education program for the Board of Directors.
- Oversee the annual evaluation program for directors and committees.
- Oversee the annual evaluation program for senior management.
- Oversee the design and operation of the remuneration and incentives policy for all staff.

Chairman:
- Joey A. Bermudez

Members:
- Antonio M. Dumaliang
- Celeste Marie V. Lim
- Paul F. Kocourek
- Atty. Nicolas J. Lim

# RISK MANAGEMENT

The Committee is responsible for the oversight of enterprise risk management program of the Bank and the  development of the Bank's enterprise-wide risk management program.

- Oversees the system of limits to discretionary authority the Board delegates to management,
- Assesses the overall status of the Bank's adherence to the risk appetite
- Ensures that the risk management function has adequate resources
- Effectively oversee the risk-taking activities of the Bank.

Chairman:
- Maria Cristina Helena G.  Samaniego

Members:
- Hazel S. Te
- Louella D. Leones
- Joey A. Bermudez
- Antonio M. Dumaliang

# CORPORATE GOVERNANCE

The Audit and Compliance Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that the Bank's systems and processes are designed to provide assurance in reporting, monitoring, and compliance with laws, regulations and internal policies as well as in efficiency and effectiveness of the Bank's operations, and safeguarding of assets.

In doing this, it has the oversight function on Internal Audit, including IT risks and controls,  audit and internal controls; external audit,compliance function, and the Bank's compliance with the provisions of AMLA.

Chairman:
- Antonio M. Dumaliang

Members:
- Hon. Allan J. Lim
- Louella D. Leones
- Joey A. Bermudez
- Atty. Nicolas J. Lim

# Meet 1VB **Directors**

## Atty. Nicolas J. Lim
**CHAIRMAN**
Filipino, 76 years old

**Atty. Nicolas J. Lim** sits as the Chairman of the Board since February 2024 and a member of the Board since 1996. He earned his Bachelor of Laws from Ateneo de Manila University. Concurrently, Atty. Lim sits as the Chairman of Kapatagan Valley Realty, Inc. and Kapatagan Ventures, Inc. Prior to his appointment as Chairman of the Board, he served as the Bank's president for 28 years.

## Nicolette Lim-Gica
**PRESIDENT/CEO, DIRECTOR**
Filipino, 46 years old

**Nicolette L. Gica** is the elected President / CEO and member of the Board of 1st Valley Bank, Inc., A Development Bank since February 2024. She is a graduate of Bachelor of Science in Commerce, major in Management of Financial Institution and has earned her executive master's degree in Business Administration from the Asian Institute of Management.

## Hon. Allan J. Lim
**DIRECTOR**
Filipino, 72 years old

**Hon. Vice Governor Allan J. Lim** has been a member of the Board of Directors of 1st Valley Bank, Inc., A Development Bank since 2012. A graduate of Bachelor of Science in Mechanical Engineering, Hon. Allan was the municipal mayor of Lala, Lanao del Norte for nine (9) years. He is the current Vice Governor of the Province of Lanao del Norte.

## Angus James Poston
**DIRECTOR**
British, 53 years old

**Angus James Poston** has been a member of the Board of 1st Valley Bank, Inc., A Development Bank since 2014. He is the Chief Executive Officer of Bridge Philippines Investments PTE. LTD. and holds a master's degree in Economics Management from the Manchester University and a master's degree in Psychology and Philosophy from the Oxford University

# Meet 1VB **Directors**

## Paul Francis Kocourek
**DIRECTOR**
Irish, 74 years old

**Paul Francis Kocourek** has been a member of the Board of 1st Valley Bank, Inc., A Development Bank since 2014. He obtained his master's degree in Business Administration from University of Pennsylvania. Presently, he is also the Chairman of Teak Tree Investments, and Director of Bridge Philippines Investments PTE. LTD. and Point Pleasant Holdings.

## Celeste Marie V. Lim
**DIRECTOR**
Filipino, 48 years old

**Celeste Marie V. Lim** has been a member of the Board of Directors of 1st Valley Bank, Inc., A Development Bank since 2012. Concurrently, she is also the First Senior Vice President - Cards Business Solutions Group of the Philippine National Bank, and Director of Philippine Geiko, Inc. She holds a master's degree in Business Administration from the University of Chicago Booth.

## Hazel S. Te
**DIRECTOR**
Filipino

**Hazel S. Te** has been a member of the Board of 1st Valley Bank, Inc., A Development Bank since 2012. She holds a bachelor's degree Computer Science from the Ateneo de Manila University. At present, she is also the Treasurer of Paradigm Diversified Res., Inc., General Manager of Valuehub, Inc., and Manager of Activalue Sales.

## Antonio M. Dumaliang
**DIRECTOR**
Filipino, 71 years old

**Antonio M. Dumaliang** has been a member of the Board of 1st Valley Bank, Inc., A Development Bank since 2015. He holds a master's degree in Management from the Asian Institute of Management and a Certified Public Accountant. Also, he sits as an Independent Director of Bangko Montanosa Inc.

# Meet 1VB Directors

## Louella D. Leones
**DIRECTOR**
Filipino, 74 years old

**Louella D. Leones** has been a member of the Board of 1st Valley Bank, Inc., A Development Bank since February 2023. She holds a master's degree in Business Administration from the Ateneo de Manila University and Wesleyan University. She is a Certified Public Accountant.

## Ma. Cristina Helena G. Samaniego
**DIRECTOR**
Filipino, 57 years old

**Ma. Cristina Helena G. Samaniego** has been a member of the Board of 1st Valley Bank, Inc., A Development Bank since 2020. She is a graduate of Industrial Management Engineering from De La Salle University. Concurrently, she sits as the Chief Risk Officer of Philippine American Life and General Insurance Company.

## Joey A. Bermudez
**DIRECTOR**
Filipino, 69 years old

Holding a master's degree in Business Economics from University of Asia and the Pacific, **Mr. Joey A. Bermudez** has been a member of the Board of 1st Valley Bank, Inc., A Development Bank since 2020. At the same time, he is the President of Overified.Com, Board Advisor of Trureal, Inc., and Chairman of Maybridge Finance and Leasing, Inc.

# DIRECTORS' ATTENDANCE

## Board and Committee Meetings

| | Board | | Executive Committee | | Corporate Governance Committee | | Risk Management Committee | | Audit and Compliance Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Meetings | | No. of Meetings | | No. of Meetings | | No. of Meetings | | No. of Meetings | |
| Name of Director | Attended | % | Attended | % | Attended | % | Attended | % | Attended | % |
| Atty. Nicolas J. Lim | 3 | 100.00% | | | 2 | 100% | | | 3 | 100% |
| Nicolette L. Gica | 3 | 100.00% | 9 | 100% | | | | | | |
| Celeste Marie V. Lim | 3 | 100.00% | 9 | 100% | 2 | 100% | | | | |
| Allan J. Lim | 3 | 100.00% | | | | | | | 3 | 100% |
| Hazel S. Te | 3 | 100.00% | 9 | 100% | | | 4 | 100% | | |
| Paul F. Kocourek | 3 | 100.00% | 9 | 100% | 2 | 100% | | | | |
| Angus J. Poston | 3 | 100.00% | 9 | 100% | | | | | | |
| Maria Cristina Helena G. Samaniego | 3 | 100.00% | | | | | 4 | 100% | | |
| Antonio M. Dumaliang | 3 | 100.00% | | | 2 | 100% | 4 | 100% | 3 | 100% |
| Louella D. Leones | 3 | 100.00% | | | | | 4 | 100% | 3 | 100% |
| Joey A. Bermudez | 3 | 100.00% | | | 2 | 100% | 4 | 100% | 3 | 100% |
| **Total No. of Meetings Held** | **3** | **100.00%** | **9** | **100%** | **2** | **100%** | **4** | **100%** | **3** | **100%** |

Our directors demonstrate their ability and commitment to fulfill their fiduciary duties during board meetings.

The agenda is distributed to the members prior to the meeting. It outlines specific issues to be discussed to make the meeting more productive. Members of the Board normally come well-prepared for the meeting.

There is a designated attendee that takes the minutes of the meeting. The minutes contain the items discussed as well as the decisions made by the directors. It should be kept and maintained since they can shield the Bank from legal issues if they arise.

The minutes are reviewed and approved by the members of the Board during the next meeting. Directors may clarify certain things in the minutes, if necessary, and then confirm the validity of the decision(s). Once approved, the document becomes the official record and kept accordingly. The Board also evaluates the effectiveness of the meeting periodically as attendance increases the engagement of the BOD.

# Meet 1VB Senior Management Officers

### Nicolette Lim-Gica
**PRESIDENT & CEO**
Filipino, 46 years old

**Ms. Nicolette L. Gica** was elected as President and Chief Executive Officer of 1st Valley Bank, Inc., A Development Bank in February 2024. She served as the Bank's Chief Operations Officer for 16 years (2008 - 2024) and Executive Assistant to the President for two years (2006 -2008). Upon joining 1st Valley Bank, she spearheads the development of efficient service delivery and customer experience. ***Education:*** *BS in Commerce, major in Management of Financial Institution, De la Salle University; EMBA, Asian Institute of Management*

### Anavic A. Sarsale
**CHIEF FINANCE OFFICER**
Filipino, 50 years old

**Anavic** held several key leadership positions in the Bank, from 2001 to 2010: as Controller, Compliance Officer, and Branch Manager. In November 2010, she was appointed to the position of Chief Finance Officer. As Chief Finance Officer, she developed and implemented several strategic initiatives that guaranteed the Bank's expansion and stability. ***Education:*** *BSBA Economics, Cum Laude, MSU- Iligan Institute of Technology; Masters in Business Administration, Lo Salle University; Management Development Program, Asian Institute of Management.*

### Emily Eya Enad
**CHIEF RISK OFFICER**
Filipino, 50 years old

**Ms. Enad** brings with her 28 years of banking experience. As CRO, and with the bank's Risk Management Committee of the Board, she was the overall lead in identifying and measuring risks inherent in the bank's portfolio. She made sure that provisioning is kept to a minimum by proactively working on initiatives to manage the bank's portfolio quality. She served as Vice President for Microfinance prior to being CRO. ***Education:*** *Bachelor of Science in Accountancy, MSU- Iligan Institute of Technology; Master in Entrepreneurship, Asian Institute of Management.*

### Vivian Valencia-Lim
**HR DIRECTOR**
Filipino, 76 years old

In March 2000, **Vivian** was appointed as the HR Director of the Bank. Several initiatives were introduced to ensure compliance with employment laws and regulations. She also served as a member of the Board in Sugbuanon Rural Bank, Inc. ***Education:*** *Bachelor of Science in Elementary Education, graduated Magna Cum Laude, Philippine Normal College; Ma. Sped - Gifted Education, with Highest Academic Honors, University of the Philippines; Master in Educational Psychology, Philippine Normal College; Master in Reading* Education, De La Salle University.

# Meet 1VB Senior Management Officers

### Glenn A. Mendez

**CHIEF OF STAFF**

Filipino, 50 years old

Prior to his appointment as Chief of Staff in 2010, **Glenn** held various leadership roles in 1st Valley Bank focusing on microfinance, collection, and marketing. He also served several key leadership position championing microfinance, remedial, and collection.

***Education:*** *Bachelor of Science in Accountancy, La Salle University; Bachelor of Laws (LLB), Medina College; Masters in Entrepreneurship, Asian Institute of Management.*

### Ronnil R. Beñales

**OIC - INTERNAL AUDIT**

Filipino, 29 years old

Prior to his appointment, **Ronnil** had a short stint in Information Security Department where he served as the Information Security Officer. He introduced various initiatives aimed to strengthen information security. Likewise, Mr. Benales has 5 years of relevant experience in auditing. He is a Certified Public Accountant.

***Education:*** *Bachelor of Science in Accountancy, MSU- Iligan Institute of Technology*

### Onisimo Lopez Prado

**CHIEF COMPLIANCE OFFICER**

Filipino, 72 years old

**Onisimo** started his career as Plant Accountant in PHINMA Corp. and as Asst. Vice President in Phil. Investment Corporation which gave him the relevant exposure and experience to assume the position of Chief Internal Auditor of the Bank in 2018. In 2021, he was appointed as the Chief Compliance Officer.

***Education:*** *BSBA, major in Accounting, Pamantasan ng Lungsod ng Manila; Corporate Executive Master in Business Administration, University of Perpetual Help System Dalta; Basic Management Program, Asian Institute of Management.*

# Meet 1VB Senior Management Officers

### Annielisa G. Estrera
**CHIEF CREDIT OFFICER**
Filipino, 50 years old

With more than 20 years of experience in marketing, consumer finance, and credit cycle management, Anne has served as Credit Officer in 2009, and as Assistant Vice President for Marketing. She also served key positions giving her the exposure relevant to Credit: Insurance Manager (2002 - 2006), Product Manager for Gold and Gems (2006 - 2008). ***Education:*** *Bachelor of Science in Accountancy, University of San Carlos; Marketing Development Program, ADMU-Graduate School for Business; Management Development Program, Asian Institute of Management.*

### Atty. Samuel Ryan C. Rudinas
**CHIEF LEGAL OFFICER**
Filipino, 37 years old

**Atty. Ryan** started his career in 1st Valley Bank as loans processor. In 2015, after finishing his law degree in Liceo de Cagayan University, he was appointed as Credit and Collection-Legal Officer. He was appointed as the Chief Legal Officer of 1st Valley Bank in 2020. ***Education:*** *Bachelor of Arts in Political, Silliman University; Bachelor of Laws (LLB), Liceo University.*

### Alfredo Girbes Fluixa
**BUSINESS DEVELOPMENT OFFICER**
Spanish, 48 years old

Prior to his appointment with the Bank, **Alfredo** was a consultant of Bridge Philippines Investments PTE. LTD. At the same time, he has professional stints in BBVA Bank Group (Spain) as an officer and Adidas AG (Germany). ***Education:*** *Bachelor's Degree in Business Administration and Management, University of Valencia, Spain; Masters in Business Administration, University of Mannheim, Germany*

# Meet 1VB **Senior Management Officers**

## Ray Isip Gica

**CHIEF SECURITY OFFICER**

Filipino, 43 years old

**Ray** is a Certified Security Professional. Concurrently, he also sits as the President of ANKAA Security Agency. ***Education:*** *BS Marine, Misamis Institute of Technology; Management Development Program, Asian Institute of Management*

## Felizardo A. Enad

**IT DIRECTOR**

Filipino, 49 years old

Prior to assuming his current position, **Fiel** was Head for Zamboanga Sibugay Area. He has vast experience in branch banking focusing on consumer and microfinance loans, credit management and collection, as well as acquired skills and competencies for managing and leading teams in achieving loan volume, deposit, and net income targets. ***Education:*** *Bachelor of Science in Accountancy, MSU- Iligan Institute of Technology*

## Giovanni Julius P. Bagsican

**CHIEF INFORMATION SECURITY OFFICER**

Filipino, 57 years old

**Julius** is a Qualified Security Assessor, HITRUST Certified CSF Practitioner, Payment Card Industry Professional, Certified IS Auditor, a Certified Info. Sec. Manager, and a SWIFT Customer Security Controls Framework Certified Professional. ***Education:*** *BS Computer Engineering, Adamson University; Master in Business Administration, Adamson University*

# PERFORMANCE ASSESSMENT PROGRAM

## 01.

The BOD assesses its performance regularly. The evaluation examines BOD roles, and how effectively these roles are fulfilled by the directors. The main tool used for the evaluation is the self-assessment questionnaire distributed to the directors.

## 02.

For its part, the senior management and the rest of the employees undergo a performance assessment semi-annually or every after semester.

# ORIENTATION & EDUCATION PROGRAM

## 01.

All newly appointed members of the Board are furnished with an onboarding kit. Moreover, the new directors are immediately enrolled in a Corporate Governance Orientation Program given by an accredited training provider by the BSP. All incumbent members undergo an annual training or seminar on Corporate

## 02.

Governance, AMLA, and other specialized topics on banking laws, risk management, or sustainable development, among others. Senior management officers are required to attend seminars on appropriate topics to ensure that they are continuously informed of the developments in the business and regulatory environments.

# SUCCESSION POLICY

For selecting successors for the Board of Directors and Senior Management Officers, the succession planning in the Bank is carried out through a 3-step process: (1) Identification of the most critical leadership roles across the organization; (2) Finding the right people who could assume these roles; and (3) Preparation of potential successors to assume these roles more effectively.

## Board of Directors

Planning for the Board's succession is an important part of the governance process. Members of the Board are re-elected annually. Nine-year term limit of Independent Directors was adopted as a means of gradually and methodically replacing the Board's composition. Similarly, if there is a vacancy, the remaining directors who by majority vote, may elect a person to fill such vacancy for the unexpired term, as long as the conditions are satisfied.

## Senior Management

As part of the Bank's leadership continuity planning, 1VB's Succession Management Policy has been put in place and is continuously being reviewed and updated. The Bank is committed to improving its operational risk management by enhancing its succession planning program including the conduct of aperiodic review of key or critical positions, and the identification and selection of potential successors accordingly.

# RETIREMENT POLICY

The Bank recognizes that the wisdom of its senior directors is vital to the overall management of the Bank. Thus, we have no maximum age for our directors. A Board member may remain for as long he/she continues to be physically and mentally fit for the position and be able to discharge his/her duty in accordance with the regulatory requirements.

However, an independent director may only serve for a maximum cumulative term of nine (9) years, after which the independent director shall be perpetually barred for re-election as such, though he may continue to qualify for nomination and election as a regular director.

On the other hand, the mandatory retirement age for all Bank officers and staff including senior officers is 60 years old. Benefits include one month of current remuneration multiplied by the number of years in service, other cash benefits, and mandatory benefits such as SSS.

# RELATED PARTY TRANSACTIONS

## Policies & Procedures

It is the policy of 1VB that all transactions involving related parties must pass through the review and approval process of its Board of Directors (BOD). The Executive Committee (Excom) is mandated by the BOD to review all material facts concerning related party transactions (RPT) to determine approval or disapproval of the same.

To ensure that the transaction is free from any conflict of interest, the RPT application and its attachments must be fully disclosed to the BOD. The price mechanism is then applied to evaluate the application.

The decision of whether to approve or disapprove the application rests upon the nature and risk(s) involved in the transaction with the related party.

Transactions that are beyond the limits of the Excom are escalated by the committee to the BOD.

# Dividend Policy and Changes in the BOD

### *Dividend Policy*

The Board of Directors may declare dividends out of the unrestricted retained earnings payable in cash or in stock to all shareholders on the basis of outstanding stock held by our shareholders. Provided, that any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent shareholder until his unpaid subscription is fully paid. Provided, further, that no stock dividend shall be issued without the approval of shareholders representing not less than 2/3 of the outstanding capital stock at a regular or special meeting duly called for the purpose.

In declaring dividend payouts, the Bank uses a combination of cash and/or stock dividends as follows:

1. The dividend is increased in response to the Bank's achieving a higher level of sustainable earnings;
2. Dividends may be increased for a specific year to plow back to shareholders a commensurate share of unusually high earnings for a given year.

### *Change/s in the Board of Directors*

With the retirement of the BOD Chairman, Dir. Nelson L. Te, Atty. Nicolas J. Lim was elected the new Chairman of the Board during the Annual Stockholders' Meeting in February 2024.

In the same meeting, Ms. Nicolette L. Gica was also elected as the new executive member to the Board and President / CEO of the Bank.

# Whistleblowing Policy

1st Valley Bank is committed to the highest standards of openness, probity and accountability. It is the responsibility of all directors, senior officers, and employees to report suspected or actual occurrence of fraud and/or violation of any law, rule, policy, and misconduct in accordance with the Bank's Whistleblowing Policy. Under the Whistleblowing Policy adopted in December 2018, 1st Valley Bank treats all disclosures in a sensitive manner and with confidentiality. The identity of the individual making the allegation may be kept confidential so long as is does not hinder or frustrate any investigation.

The whistleblower must submit the complaint of malpractice to the appropriate designated investigating officer as follows:

- HR Director will investigate complaints of malpractice unless the complaint is against the Director or is in any way related to the actions of the HR Director. In such cases, the complaint should be submitted to the Chief Executive for referral.
- In the case of a complaint, which is in any way connected but not against the Director, the Chief Executive will nominate a Vice President to act as the alternative investigating officer.
- Complaints against the Chief Executive must be submitted to the Board of Directors who will nominate an appropriate investigating officer.
- The complainant has the right to bypass the line management structure and take their complaint directly to the Chairman of the Board. The Chairman has the right to refer the complaint back to management if he/she feels that the management without any conflict of interest can more appropriately investigate the complaint.

Should none of the above routes be suitable or acceptable to the complainant, then he/she may approach any of: Vice President- Operations, Chief Compliance Officer, Chief Internal Auditor, Chief Risk Officer, and the Chairman of the Audit and Compliance Committee. The complainant may also call the whistleblowing hotline 088-881-5097.

# Material Related Party Transactions

Material related party transactions refer to any individual or aggregate related party transactions over a twelve (12) - month period with 1st Valley Bank, Inc. (1VB).

The following are the material related party transactions: (a) Collin Y. Lim: Original Loan, 7 Million. Outstanding Balance, 6.84 Million, maturing in 2025 (1 year term, secured with REM); (b) Celestina Property Development Corporation, seven (7) loan availments, detailed as follows: (1) Original Loan - 8 Million, Outstanding Balance - 8 Million, maturing in 2025 (1 year term, secured with Deposits); (2) Original Loan - 20 Million, Outstanding Balance - 17.93 Million, maturing in 2030 (7-year term, secured with REM), (3) Original Loan - 9 Million, Outstanding Balance - 8.14 Million, maturing in 2030 (7-year term, secured with REM), (4) Original Loan - 8 Million, Outstanding Balance - 7.63 Million, maturing in 2031 (7-year term, secured with REM), (5) Original Loan - 6 Million, Outstanding Balance - 5.77 Million, maturing in 2031 (7-year term (secured with REM); (6) 7 Million, Outstanding Balance - 6.89 Million, maturing in 2031 (7-year term, secured with REM), and (7) Original Loan - 12 Million, outstanding balance - 12 Million (1-year term, secured with REM); (c) Connie Marie L. Kho: Original Loan - 10 Million, Outstanding Balance - 9.61 Million, maturing in 2034 (10 years, secured with REM), and (d) Hon. Allan J. Lim: Original Loan - 9 Million, Outstanding Balance - 9 Million, maturing in 2025 (1-year term, secured with Deposits).

# Remuneration - Board

Our Remuneration policy is geared towards attracting, retaining and motivating members of the Board. The remuneration of the Board of Directors is consistent with the Bank's ethical values, objectives, strategy, and control environment.

Each director receives reasonable compensation for the services they render as determined by a special resolution and a majority vote by the stockholders. Their total yearly compensation does not exceed ten percent (10%) of the total net income before the income tax of the Bank during the preceding year. Executive directors are entitled to additional remuneration benefits accorded to regular employees of the Bank.

# Remuneration- Senior Officers

Our Senior Management receives a highly competitive compensation package that includes the following: fixed salary, short and long-term incentives, retirement, as well as other compensation benefits and programs. The fixed salary depends on how their performance creates value for our stakeholders. The salary is usually reviewed annually.

Benefits and incentives are provided to encourage competitiveness. These include, among other things, the following: cash incentives, bonuses, phone, health insurance, monthly rice allowance, plus other benefits as may be applicable.

## Self-Assessment, Compliance Function

## 1VB compliance system provides reasonable assurance that the Bank complies with relevant laws, regulations, rules, and standards.

The Board is responsible for ensuring that appropriate policies are in place to manage and mitigate compliance risks, while Management is responsible for implementing these policies and undertakes to timely address critical issues to preserve the franchise value of the Bank.

The Compliance Team, led by the Chief Compliance Officer, endeavors to drive a strong compliance culture within the Group, thru a dynamically - responsive compliance program and corresponding activities such as the preparation and enhancement of policies and procedures, risk assessment of the institution, conduct of independent testing, and promotion of compliance awareness.

It reports to and is under the direct supervision of the Audit and Compliance Committee (ACC).

# Self-Assessment, Internal Audit Function

Internal audit provides an independent assessment of the adequacy of the bank's established policies and procedures. It assists senior management and the board of directors in the efficient and effective discharge of their responsibilities.

Key accomplishments in 2024: 62/62 projects audited (100% complete) in branches and branch lite units, 15/15 projects audited (100.00% complete) in head office, and 8/8 projects audited (100% complete) in bank reconciliation. The Audit and Compliance Committee (ACC) Chairman also conducted training on the following topics: (1) Internal Audit Framework, (2) Risk-Based Auditing and Risk Assessment, (3) Three Lines of Defense, (4) Standards for the Professional Practice of IA, (5) Quality Assessment and Improvement Program (QAIP), and (6) IA Core Competency.

## 1 Mandate/Authority

Internal Audit operates independently of all other business units, with the authority to assess and evaluate the Bank's processes, controls, and activities. It reports directly to the Audit and Compliance Committee (ACC).

## 2 Mandate/Authority

The Internal Audit function communicates with the Board of Directors through the Audit and Compliance Committee (ACC). It seeks ACC approval for the annual audit plan, reports on accomplishments, presents audit findings, and monitors the resolution of identified issues.

## 3 Mandate/Authority

Internal Audit adopts a systematic and disciplined approach to provide assurance and enhance the effectiveness of risk management, internal control, and governance processes. This includes thorough reviews of financial records, regulatory compliance, and the strength of internal controls.

# BOD'S **REVIEW PROCESS**

## EFFECTIVE AUDIT OVERSIGHT AND GOVERNANCE

The Bank places high importance on effective audit oversight and governance in its internal control system, financial reporting, and processes to provide its clients and stakeholders with high-quality financial services.

The Board of Directors tasks the Audit and Compliance Committee (ACC), a Board-level Committee, to perform a robust assessment of the Bank's risk profile and evaluate the adequacy and effectiveness of the Bank's internal control policies and procedures, systems and processes. The ACC performs this task by conducting regular audit assessment, with the results derived from the focused testing on high priority business functions and areas. The focus is on controls on fraud prevention, anti-money laundering, cybersecurity / data privacy, business continuity, among others.

Accordingly, the ACC maintains a proactive engagement including the involvement of Management in ensuring timely resolution of audit observations and the implementation of control recommendations. This effectively conveys the culture of risk ownership within the organization.

The Committee is led by Independent Director Antonio M. Dumaliang, a Certified Public Accountant. All the members have the relevant background, knowledge, skills and experience in the areas of accounting, auditing and financial management commensurate with the size, complexity of operations and risk profile of the Bank.

# CORPORATE SOCIAL RESPONSIBILITY

## TREE-PLANTING

Valencia Branch planted more than 100 seedlings of Talisay Gubat at Twin Hills San Carlos, Valencia City Bukidnon. This is part of their environmental conservation and protection initiative.


## FEEDING PROGRAM

Minglanilla, Talisay, Osmena & Mandaue Branches collaborated and launched a feeding program in Sta. Rita de Casia Women & Children's Center, an organization that takes care of abused women and children in the communities in Cebu.

## ORIENTATION

Kalilangan Branch conducted product orientation to increase the level of awareness and understanding of the audience and to provide them with the best user experience of 1VB products and services.

*To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity.*

# CORPORATE SOCIAL RESPONSIBILITY

## VISIT TO SCHOOLS

Malaybalay Branch visited several schools to educate children on the value of being thrifty at a young age, and encourage them to save by opening a savings account.

## FAIR ECONOMIC ENVIRONMENT

Tandag Branch's practise is to fulfill their clients' needs and to create a fair economic environment of mutual interests.

## JOB FAIRS

Ozamiz 1 Branch participated in job fairs to provide employment, to promote social healing, and to contribute in stimulating the overall growth of the communities it serves.

*Corporate social responsibility is measured in terms of businesses improving conditions for their employees, shareholders, communities, and environment.*

# CORPORATE SOCIAL RESPONSIBILITY

## FINANCIAL EDUCATION

Davao Branch empowered students to use their financial skills to better their financial futures.


## RAFFLE DRAWS

Cotabato branches used the raffle draws to encourage high engagement of their clients. It is also one effective way to delight their clients.

## STRENGTHENING TIES

Cabadbaran is continuing to strengthen its social ties to build supportive communities. Diverse members feel valued and respected.

*Small acts, when multiplied by millions of people, can transform the world.*

# CORPORATE SOCIAL RESPONSIBILITY

## FIRE PREVENTION

CDO Branch conducted fire prevention drill for the year. The drill ensures everyone knows how to exit safely as quickly as possible if a fire, smoke, carbon monoxide, or other emergency in the building occurs.

## BLOOD DONATION

Buug Branch helps in saving lives by participating in a blood donation program. Blood donations are used for patients in need of surgery, cancer treatment, and transfusions for blood loss from traumatic injuries.

## PISO CARAVAN

Iligan Branch joined the “Piso Caravan”, a BSP program aimed at promoting financial inclusion and providing accessible banking services to communities.

*Corporate social responsibility is a hard-edged business decision. It is good for our business.*

# CORPORATE SOCIAL RESPONSIBILITY

## BRIGADA ESKWELA

Molave Branch joined the nation in the conduct of the Brigada Eskwela for school year 2024-2025. It encourages various stakeholders in the maintenance and preparations of public schools before classes begin.

## WORK-LIFE BALANCE

Quezon Branch recognizes the importance of a healthy work-life balance. It allows everyone to excel at work and take care of their personal well-being outside of the office.

## SUSTAINABILITY

Toril Branch supports sustainability by practising the 3Rs: Reduce. Reuse. Recycle. With their practice, Toril is able to contribute in preserving Mother Nature by avoiding wasting the world's resources.

*Companies not interested in sustainable development issues will not survive long.*

# CORPORATE SOCIAL RESPONSIBILITY

## ASSOCIATION MEMBERSHIP

Digos Branch is a member of the Davao Del Sur Bankers Association (DASURBA) where its manager was elected as the Vice President. Joining associations help in expanding branch network.

## CUSTOMIZED SERVICES

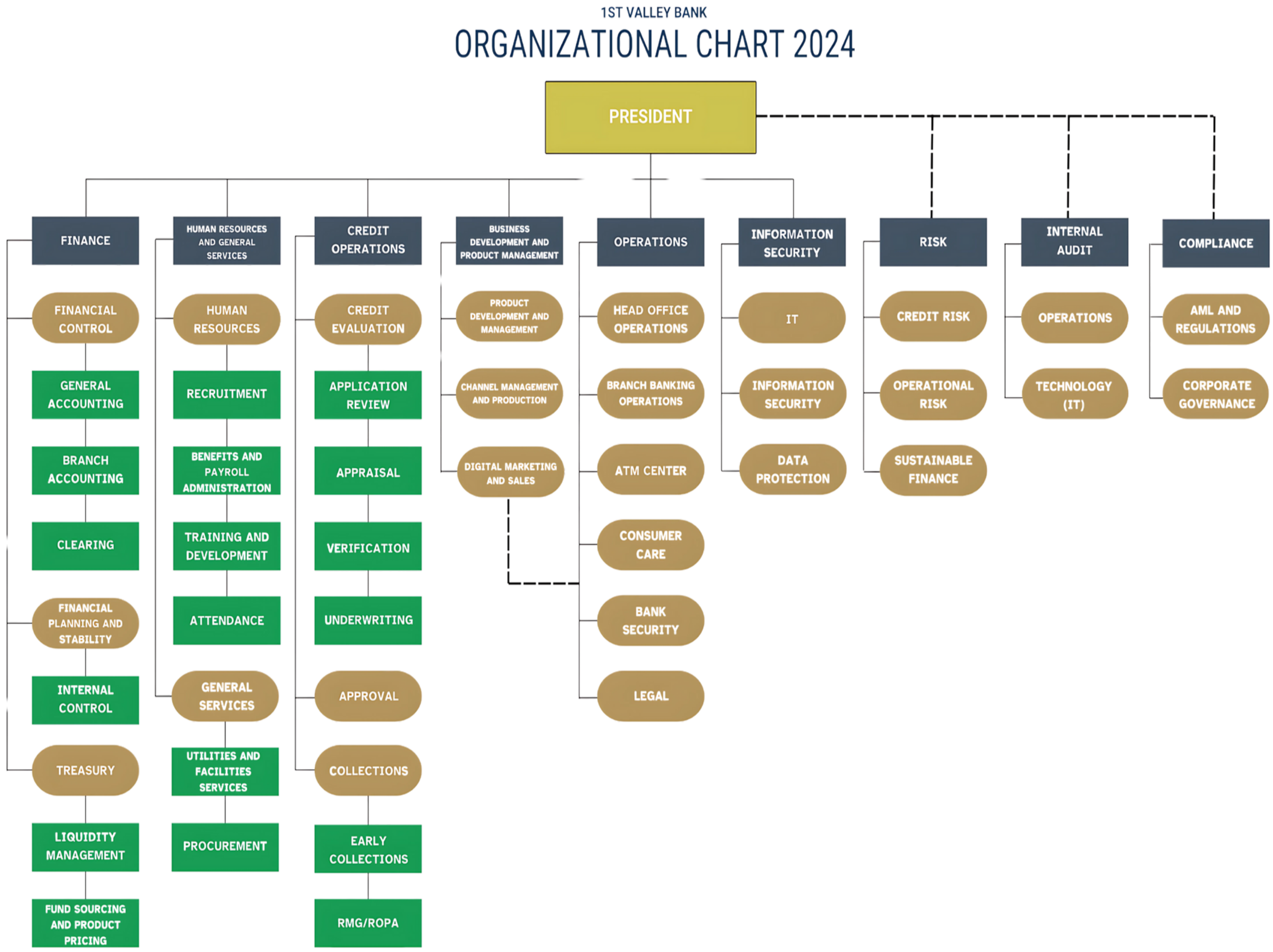
Opol Branch delivered personalized services to their clients such as the Serviamus. The Branch tailors banking services and products to each customer's unique needs and preferences.

## AT YOUR DOORSTEP

Cugman Branch delivers at your doorstep banking to make it simpler, easier, and more convenient for their clients to access the Bank's products and services.

*If you believe in unlimited quality and act in all your business dealings with total integrity, the rest will take care of itself.*

# Organization Structure




The organizational structure of 1st Valley Bank, Inc. supports the achievement of the Bank's strategic goals. Promoting a high sense of ownership and responsibility, the structure contributed to increased operational efficiency in 2024.

## LINES OF AUTHORITY

Ranking is based on the role in a descending vertical order. The most senior roles occupy the top positions with their subordinates under them.

## IMPORTANCE AND BENEFITS

Employees have greater understanding of their roles and how these roles would help achieve the Bank's goals. This means they can focus on performing their jobs to achieve strategic goals.

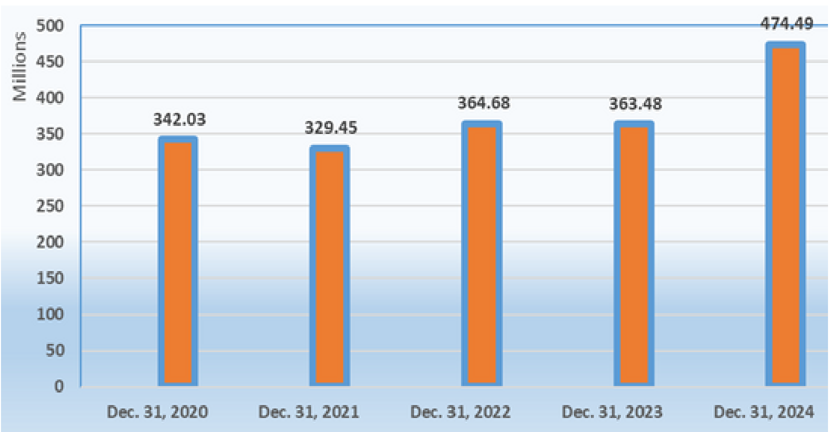
# The Best Money Lending Experience Starts With SBL

## Product Design Enhancements

To allow clients to experience the best, 1VB Small Business Loan (SBL) has undergone product design enhancements in 2024 such as revised standards in the client scorecard, changes in pricing, as well as increase in funds availment.

SBL products include Agri Trading, Vehicle Financing, and regular SBL.


### Small Business Loans Portfolio




**Note :** With the introduction of product enhancements in mid-2024, 1VB has managed a P111.01M loan portfolio increase or 30.54% over the 2023 figures.

1VB Small Business Loans are for entrepreneurs engaged in various income-generating activities earning regular revenues daily, monthly and/or quarterly with business assets ranging P3M to P15M. This can also be offered to businessmen of higher business assets who prefer not to register their mortgage in loan documents. All SBL items submitted as collateral are unsecured and under safekeeping only. The SBL Team is headed by its product manager, Ervie E. Cane.

# Deposit Products Bring More Possibilities

### ATM FOR STUDENTS

Savings account designed for elementary and high school students regardless of age

### PREMIUM CHECKING

Higher interest rate; comes with ATM, Chequebook, and Passbook

### PAYROLL SERVICING

Cost-efficient managed payroll services; comes with ATM

## New Products to Increase Deposit

2024 saw the launches of at least four (4) new products intended to capture the market, fulfill the needs of clients, and increase the deposit portfolio of the Bank. These are the ATM for students, 3-in-1 premium checking, payroll servicing, and the pick-up deposit.  These products are designed to allow for more convenience in banking to enable clients to achieve their financial goals. Product manager is Stella Maris Aranas.

# All that Glitters Is Gold and Gems

## Highest Loan Portfolio

2024 was truly an extraordinary year for Gold and Gems! For one, it hit the highest loan portfolio ever at Php270.4M. Another, it garnered the biggest increase year-to-date since time immemorial at Php108.1M increase. Lastly, Gold and Gems exceeded its target by Php36.6M.

New product features were introduced during the middle of the year. The added features and product scheme enabled the product to become more attractive and enticing to its market.

## Jewelry Business Loan

Jewelry Business Loan (JBL) played a huge role to the portfolio increase of Gold and Gems. JBL earned 122 accounts, or an increase of Php18M as to loan amount. Product innovations bolstered its competitiveness and leverage. Clients have enjoyed higher loan-to-value (LTV) or appraisal value of their gold and gems.

## Above-Target Performance

As the year ended, forty-three (43) branches hit the 2024 target, hence, around 51% of all branches were able to deliver the target performance. Out of forty-three (43) branches hitting the target, fifteen (15) branches performed 150% or above target. As to the activity ratio, 70% or sixty (60) branches performed above target.

When it rains, it pours!

GGGG, Gold and Gems, Gold and Gems!

Andre M. Ates, Product Manager

# Agriculture Loans Enjoy Exceptional Growth

## Key Contributor to Rural Development

In 2024, the Agricultural/Individual Secured Loans demonstrated exceptional growth and operational improvement, solidifying its position as a key contributor to rural development and financial inclusion. The total loan portfolio of the product increased from **204.89 million in 2023 to 283.20 million in 2024**, reflecting a substantial growth of 78.31 million or 38.2%.


**204.89M**

Loan Portfolio Growth in 2023

**283.20M**

Loan Portfolio Growth in 2024

## Key Factors for Unparalleled Growth

Agricultural loans, including agrarian reform loans, are secured lending products that provide financial assistance to farmers engaged in agrarian reform or agricultural activities. 1VB provides farmers with additional funds necessary to expand or diversify their activities resulting with an increase in their income.

Strategic lending initiatives as well as enhanced credit risk management and a more efficient collection strategy contributed to the unparalleled growth of the product. Looking ahead, this product is poised to expand and develop further. The team handling this product is ably led by Atty. Muamar Carba.

# Salary Loans: Understanding the Real Needs of Our Clients

## 01. What Salary Loans Are

This product is designed to cater to individual needs of 1VB clients where repayment comes from their salaries, monthly honoraria, allowances of elected government officials.

## 02. Types of Salary Loans

Salary loans are of the following types: 1. Dep-Ed APDS Loan, LGU and Barangay Officials or Staff, and ATM and Bonus Loans. Repayment for these loans are through automatic payroll deductions or against the automated teller machine (ATM) payroll accounts of the clients.

### Strengthening Social Infrastructure

"To continue to promote development in the area where we operate, we strengthened our social infrastructure by nurturing our own capabilities on building linkages"- Jubal Y. Yu, Product Manager

### People's Evaluation Of Us

Most companies measure business success by their year-end figures, but the one important aspect of business sustainability, often neglected, is the business' influence over its stakeholders.

1VB has been connecting with its stakeholders in many ways especially those in the labor sector. The goal always is to understand the real needs of our stakeholders.

# Comprehensive Coverage with Crop Production Loan

### P209M Loan Portfolio

The 2024 year-end portfolio is P209M, it grew by P54.9M, from the previous year of P154M.

### Customers Network

Farmers who produce sugarcane, rice, corn, coffee, and cassava.


## Exceeding Targets

1VB's overall crop production loan has posted an excellent performance. It consists of various loan products that cater to the farm-financing needs of farmers. Presently, the financing is for rice, corn, sugarcane and cassava. The financing covers all expenses from the land preparation up to the harvest. Specifically included in the financing are funds for land preparation, purchase of farm inputs, maintenance, labor and harvesting expenses. Crop loan year-end portfolio has exceeded the target by P6.41M. The target was P202.68M while the actual year-end portfolio is P209.10M. Sugarcane is the major contributor to the increase with P55.93M; Cassava (new pilot crop) contributes P5.50M and Rice with P2.08M. Product Manager is Errol C. Dioso.

Products & Services

# ATM Cash Solution Excellence, Always

**1VB ATM financial performance remained strong in 2024. It has grown its network into sixty (60) operational ATMs, significantly improving customer access to banking services.**

The mission is to provide secure and convenient banking services through a robust ATM network.

In 2024, the ATM Center's accomplishments reflected their dedication to delivering excellence in financial services.


## Substantial Progress

Here is the list of the substantial progress made by the ATM Center in 2024:

| Expansion and Accessibility | Operational Highlight | Revenue Growth | Enhancement Training |
|---|---|---|---|
| Established 20 new ATMs mostly in the rural areas | Improved cash replenishment processes increased transaction volumes & service reliability | Revenue increased from Php5.3M in 2023 to Php9.5M in 2024 | Specialized training programs focused on improving ATM operations and customer service. |

*1VB ATM: A Cash-Full World at Your Fingertips*

# SME: Unbeatable Services


**Bernard C. Paderes, Product Manager**

## Empowering Small and Medium Enterprises

The SME loan features a tailored repayment scheme, designed to align with the unique cash flow cycles of various businesses. This flexibility eases financial pressure on borrowers and promotes long-term sustainability for their ventures. By offering solutions that adapt to seasonal fluctuations or industry-specific demands, 1VB reinforces its position as a reliable partner for SMEs.

## 700K+

### Loan Portfolio

As of December 2024, SME managed to increase its portfolio by Php700.17 million or 15.84% against previous year.

SME is the biggest contributor of growth in terms of loan portfolio  among the pushed products bank-wide.

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## 5-Day

### Training Program

The Business Development Department (BDD) implements consistently a 5-day training program for account specialists, sales officers, and business managers to equip them with the resources to optimize production effectiveness and efficiency.

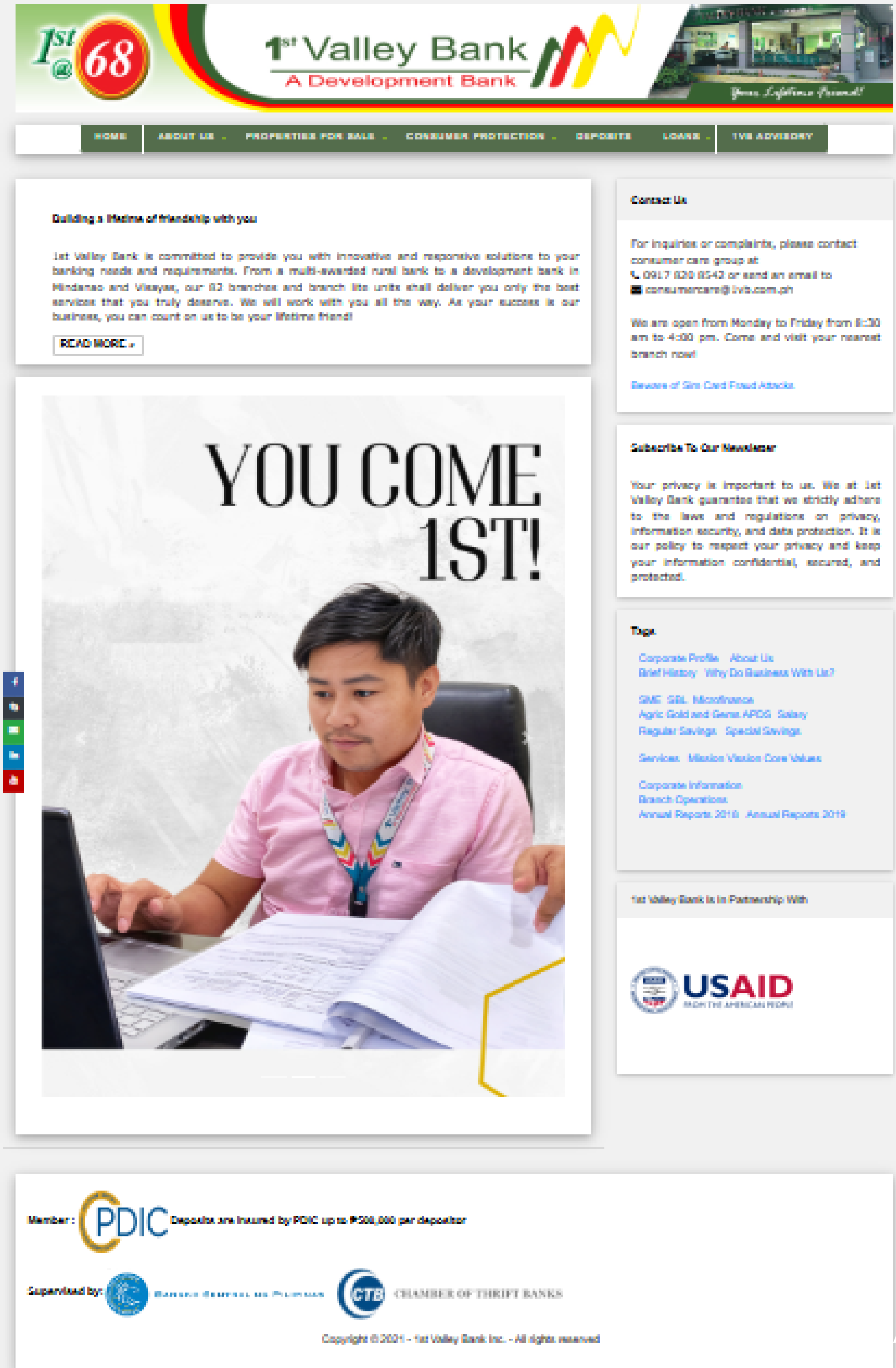
## Innovative Digital Campaigns

1st Valley Bank's innovative digital campaigns in 2024 focused on storytelling, the success stories of various SMEs, and  value-driven content to capture the attention of a wider audience.

This digital-first approach ensured cost-effective promotion while it continually built a strong brand presence in the SME market.

*SME supports local communities.*
*Together, we grow stronger.*

# OFFICIAL WEBSITE




WWW.1STVALLEYBANK.COM.PH

BRANCH DIRECTORY

## 1 BAROY
Poblacion, Baroy, Lanao del Norte
0917-849-6985 / 063-227-7142
baroy@1vb.com.ph

## 2 KAPATAGAN
Purok 7, National Highway, Poblacion, Kapatagan, Lanao del Norte
0917-849-6986 / 0967-647-8428 / 0995-275-5348 / 0926-802-6255 / 063-227-9588
kapatagan@1vb.com.ph

## 3 MARANDING
Purok Indian Tree, Maranding, Lala, Lanao del Norte
0917-849-7022 / 0951-269-2827 / 0951-269-2827 / 063-227-8699
maranding@1vb.com.ph

## 4 MOLAVE
Mabini Street, Brgy. Madasigon, Molave, Zamboanga del Sur
0917-849-6991 / 0946-325-6563 / 0915-260-1727 / 0956-330-6677 / 062-925-9985
molave@1vb.com.ph

## 5 ILIGAN
G/F, Celestina Bldg., Roxas Ave., Cor. De Leon St., Poblacion, Iligan City, Lanao del Norte
0917-849-7131 / 0997-995-7659 / 063-221-3862
iligan@1vb.com.ph

## 6 OZAMIZ 1
G/F, Te Bldg., Don Anselmo, Bernad Ave., Aguada, Ozamiz City, Misamis Occidental
0917-849-7172 / 0970-962-5303 / 0910-528-9222 / 088-521-0112
ozamiz1@1vb.com.ph

## 7 MARGOSATUBIG
Purok Santan, Jose P. Rizal St., Poblacion, Margosatubig, Zamboanga del Sur
0929-773-7477 / 0917-849-7038 / 925-0390
margosatubig@1vb.com.ph

## 8 DUMALINAO
National Highway, Paglaum, Dumalinao, Zamboanga Del Sur
0917-819-5398 / 0945-306-8810 / 065-945-6852
dumalinao@1vb.com.ph

## 9 PAGADIAN
Ariosa St., Santiago District, Pagadian City, Zamboanga del Sur
0917-849-8361 / 0950-219-2739 / 0953-895-3781 / 062-214-4937
pagadian@1vb.com.ph

## 10 BUUG
National Highway, Poblacion, Buug, Zamboanga Sibugay
0917-819-5907 / 0909-146-8949 / 0926-488-0447 / 0926-928-9579 / 062-957-2154
buug@1vb.com.ph

## 11 IPIL
National Highway, Purok Pines, Sanito, Ipil, Zamboanga Sibugay
0917-849-7181 / 0906-774-6515 / 088-957-6705
ipil@1vb.com.ph

## 12 OROQUIETA
A.E. Bldg., Sen. Jose Ozamiz St., Capitol Drive, Poblacion 1, Oroquieta City, Misamis Occidental
0917-848-2784 / 0907-629-6319 / 088-531-4950
oroquieta@1vb.com.ph

## 14 IMELDA
Purok Rizal, Poblacion, Imelda, Zamboanga Sibugay Province
0917-849-7048 / 0917-130-1873 / 0906-123-6288 / 062-957-6782
imelda@1vb.com.ph

## 15 DIPOLOG
Lordel Bldg., General Luna St., Cor. Osmeña St., Dipolog City, Zamboanga del Norte
0917-849-6967 / 09077176911 / 09171094750 / 212-4952 / 212-4951
dipolog@1vb.com.ph

## 16 CAGAYAN DE ORO
Vamenta Blvd., Cor. Lirio St., Carmen, Cagayan de Oro City, Misamis Oriental
0917-821-4817 / 0956-536-7899 / 088-882-3321
cagayan@1vb.com.ph

## 17 ZAMBOANGA CITY
1st Floor CPDC Building, Mayor Jaldon Street, Canelar, Zamboanga City
0917-804-7349 / 062-991-2388 / 062-993-2168 / 062-309-0136
zamboanga@1vb.com.ph

## 18 AGLAYAN
Sayre Highway, P-1, Aglayan, Malaybalay City, Bukidnon
0917-849-7146 / 0975-945-7883
aglayan@1vb.com.ph

## 19 LILOY
National Highway, Purok 1, Brgy. Fatima, Liloy, Zamboanga del Norte
0917-849-8457 / 0935-420-2746 / 917-9414
liloy@1vb.com.ph

## 20 SINDANGAN
G/F, Celestina Bldg., Roxas Ave., Cor. De Leon St., Poblacion, Iligan City, Lanao del Norte
0917-849-7131 / 0997-995-7659 / 063-221-3862
iligan@1vb.com.ph

## 21 GINGOOG
Rasonable Bldg., Ramon Magsaysay, Sindangan, Zamboanga del Norte
0917-849-8326 / 0907-394-8817 / 0917-122-6229 / 065-224-2433
sindangan@1vb.com.ph

## 22 OZAMIZ 2
Militante Bldg., National Highway, Brgy. 22, Gingoog City, Misamis Oriental
0917-802-9165 / 0956-974-9340 / 088-328-0816
gingoog@1vb.com.ph

## 23 DUMAGUETE
Martinez Bldg., Daan Taytayan Rd., Brgy. Calindagan, Dumaguete City, Negros Oriental
0906-748-7250 / 035-422-5096
dumaguete@1vb.com.ph

## 24 MARAMAG
1st Floor, Jagape Bldg., Quezon Avenue, P-1 South Poblacion, Maramag, Bukidnon
0917-848-2784 / 0975-331-0452 / 088-828-4906
maramag@1vb.com.ph

## 25 DUMINGAG
Magsaysay St., San Pablo, Dumingag, Zamboanga del Sur
0917-848-2554 / 0985-475-3355
dumingag@1vb.com.ph

## 26 MANUKAN
Caridad Town Center, Brgy. Poblacion, Manukan, Zamboanga del Norte
0917-849-8301 / 0998-868-8399 / 065-918-4364
manukan@1vb.com.ph

## 28 DAVAO
Door 1, TFC Sandawa Road, Guillermo E. Torres St., Barangay Bucana, Davao City
0917-849-8409 / 0926-113-1048 / 082-308-7532
davao@1vb.com.ph

## 29 AURORA
Gerarda J. Tuba Bldg., Nat'l Highway, Bonifacio St., Poblacion, Aurora, Zamboanga del Sur
0917-819-5696 / 0910-436-2005 / 0970-074-0499 / 062-331-2408
aurora@1vb.com.ph

## 30 BUTUAN
G/F, PS Arcade, Gov. J. Rosales Avenue, Brgy. Imadejas, Butuan City
0917-841-7763 / 0912-705-4856 / 0995-275-5343 / 085-816-1151
butuan@1vb.com.ph

## 31 SAN FRANCISCO
Purok 2, Cor. Ausmolo St., National Highway, Brgy. 5, San Francisco, Agusan del Sur
0917-805-0594 / 0951-796-8392 / 0948-402-0088 / 0905-236-6643 / 085-242-1220
sanfrancisco@1vb.com.ph

## 32 BACOLOD
National Highway, Purok 3, Poblacion, Bacolod, Lanao del Norte
0917-849-6946 / 0966-189-0152 / 063-227-2197
bacolod@1vb.com.ph

## 33 TALAKAG
Guillermo St., Brgy. 2, Poblacion, Talakag, Bukidnon
0917-108-7063 / 0916-182-2518
talakag@1vb.com.ph

## 34 BALINGASAG
Unichilla Bldg., National Highway, Linggangao, Balingasag, Misamis Oriental
0917-813-2535 / 0975-480-2725 / 088-333-5966
balingasag@1vb.com.ph

## 35 INITAO
Purok 12, Poblacion, Initao, Misamis Oriental
0917-849-8319 / 0995-957-5789 / 088-856-7200
initao@1vb.com.ph

## 36 BAYUGAN
Duhat St., P-2, Poblacion, Bayugan City
0917-819-6510 / 0912-340-0458 / 085-303-0401
bayugan@1vb.com.ph

## 37 BAYAWAN
G/F, LCJ Bldg., National Highway, Poblacion, Bayawan City, Negros Oriental
0917-848-2630 / 0912-140-0898 / 0947-993-1219 / 0917-800-0511 / 035-430-0498
bayawan@1vb.com.ph

## 38 KABANKALAN
Centrum Building, Guanzon St., Brgy. 2, Kabankalan City, Negros Occidental
0917-847-6668 / 0938-670-8493 / 034-746-1070
kabankalan@1vb.com.ph

## 39 LA CARLOTA
Corner Burgos - Gurrea Sts., Poblacion 1, La Carlota City, Negros Occidental
0917-849-7112 / 0920-6097-392 / 034-735-1481
lacarlota@1vb.com.ph

## 40 TAGUM
CI-TGM-Garcia, Inc. Bldg., Garcia cor. Bonifacio Sts., Tagum City, Davao del Norte
0917-819-6058 / 0912-894-4809 / 0955-514-1199 / 084-216-7812
tagum@1vb.com.ph

## 41 GUIWAN
W-6670, Alavar Bldg., MCLL Highway, Guiwan, Zamboanga City
0917-849-8413 / 0953-103-8031 / 062-975-3825
guiwan@1vb.com.ph

## 42 KORONADAL
PA Bldg., Gen San Drive cor. Casa Subd., Brgy. Zone 3, Koronadal City, South Cotabato
0917-850-7594 / 0917-360-3511 / 0910-512-2781 / 083-877-6243
koronadal@1vb.com.ph

## 43 DIGOS
Ladera Bldg. 3, Cor. J. Abad Santos and Aurora St., Brgy. Zone III, Digos City, Davao del Sur
09178070141 / 0912-4491-336 / 082-237-6347
digos@1vb.com.ph

## 44 KIDAPAWAN
113 Quezon Boulevard, Poblacion, Kidapawan City, North Cotabato
0917-823-2908 / 0907-0577-269 / 064-557-0033
kidapawan@1vb.com.ph

## 45 CAMIGUIN
G/F, Ebarle Bldg., Upper Lacas, Brgy. Poblacion, Mambajao, Camiguin
0917-848-2579 / 0906-951-2116 / 088-889-0152
camiguin@1vb.com.ph

## 46 KALILANGAN
Padsing Bldg., Magsaysay St., P-4 West Poblacion, Kalilangan, Bukidnon
0917-840-6138 / 0936-762-2268
kalilangan@1vb.com.ph

## 47 M'LANG
Poblacion, National Highway, M'lang, North Cotabato
0917-806-4485 / 0966-298-7533 / 0963-813-159-2 / 0963-933-9380 / 064-572-0293
mlang@1vb.com.ph

## 48 ILIGAN-SARAY
Doors 1 & 2, Padilla Building, Andres Bonifacio Avenue, Saray, Tibanga, Iligan City, Lanao del Norte
0917-806-1124 / 0905-925-7852 / 063-440-7322
kiwalan@1vb.com.ph

## 49 CALINAN
Door 4, Dupoint Bldg., National Highway, Calinan, Davao City, Davao del Sur
0917-806-0785 / 0975-269-2616 / 082-236-7039
calinan@1vb.com.ph

## 50 OSMEÑA
G/F, Cebu Council BSP Building, N. Bacalso Ave., Corner Tres De Abril, San Nicolas Central, Cebu City
0917-774-0546 / 032-425-9346
osmena@1vb.com.ph

## 51 MANDAUE
G/F, Florem Bulding, A. C. Cortes Guizo, Mandaue City
0917-774-0590 / 0966-664-3579 / 032-420-2514
mandaue@1vb.com.ph

## 52 MINGLANILLA
Hi-Way, Sangi, Calajo-an, Minglanilla, Cebu
0917-819-6691 / 032-268-7697
minglanilla@1vb.com.ph

## 53 BANTAYAN
Dr. Ramon Arcenas St., Poblacion Suba, Bantayan, Cebu
0917-994-0579 / 0968-5015-020 / 0905-441-0046 / 032-427-6243
bantayan@1vb.com.ph

## 54 BOGO
Sor D. Rubio St., Brgy. Sto. Rosario, Bogo City, Cebu
0962-234-1322 / 032-434-8184 / 0917-774-0485 / 0936-357-9271 / 032-254-8077
bogo@1vb.com.ph

## 55 BALAMBAN
ES Binghay, Cor. DC Sanchez St., Sta. Cruz, Balamban, Cebu
0917-774-0551 / 0967-926-2887 / 032-465-3121
balamban@1vb.com.ph

## 56 PINAMUNGAHAN
Poblacion, Pinamungajan, Cebu
0917-774-0671 / 032-425-3886
pinamungahan@1vb.com.ph

## 57 OPOL
Zone 1, Poblacion, Opol, Misamis Oriental
0917-838-1049 / 0975-719-4672 / 0917-723-1356
opol@1vb.com.ph

## 58 CUGMAN
Unit #12-13, Neo Central Arcade, Claro M. Recto Ave., Zone 9, Cugman, Cagayan de Oro City
0917-839-9746 / 0935-292-2135 / 0951-049-0500
cugman@1vb.com.ph

## 59 MANOLO
Poblacion, Tankulan, Manolo Fortich, Bukidnon
0917-840-3162 / 0956-803-5367 / 885-372-650
manolo@1vb.com.ph

## 60 VILLANUEVA
National Highway, Purok 2, Poblacion 3, Villanueva, Misamis Oriental
0917-848-2547 / 0967-218-4306 / 0935-290-5128 / 0910-887-8105
villanueva@1vb.com.ph

## 61 MALAYBALAY
Fortich St., Brgy. 3, Malaybalay City, Bukidnon
0917-840-9721 / 0967-613-3021 / 0927-972-0899 / 088-813-0863
malaybalay@1vb.com.ph

## 62 DANGCAGAN
Purok 1A, Poblacion, Dangcagan, Bukidnon
0917-815-8382 / 0951-838-5898 / 0975-670-1156
dangcagan@1vb.com.ph

## 63 VALENCIA
Sayre Highway, cor. Valero St., Poblacion, Valencia City, Bukidnon
0905-136-6822
valencia@1vb.com.ph

## 64 TALISAY
G/F Lopena Building, N. Bacalso Avenue, Tabunoc, Talisay City, Cebu
0917-774-0640 / 0951-811-7323 / 032-236-5854
talisay@1vb.com.ph

## 65 KABACAN
Enanoria Bldg., National Highway, Cor. Beting St., Brgy. Osias, Kabacan, North Cotabato
0917-840-3326 / 0967-379-8322 / 064-577-3261
kabacan@1vb.com.ph

## 66 QUEZON
Balangay 3, Poblacion, Quezon, Bukidnon
0917-848-2660 / 0963-953-4701
quezon@1vb.com.ph

## 67 CABANGLASAN
Purok 10, Poblacion, Cabanglasan, Bukidnon
0917-840-2430 / 0916-414-0226
cabanglasan@1vb.com.ph

## 68 SAN FERNANDO
P-5, Halapitan, San Fernando, Bukidnon
0917-837-8455 / 0927-843-3611 / 0970-444-8202
sanfernando@1vb.com.ph

## 69 LANTAPAN
Purok 2-A, Poblacion, Lantapan, Bukidnon
0917-841-3465 / 0926-214-8586 / 0906-721-8209 / 0926-214-9243
lantapan@1vb.com.ph

## 70 SUMILAO
P2, Kisolon, Sumilao, Bukidnon
0917-840-0167 / 0965-566-9433
sumilao@1vb.com.ph

## 71 TAGBILARAN
454 Jose-Rosario Property Rental, C.P.G. North Ave., Cogon Dist., Tagbilaran City, Bohol
0917-826-6975 / 038-427-7369
tagbilaran@1vb.com.ph

## 72 TANDAG
HFJ Cortes Bldg,. Osmeña St., Cor. San Nicholas St., Bag-ong Lungsod, Tandag City, Surigao Del Sur
0917-807-2394 / 0970-955-1128 / 0963-833-0658 / 086-853-1745
tandag@1vb.com.ph

## 73 MIDSAYAP
VDT Building, National Highway, Barangay Poblacion 8, Midsayap, North Cotabato
0917-806-8682 / 0948-8910-244 / 064-572-2656
midsayap@1vb.com.ph

## 74 DUMANJUG
Ground Floor, Valley View Hotel, Poblacion Central, Dumanjug, Cebu
0917-774-0569 / 0968-725-9668 / 032-462-8391 / 032-503-1974
dumanjug@1vb.com.ph

## 75 MABUHAY
LGU Commercial Complex Building, Brgy. Poblacion, Mabuhay, Zamboanga Sibugay
0917-850-3967 / 0912-896-6007 / 0917-142-3939
mabuhay@1vb.com.ph

## 76 TORIL
National Highway, Crossing Bayabas, Poblacion, Toril, Davao City
0917-819-6105 / 0981-465-9043 / 082-236-6142 / 082-315-1974
toril@1vb.com.ph

## 77 MARAGUSAN
Purok Falcata, Poblacion, Maragusan, Davao de Oro
0917-824-8380 / 0910-769-5213
maragusan@1vb.com.ph

## 78 PANABO
Doors 1 & 2 Liong Kang Building., Daang Maharlika cor. Panabo Wharf Road, Panabo City, Davao del Norte
0945-783-8448 / 0915-793-0687 / 084-309-4478 / 084-216-7230 / 0997-744-6279
panabo@1vb.com.ph

## 79 SURALLAH
Doors 2 & 3 Minas Building, J.P. Laurel St., Brgy. Libertad, Surallah, South Cotabato
0917-836-7600 / 0951-920-9627 / 083-552-7872
surallah@1vb.com.ph

## 6 JIMENEZ - BLU
Agora, Butuay, Jimenez, Misamis Occidental
0951-650-9306 / 0917-898-7933
jimenez@1vb.com.ph

## 6 CLARIN - BLU
Rizal St., Brgy. Poblacion II, Clarin, Misamis Occidental
0917-538-8293 / 088-319-8403
clarin@1vb.com.ph

## 7 SAN MIGUEL - BLU
San Miguel Town Center, Purok Lapu-Lapu, Poblacion, San Miguel, Zamboanga del Sur
0917-811-5743 / 0946-579-3865 / 062-947-3953
sanmiguel@1vb.com.ph

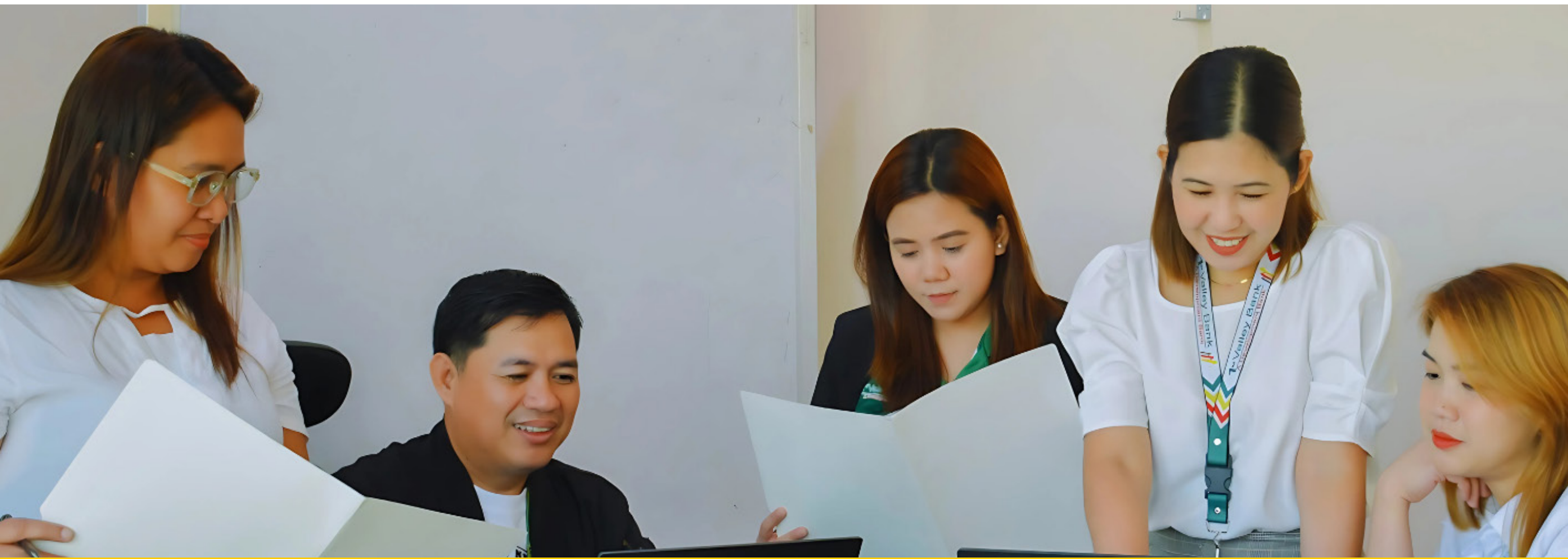
## 10 BAYOG - BLU
Purok 7, Poblacion, Bayog, Zamboanga del Sur
0917-839-0855 / 0965-994-8600
bayog@1vb.com.ph

## 12 CALAMBA - BLU
Purok 1, Don Bernardo A. Neri, Calamba, Misamis Occidental
0917-821-2915 / 0948-777-3949 / 088-564-0156
calamba@1vb.com.ph

## 30 CABADBARAN - BLU
Doors 10 & 11, Tres Hermanas Bldg., A. Curato St., Brgy. 8, Cabadbaran City, Agusan del Norte
0917-819-6403 / 0993-419-5663 / 0985-198-6766 / 085-818-5595
cabadbaran@1vb.com.ph

## 46 WAO - BLU
Purok 3, Brgy. Western Poblacion, Wao, Lanao Del Sur
0917 849 8416 / 0917 116 6087 / 0953 126 0458
wao@1vb.com.ph

# CONSUMER PROTECTION RISK MANAGEMENT SYSTEM



**26** Complaints Resolved

**SEVERAL** Client Testimonies

**2-DAY** Training on Financial Consumer Protection

## 1VB GOVERNANCE STRUCTURE, PROCESSES, POLICIES, MONITORING, MEASUREMENT & CONTROL COMPRISE THE CPRMS OF THE BANK

In 2024, the Bank has ensured that its consumers have safe and convenient access to the Bank's products and services. Client complaints, concerns, and issues are resolved/closed within the specific time frame set by the BSP with at least a satisfactory rating. 1VB has carried out a two-day financial consumer training for operations supervisors to level up the way they handle consumer concerns. The Bank has received a number of compliments from its clients.

# ROLE & RESPONSIBILITY OF THE BOARDS OF DIRECTORS

## ROLE

The role of the Board of Directors of 1VB in the development of consumer protection strategy is to approve policies that will protect financial consumers against unfair banking practices and to align these policies with the strategic direction of the Bank.

## RESPONSIBILITIES

- To ensure effective oversight of the consumer protection, risk management system and compliance program;
- To ensure that the Bank is always acting in good faith towards its consumers;
- To ensure that the Bank supports the achievement of the financial goals of its consumers.

# ROLE & RESPONSIBILITY OF THE SENIOR MANAGEMENT

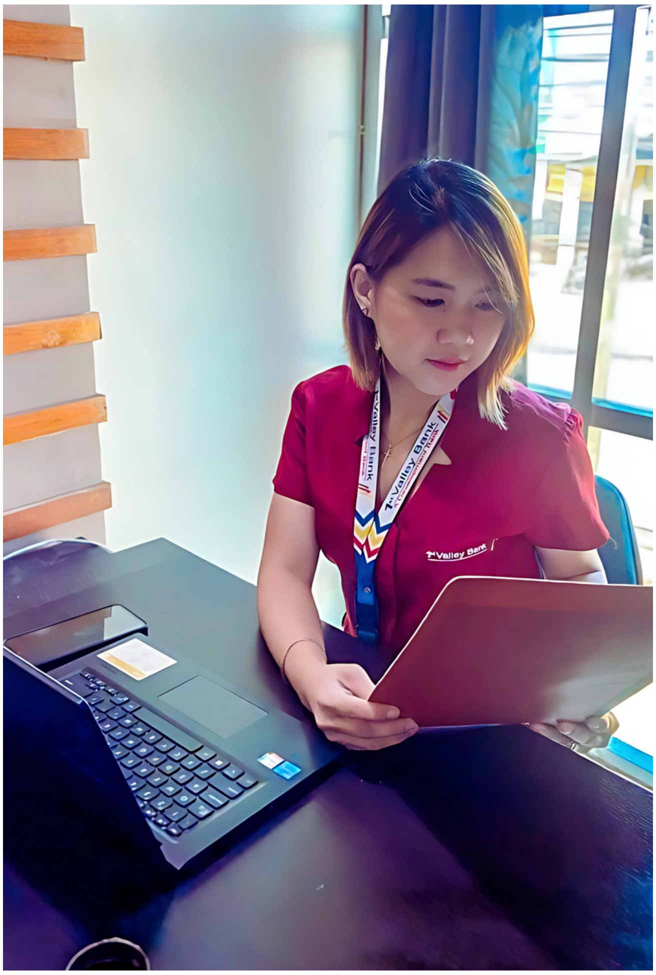
## ROLE

The Senior Management is the driving force behind the proper implementation of the consumer protection strategy. It makes sure that the Bank carries out its consumer risk management system and compliance program effectively

## RESPONSIBILITIES

- To ensure the Bank has adequate consumer protection policies and procedures implemented properly;
- The Bank is complying with the financial consumer protection laws, regulations, policies and procedures;
- Employees are educated and well-trained to implement financial consumer protection laws, regulations, policies and procedures.

# CONSUMER ASSISTANCE MANAGEMENT SYSTEM



## CONSUMER NEEDS

The 1VB Consumer Assistance Management System (CAMS) is a BSP-provided way for the Bank's clients to resolve their concerns, issues, or complaints.  The CAMS ensures that clients are satisfied with the products and services of the Bank.

Simple problems are resolved within seven (7) days while complex problems are resolved within forty five (45) days. Additional days are allotted for communicating the resolution.

## CORPORATE STRUCTURE

The Consumer Care Group, composed of the Operating Supervisors of the Branches and Branch Lite Units, implements the policies and procedures to protect the interests of !VB consumers.  Senior Management provides the guidance with the supervision of the Audit and Compliance Committee (ACC).

Operation Supervisors are mainly responsible for conducting consumer care and protection activities such as but  not  limited to handling complaints, getting feedback, nurturing relationships, providing after sales care, and ensuring the Bank respects consumer rights.

# CONSUMER ASSISTANCE MANAGEMENT SYSTEM

- The BSP Consumer Protection Standards serve as the foundation for 1VB policies and procedure to protect the rights and interests of its consumers.
- Consumer care ensures that the Bank's clients come 1st. This is why consumers who have issues with the products and services receive favorable solutions.

## POLICIES AND PROCEDURES

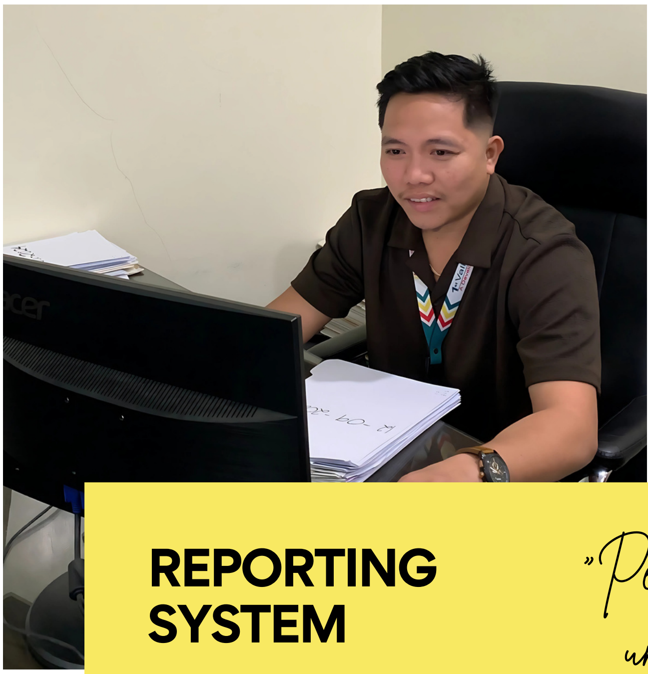
*"There is only one boss. The customer. And he can fire everybody in the company"*


- The goal is to resolve consumer complaints as soon as possible or within the prescribed period. The policy of 1VB is: the earlier the resolution, the better it is for its consumers.
- Steps 1VB follows: (1) Acknowledgement of the Complaint, (2) Investigation or Gathering of the necessary Information, (3) Resolution of the Complaint, and (4) Communication and Feedback

## COMPLAINT HANDLING PROCESS

*"Your most unhappy customers are your greatest source of learning."*

# CONSUMER ASSISTANCE MANAGEMENT SYSTEM



* The main tool for reporting complaints, concerns, and issues is the Bank's proprietary system: the 1VBTS (1st Valley Bank Ticketing System).

* Alternatively, consumers may also email: consumercare@1vb.com.ph or call/text (088) 858-4153, 0917-820-8542. They may also visit the concerned branch and talk to the operations supervisor.

## REPORTING SYSTEM

*"People do not care how much you know until they know how much you care."*


* Branches and Branch Lite Units stay in touch with their consumers constantly. Communication between them and their consumers is through the official email, mobile number, or face to face.
* The Bank requests feedback through feedback forms available in all customer-facing units, or through the official website of the Bank at www.1stvalleybank.com.ph.

## COMMUNICATION AND FEEDBACK

*"Listen to their concerns, be a shoulder to lean on and then shift the focus from what went wrong to how you can help make it right."*

# SUSTAINABLE FINANCE


## STRATEGIC OBJECTIVE

1st Valley Bank is committed to sustainable and responsible banking by contributing more to a greener & sustainable environment; food security, economic development, efficient operations, and greater inclusion.


## UPDATE ON THE IMPLEMENTATION

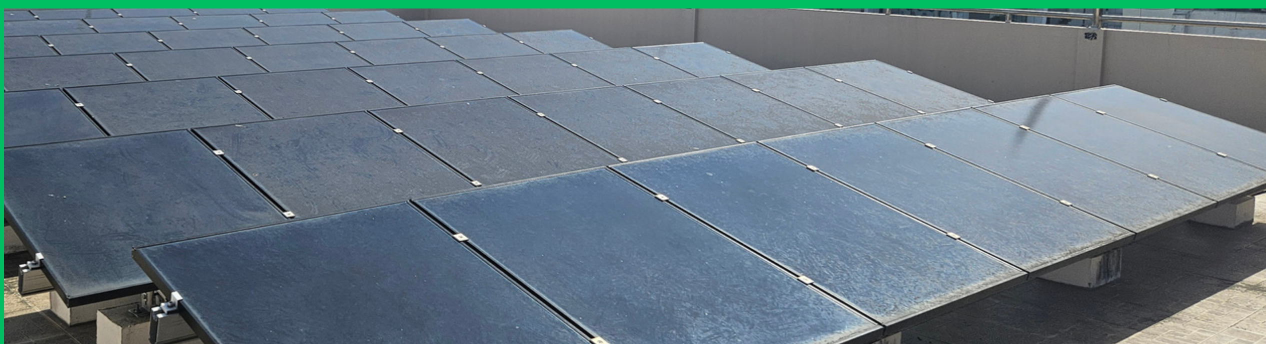
2024 is witness to how the Bank has integrated sustainability principles in its governance and operations, how it does its business- designing its products and services and creating sustainable economic impact in all its activities.

The bank has been incorporating the use of **hazard hunter tools** as part of the assets appraisal, with the result aiding the Bank in deciding for or against the approval of loans.

# SUSTAINABLE FINANCE


## SUSTAINABLE TRANSPORT SYSTEM

Designing loan products for e-jeepneys has started. This would contribute to a sustainable transport system and a conducive environment that would help reduce carbon emissions. 1VB continuously offers services to the larger bottom population advocating for a greater inclusion.



## GREENER ENVIRONMENT

1VB has taken part in financing green projects. It has disbursed a total of P348.17 million in long-gestating crops like coconut and trees and food-crop production like rice, corn, sugarcane, cassava and other food crops. It has financed renewable energy projects such as granting a stress-free loan package for the procurement and installation of solar panels in Davao City.

# SUSTAINABLE FINANCE


## FOOD SECURITY & ECONOMIC DEVELOPMENT

1VB continues to fund the entire value-chain, from the producers like farmers, processors and manufacturers and trading and consolidation, creating a ripple-effect on economic activities that makes the economy more vibrant.

## SUSTAINABLE OPERATIONS & FINANCIAL INCLUSION

1VB is gradually shifting to using led lights for its office buildings and has adopted its business continuity plan. The Bank's clientele is diverse, mostly coming from the grassroots thru its Micro-lending. It is also continuing its farm financing to the large and corporate clients in the industry.

# SUSTAINABLE GOALS

## NO POVERTY

1VB has disbursed a total of P5.856 billion pesos to address poverty in the areas where it operates, of which 340.5 million are Green finance while 5.515 billion are for Social finance. The disbursement are composed of 340.5 million for crop production; 951 million to education; 103 million for health and the rest are for business development/capital.

## ZERO HUNGER

1VB disbursed more than 564 million of loans to address hunger, especially in the countryside. More than 348 million of these are in agriculture crop production while more than 216 million are in social and agricultural-related investments.

## GOOD HEALTH & WELL-BEING

To help ensure good health and well-being of the people, 1VB has disbursed more than 1.741 billion loans, of which 1.393 billion are in social finance and the 348 million are in green finance.

## QUALITY EDUCATION

Disbursal is more than 951 million in loans under 1VB social finance portfolio. Majority covers the construction of school buildings and personal loans intended to pay tuition fees and other educational expenses.  Also, the bank has supported 10 scholars of which 2 have graduated while 8 are still schooling.

## GENDER EQUALITY

As of 31 December 2024, 1VB has in its employ a total of 889 employees. 57% of these are male while 43% are female. 1VB has hired a total of 169 personnel in 2024 of which 80 are female while 89 are males.

## CLEAN WATER AND SANITATION

1VB offices provide health and emergency medical supplies within each office premises; waste segregation is implemented; and clean water for both drinking and hygiene are well-supplied.

# SUSTAINABLE GOALS

## AFFORDABLE AND CLEAN ENERGY

1VB is is shifting its lighting from the usual lights into 'led lights' in its offices.  It has financed the procurement of solar panels in Davao City, and it is continuing its study on financing solar power projects.

## REDUCED INEQUALITIES

To help reduce inequalities, 1VB has disbursed more than 2.621 billion under its social finance portfolio. Most of these are for education, household families, and personal needs as well as health care needs.

## DECENT WORK AND ECONOMIC GROWTH

1VB has disbursed more than 5.549 billion to help generate more economic growth in its geographical area of operation. Majority of this is in Business capital and infrastructure, while more than 911million are in agriculture sector.

## SUSTAINABLE CITIES AND COMMUNITIES

1.821 billion loans went to help improve and sustain cities and communities, of which 1.473 billion of these loans are under the social finance portfolio. Majority of these funds went to create more business investment and creates jobs.

## INDUSTRY INNOVATION AND INFRASTRUCTURE

3.037 billion loans have  built innovatively the industry infrastructure and operations. More than 553 million went to agriculture sector while the rest to business operations and infrastructure.

## RESPONSIBLE CONSUMPTION AND PRODUCTION

1VB has disbursed P863.43 million to fund farm development and improvement, to purchase farm equipment, for food crop production, livestock & fisheries production.

# SUSTAINABLE GOALS

## CLIMATE ACTION

1VB has disbursed more than 342 million to plant short-term such as sugarcane, cassava, banana, corn, rice and vegetables and long-gestating crops like coconuts, rubber, and cacao trees. They are under the green finance portfolio.

## LIFE ON LAND

1VB has disbursed more than 23.68 million in livestock production. These includes financing hog raising, poultry, and egg production that are vital to sustain human needs for meat and eggs.

## PEACE, JUSTICE AND STRONG INSTITUTIONS

1VB has disbursed more than 2.772 billion loans to finance business operations and infrastructures that create more jobs and stimulate economic activities in its areas of operations. This provides 'purchasing-power' for the people to sustain their families.

## LIFE BELOW WATER

To sustain the life below water in contrast to the demand for human consumption, 1VB has disbursed more than 4.4 million in social finance loans to fund fish pond and fish cages operations.

## PARTNERSHIP FOR THE GOALS

1VB has established various formal and informal partnerships with public and private institutions to properly render its services to all its constituents. Examples: Kennemer Foods International for the cacao financing program, DepEd for its personal loan program to name a few.

## REPORT METHODOLOGY

The 1VB Sustainable Finance Annual Report is based on the 2024 total loan disbursement. The environmental and social impact is determined by the loan purpose or loan utilization by each client.

# Environment & Social Risk Management System

1VB observes the environmental, social, and economic.sustainability principles in every decision it makes. The Bank joins the nation in implementing green banking. This means 1VB continues to make its processes and infrastructures as effective and efficient as possible with zero to minimal impact on the environment.

In identifying and managing its environmental and social risks of its clients, 1VB created a steering committee composed of the heads of these departments: IT, Operations, Risk Management, Credit, Business Development, and Human Resources. During meetings, members discuss and deliberate on the agenda on how to create a balanced and sustainable future through the implementation of green banking. To oversee the progress, 1VB has appointed a sustainability officer-in-charge.

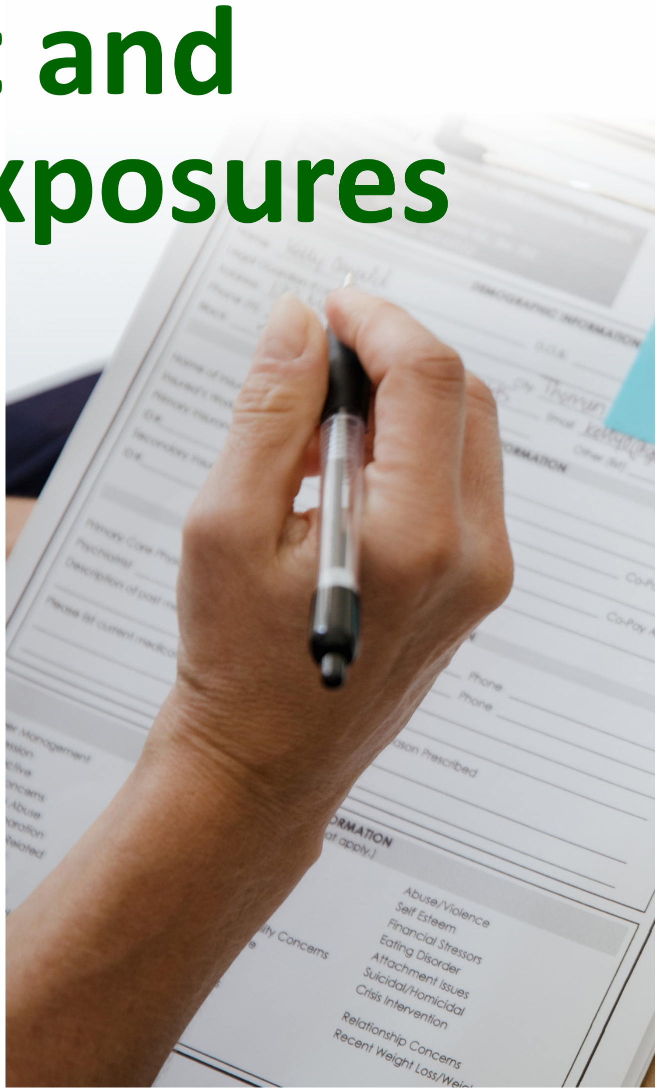

# Products and Services

All 1VB products and services have integrated the sustainability principles. This is especially true with its crop production and agriculture loans where 1VB has partnered with the following institutions:

- AGFP, PCIC, ACPC, LBP and DBP;
- DTI, DA, PhilCAFE, ACDI/VOCA;
- Kennemer Foods International.

"Look after our planet, and it will look after us."

# Environment and Social Risk Exposures




## Environment Issues

Loans disbursed for food crop production, SBL loans to water refilling stations, cacao tree-planting loans, sugarcane loans, and financing solar energy infrastructures

## Social Issues

Free health coverage to 1VB employees, college scholarship grants, sustainable fish production using fish cage operations, cacao value chain financing, funding of organic farming

## Resources Utilization

Loans to fund public infrastructure projects, countryside financing that creates farming activities, improves local economic vibrancy, and increases household income

## Sensitive Receptors

Clean energy sources financing such as loans granted to fund solar energy projects. etc.

## Labor Relations

Hiring of people coming from diverse ethnicity, practice of equal opportunity employment, loans to teachers, barangay officials, and local government units

## ESRMS

1VB's Environmental and Social Risk Management System consists of policies and procedures to identify & effectively manage the Bank's exposure to the environment & social risks of its clients.

# Existing and Emerging E&S Risks and Their Impact

The existing and emerging environment and social (E&S) risks come from issues related to the operations of 1VB clients' business operations. Nonetheless, nearly all banking transactions are exposed to, at a certain degree, to environmental and social risks.

To name some of these risks- these are the following: pollution , threats to biodiversity, hazards to health, security and safety, demand for renewable energy, unnecessary/increased waste production, unfavorable or controversial technologies, non-compliance with regulatory requirements, and damage to conventional culture, beliefs, or lifestyles.

These risks, when un-managed, may impact negatively on the Bank's assets, income, financial condition/position, and/or the reputation of 1st Valley Bank to its consumers.

The Bank continuously performs its E&S risk assessment to review and manage its risk exposures effectively.

It has its E&S risk management system in place that is regularly reviewed by the Risk Department and 1VB's sustainability officer-in-charge.

# Operational Resilience

### Technology Disruptions

Implement stronger IT governance frameworks, conduct extensive risk assessments, and ensure adequate backup and recovery systems.

### Cyber Threats and Attacks

Apply robust cybersecurity measures such as advanced cybersecurity threat detection, continuous and consistent monitoring, and employee training.

### Talent Management

Foster a culture of continuous learning and provide opportunities for career development to build strong talent pipeline.

### Compliance with Regulations

Apply a pro-active approach by regularly monitoring regulatory changes, reinforcing internal controls, and encouraging a culture of compliance.

1st Valley Bank (1VB) is committed in protecting the interest of its stakeholders. The primary concern of the Bank is always their safety and well-being. It is the goal of the Bank to resume business as usual in the quickest possible time.

1VB completed its 2024 regular disaster recovery testing. The IT department, Information Security department, Audit Department and Operations Team collaborate to ensure the reliability of the systems during unfortunate event.

## Mitigate

Reduce the risks or impact of risks to 1VB banking operations.

## Prepare

Prepare measures for risks that can no be eliminated.

## Respond

Act on the business continuity plan (BCP) when disaster strikes.

## Recover

Recover from the disaster and immediately return to business-as-usual.

# EXPERIENCE FIRST-RATE FINANCIAL SOLUTION

*"If you want to experience first-rate financial solution, go to your 1st Valley Bank branch anywhere"*, says Elsa Avancena, as she shares her inspiring journey with 1st Valley Bank's Kalilangan Branch and how her partnership with the Branch has transformed her life.

*"My name is Elsa Avancena, and I am a customer of 1VB Kalilangan Branch. Allow me to express my gratitude to 1st Valley Bank Kalilangan Branch for providing me with first-rate financial services.*

*I have two (2) loan exposures at 1VB Kalilangan Branch. The first is chattel finance, minimizing the trucking costs in my sugarcane production. The branch provided me with extremely accommodating services during my first loan, so after it was paid, I availed my second loan-* ***Agri Secured Loan****. This is to be able to buy a house and lot in Carmen, Cagayan de Oro City as I have long been dreaming of building my home in Cagayan de Oro City.*

*I have known 1st Valley Bank through my sister, also a borrower at 1st Valley Bank, Kalilangan Branch. She said that availing a loan at 1st Valley Bank is good because the processing is simple and fast, and the employees are super accommodating. Hence, I did and I have experienced it myself. Not only was I able to reach my dream, but I am also enjoying the perks of life. Thank you Agri Secured Loan and 1st Valley Bank Kalilangan Branch!*

Success Story

# SME EMPOWERING PEOPLE

## 1VB Client

Winda T. Palang, 47, a resident of Poblacion, Tubod, Lanao del Norte, is a shining example of resilience, determination, and success. Married to Renan A. Palang and a proud mother of two accomplished daughters, her journey is a testament to what one can achieve with dedication and support. Winda has been a valued client of 1st Valley Bank, Baroy Branch, since 2012. As a teacher with aspirations of furthering her education and providing the best opportunities for her family, she took her first APDS loan in February 2012. This loan supported her pursuit of a Master's Degree and helped her send her two daughters to school.

## APDS to SME Loan

Her financial journey with the bank did not stop there. In October 2018, Mrs. Palang availed herself an SME loan to purchase a piece of land, planting the seeds for future growth. By 2022, she renewed her SME loan to bring her vision to life—to finish and furnish the commercial building on the property she acquired in 2018. Today, that building is fully occupied, contributing to her steady income.

Winda's accomplishments go far beyond financial investments. Now serving as the School Principal of Kakai Elementary School in Tubod, she balances her professional life with her thriving businesses. Her eldest daughter has achieved her dream of becoming a registered nurse, while her youngest daughter is pursuing a career in pharmacy as a second-year student.

## Partnership with 1VB

Winda's entrepreneurial spirit has flourished, with her general merchandise business thriving, a bustling restaurant, and a successful food catering service that caters to the community. She attributes a significant part of her success to her partnership with 1st Valley Bank, Baroy Branch.

*"Tungod sa 1VB, nakab-ot nako akong mga pangandoy sa kinabuhi na negosyo. Ug tungod ni 1VB wala na ni balik akong bana sa barko para mag trabaho. Ang 1VB naghatag kanamo ug higayon na mu lambo ug magka hiusa na pamilya."*

Her story is a beautiful reminder that with determination, hard work, and the right support, great things can be achieved. Winda T. Palang is an inspiration to her community and a proud symbol of what 1st Valley Bank stands for: empowering individuals to build brighter futures.

# Generous Financial Support Enables a College Education

"Being the youngest in my family, with two older sisters already graduated, I felt the weight of pressure to succeed, both for myself and for my parents.

The Giyong and Nene Lim Foundation has been a true blessing in easing the financial strain I faced, especially during my final year. Their generous support meant that I no longer had to ask my parents for financial help to continue my studies. Thanks to their assistance, I was able to graduate with a Bachelor of Science in Business Administration, majoring in Human Resource Development and Management. I am truly grateful for the foundation's kindness, which made my education possible."

## Scholar Name & Course

Irish Nava Madurar, BSBA-Human Resource Development and Management, Negros Oriental State University

## Home Address

a
On-On, Barangay San Miguel, Bayawan City, Negros Oriental

## Status at 1VB

Employed since September 18, 2024 as loans processor at Tagbilaran Branch

P&A Grant Thornton

**FOR BSP FILING**

# Financial Statements and Independent Auditors' Report

# 1st Valley Bank, Inc., A Development Bank

## December 31, 2024 and 2023

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

P&A Grant Thornton

# Report of Independent Auditors

**Punongbayan & Araullo**
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

**The Board of Directors**
**1st Valley Bank, Inc., A Development Bank**
Vamenta Blvd. corner Lirio Street, Carmen
Cagayan de Oro City

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of 1st Valley Bank, Inc., A Development Bank (the Bank), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in capital funds and statements of cash flows for the years then ended, and the notes to financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 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 (PFRS Accounting Standards).

### *Basis for Opinion*

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

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

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

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

### *Auditors' Responsibilities for the Audit of 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

## Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, required by the Bangko Sentral ng Pilipinas for the years ended December 31, 2024 and 2023, and by the Bureau of Internal Revenue for the year ended December 31, 2024, as disclosed in Notes 23 and 24 to the financial statements, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

**By: Arman B. Neptuno**
Partner

CPA Reg. No. 0148776
TIN 428-244-641
PTR No. 10465912, January 2, 2025, Makati City
BIR AN 08-002551-048-2023 (until November 14, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-020 (until August 12, 2027)

March 31, 2025

**1st VALLEY BANK, INC., A DEVELOPMENT BANK**
**STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2024 AND 2023**
***(With Corresponding Figures as of January 1, 2023)***
***(Amounts in Philippine Pesos)***

| | Notes | 2024 | December 31, 2023 (As Restated – See Note 2) | January 1, 2023 (As Restated – See Note 2) |
|---|---|---|---|---|
| **RESOURCES** | | | | |
| **CASH AND OTHER CASH ITEMS** | 6 | **P 413,579,823** | P 292,029,198 | P 190,869,170 |
| **DUE FROM BANGKO SENTRAL NG PILIPINAS** | 6 | **439,224,524** | 300,099,871 | 335,950,031 |
| **DUE FROM OTHER BANKS** | 6 | **1,132,853,101** | 1,180,308,287 | 849,648,132 |
| **INVESTMENT SECURITIES AT AMORTIZED COST** - Net | 7 | **597,772,766** | 101,325,196 | 449,101,742 |
| **LOANS RECEIVABLES** - Net | 8 | **11,614,824,152** | 10,579,039,805 | 8,275,810,189 |
| **BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT** - Net | 10 | **281,599,533** | 273,055,029 | 245,813,151 |
| **RIGHT-OF-USE ASSETS** | 9 | **173,101,432** | 173,266,543 | 183,003,362 |
| **INVESTMENT PROPERTIES** | 11 | **405,601,165** | 385,847,947 | 254,535,966 |
| **DEFERRED TAX ASSETS** - Net | 19 | **74,078,228** | 82,702,777 | 72,145,223 |
| **OTHER RESOURCES** - Net | 12 | **133,503,401** | 130,824,927 | 126,077,212 |
| **TOTAL RESOURCES** | | **P 15,266,138,125** | P 13,498,499,580 | P 10,982,954,178 |
| **LIABILITIES AND CAPITAL FUNDS** | | | | |
| **DEPOSIT LIABILITIES** | 13 | **P 8,729,835,801** | P 7,492,304,987 | P 6,708,241,464 |
| **BILLS PAYABLE** | 14 | **3,118,983,111** | 2,757,960,879 | 1,147,745,385 |
| **LEASE LIABILITIES** | 9 | **212,575,749** | 207,810,877 | 208,661,382 |
| **ACCRUED EXPENSES AND OTHER LIABILITIES** | 15 | **476,607,488** | 360,161,161 | 241,605,543 |
| **INCOME TAX PAYABLE** | | **19,262,970** | 24,696,648 | 5,426,230 |
| Total Liabilities | | **12,557,265,119** | 10,842,934,552 | 8,311,680,004 |
| **CAPITAL FUNDS** | 16 | **2,708,873,006** | 2,655,565,028 | 2,671,274,174 |
| **TOTAL LIABILITIES AND CAPITAL FUNDS** | | **P 15,266,138,125** | P 13,498,499,580 | P 10,982,954,178 |

***See Notes to Financial Statements.***

## 1st VALLEY BANK, INC., A DEVELOPMENT BANK
## STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
*(Amounts in Philippine Pesos)*

| | Notes | 2024 | 2023 |
|---|---|---|---|
| **INTEREST INCOME:** | | | |
| Loans receivables | 8 | **P 1,719,136,548** | P 1,194,900,113 |
| Investment securities at amortized cost | 7 | **16,170,459** | 20,069,664 |
| Due from other banks | 6 | **680,933** | 572,781 |
| | | **1,735,987,940** | 1,215,542,558 |
| **INTEREST EXPENSE:** | | | |
| Deposit liabilities | 13 | **254,587,331** | 181,099,195 |
| Bills payable | 14 | **321,014,799** | 119,216,097 |
| Others | 9, 18 | **17,431,876** | 18,946,058 |
| | | **593,034,006** | 319,261,350 |
| **NET INTEREST INCOME** | | **1,142,953,934** | 896,281,208 |
| **IMPAIRMENT LOSSES** | 8, 11, 12 | **169,798,866** | 165,338,555 |
| **NET INTEREST INCOME AFTER IMPAIRMENT LOSSES** | | **973,155,068** | 730,942,653 |
| **OTHER INCOME** | 17 | **389,404,516** | 400,176,246 |
| **OTHER EXPENSES** | 17 | **1,018,480,411** | 877,179,118 |
| **PROFIT BEFORE TAX** | | **344,079,173** | 253,939,781 |
| **TAX EXPENSE** | 19 | **101,558,133** | 63,590,180 |
| **NET PROFIT** | | **242,521,040** | 190,349,601 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| **Items that will not be reclassified subsequent to profit or loss:** | | | |
| Actuarial gain (loss) on remeasurements of defined benefit plan | 18 | **14,382,584** | ( 8,078,331 ) |
| Tax income (expense) | 19 | **( 3,595,646 )** | 2,019,583 |
| | | **10,786,938** | ( 6,058,748 ) |
| **TOTAL COMPREHENSIVE INCOME** | | **P 253,307,978** | P 184,290,853 |

*See Notes to Financial Statements.*

**1st VALLEY BANK, INC., A DEVELOPMENT BANK**
**STATEMENTS OF CHANGES IN CAPITAL FUNDS**
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**
***(Amounts in Philippine Pesos)***

| | Capital Stock (see Notes 16) | Other Reserves (see Note 2) | Remeasurements of Defined Benefit Plan (see Note 18) | Surplus (see Notes 2 and 16) | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2024 | P 1,525,226,000 | P 450,769,385 | ( P 8,183,548 ) | P 687,753,191 | P 2,655,565,028 |
| Dividends during the year | | - | - | ( 200,000,000 ) | ( 200,000,000 ) |
| Total comprehensive income for the year | - | - | 10,786,938 | 242,521,040 | 253,307,978 |
| Balance at December 31, 2024 | **P 1,525,226,000** | **P 450,769,385** | **P 2,603,390** | **P 730,274,231** | **P 2,708,873,006** |
| Balance at January 1, 2023 | P 1,525,226,000 | P 450,769,385 | ( P 2,124,800 ) | P 722,272,091 | P 2,696,142,676 |
| Effect of prior period restatement | - | - | - | ( 24,868,501 ) | ( 24,868,501 ) |
| Balance at January 1, 2023, as restated | 1,525,226,000 | 450,769,385 | ( 2,124,800 ) | 697,403,590 | 2,671,274,175 |
| Dividends during the year | - | - | - | ( 200,000,000 ) | ( 200,000,000 ) |
| Total comprehensive income (loss) for the year | - | - | ( 6,058,748 ) | 190,349,601 | 184,290,853 |
| Balance at December 31, 2023 | P 1,525,226,000 | P 450,769,385 | ( P 8,183,548 ) | P 687,753,191 | P 2,655,565,028 |

***See Notes to Financial Statements.***

**1st VALLEY BANK, INC., A DEVELOPMENT BANK**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**
***(Amounts in Philippine Pesos)***

| | Notes | 2024 | 2023 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | P 344,079,173 | P 253,939,781 |
| Adjustments for: | | | |
| Interest income | 6, 7, 8 | ( 1,735,987,940 ) | ( 1,215,542,558 ) |
| Interest received | | 1,726,428,023 | 1,215,522,266 |
| Interest expense | 9, 13, 14, 18 | 593,034,006 | 319,261,350 |
| Interest paid | | ( 456,697,241 ) | ( 230,567,149 ) |
| Impairment losses | 8, 11, 12 | 169,798,866 | 165,338,555 |
| Depreciation and amortization | 17 | 125,593,985 | 115,557,114 |
| Gain on sale of bank premises, furniture, fixtures and equipment | 10 | ( 4,004,511 ) | ( 3,798,836 ) |
| Operating profit before working capital changes | | 762,244,361 | 619,710,523 |
| Increase in loans and receivables | | ( 1,261,051,247 ) | ( 2,653,964,654 ) |
| Decrease in investment properties | | 46,798,748 | 62,382,796 |
| Decrease (increase) in other resources | | 5,548,450 | ( 28,053,107 ) |
| Increase in deposit liabilities | | 1,237,530,814 | 784,063,523 |
| Increase (decrease) in accrued expenses and other liabilities | | 8,875,581 | 37,280,266 |
| Cash from (used in) operations | | 799,946,707 | ( 1,178,580,652 ) |
| Cash paid for income taxes | | ( 101,962,908 ) | ( 52,857,732 ) |
| Net Cash From (Used in) Operating Activities | | 697,983,799 | ( 1,231,438,384 ) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of investment securities at amortized cost | 7 | ( 1,668,484,853 ) | ( 1,007,027,580 ) |
| Proceeds from maturity of investment securities at amortized cost | 7 | 1,172,459,419 | 1,354,824,418 |
| Acquisition of bank premises, furniture, fixtures and equipment | 10 | ( 77,895,604 ) | ( 90,488,607 ) |
| Acquisition of intangible assets | 12 | ( 31,448,857 ) | - |
| Proceeds from disposal of bank premises, furniture, fixtures and equipment | 10 | 4,709,709 | 6,299,893 |
| Net Cash From (Used in) Investing Activities | | ( 600,660,186 ) | 263,608,124 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Additions to bills payable | 14 | 2,674,823,876 | 2,314,973,345 |
| Settlements of bills payable | 14 | ( 2,313,801,644 ) | ( 704,757,851 ) |
| Dividends paid | 16 | ( 200,000,000 ) | ( 200,000,000 ) |
| Payments of lease liabilities | 9 | ( 45,125,753 ) | ( 46,415,211 ) |
| Net Cash From Financing Activities | | 115,896,479 | 1,363,800,283 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 213,220,092 | 395,970,023 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | | |
| Cash and other cash items | | 292,029,198 | 190,869,170 |
| Due from Bangko Sentral ng Pilipinas (BSP) | | 300,099,871 | 335,950,031 |
| Due from other banks | | 1,180,308,287 | 849,648,132 |
| | | 1,772,437,356 | 1,376,467,333 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 6 | | |
| Cash and other cash items | | 413,579,823 | 292,029,198 |
| Due from BSP | | 439,224,524 | 300,099,871 |
| Due from other banks | | 1,132,853,101 | 1,180,308,287 |
| | | P 1,985,657,448 | P 1,772,437,356 |

**Supplemental Information on Non-cash Investing and Financing Activities:**

1. In 2024 and 2023, the Bank recognized additional right-of-use assets amounting to P34.8 million and P27.9 million, respectively, and lease liabilities amounting to P35.5 million and P30.1 million, respectively (see Note 9).

2. In 2024 and 2023, the Bank foreclosed certain properties amounting to P130.1 million and P214.9 million, respectively (see Note 11).

3. In 2023, the Bank acquired certain intangible assets amounting to P3.1 million. This was fully paid in 2024 (see Note 12).

***See Notes to Financial Statements.***

**1ST VALLEY BANK, INC., A DEVELOPMENT BANK**
**NOTES TO FINANCIAL STATEMENTS**
**DECEMBER 31, 2024 AND 2023**
***(Amounts in Philippine Pesos)***

## 1. CORPORATE INFORMATION

### *1.1 Incorporation and Operations*

1st Valley Bank, Inc., A Development Bank (the Bank) is a development bank, which was registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 2013 and started commercial operations on August 1, 2013. The Bank was organized for the purpose of the consolidation of two rural banks namely: 1st Valley Bank, Inc., A Rural Bank (1VBRB) and Community Rural Bank of Clarin (Misamis Occidental), Inc. (Clarin). Consequently, the Bank acquired all the assets and assumed all the liabilities of 1VBRB and Clarin in exchange for the Bank's shares of stock.

The Bank, together with Sugbuanon Rural Bank, Inc. (SRBI) and D' Asian Hills Bank, Inc. (DAHBI) executed a Plan of Merger on October 28, 2018, which was previously approved by all members of the Bank's Board of Directors (BOD) and by all the stockholders of the Bank on January 13, 2018. The same was filed with Bangko Sentral ng Pilipinas (BSP) and SEC and was subsequently approved on September 5, 2019 and December 27, 2019, respectively. Upon issuance by the SEC of the Certificate of Filing of the Articles and Plan of Merger, the two banks were merged with the Bank, which is the surviving bank of the merger.

The Bank is currently engaged in accepting deposits from the public and in the extension of the rural credit to small farmers and tenants and to deserving rural industries or enterprises.

As a banking institution, the Bank's operations are regulated and supervised by the BSP. As such, the Bank is required to comply with banking rules and regulations such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Bank's activities are subject to the provisions of Republic Act (RA) No. 8791, *General Banking Law of 2000* and other related banking laws.

The Bank's registered office address, which is also its principal place of business, is located at Vamenta Blvd. corner Lirio Street, Carmen, Cagayan de Oro City.

As of December 31, 2024 and 2023, the Bank has 84 and 83 branches, respectively, in over twelve provinces in Mindanao namely: Lanao del Norte, Lanao del Sur, Misamis Oriental, Misamis Occidental, Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay, Bukidnon, Davao del Sur, Davao del Norte, Agusan del Sur, Agusan del Norte; and 14 branches in Visayas namely: Bohol, Cebu City, Negros Oriental, and Negros Occidental.

### *1.2 Approval of Financial Statements*

The financial statements of the Bank as at and for the year ended December 31, 2024 (including the comparative financial statements as at and for the year ended December 31, 2023) were authorized for issue by the Bank's BOD on March 31, 2025.

## 2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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 all the years presented, unless otherwise stated.

### *2.1 Basis of Preparation of Financial Statements*

*(a) Statement of Compliance with Philippine Financial Reporting Standards*

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 and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

*(b) Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents all items of income and expenses in a single statement of comprehensive income.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

*(c) Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates.

(d) *Prior Period Restatement and Reclassification of Accounts*

In 2024, the Bank identified a prior period error in its accounting of Other Resources and Surplus. Accordingly, the Bank made prior period adjustments related to reclassification of certain Other Resources transactions which are historical in nature and appeared to have been used to clear unsubstantiated balances.

These restatements resulted in adjustments to the Bank's resources and capital funds to reflect the reclassifications and restatements made as shown below:

| *(Amounts in PHP)* | Notes | As Previously Stated | Effects of Adjustments | As Restated |
|---|---|---|---|---|
| December 31, 2023 | | | | |
| *Change in resources –* | | | | |
| Other resources - net | 12 | 155,693,428 | (24,868,501) | 130,824,927 |
| *Change in capital funds –* | | | | |
| Surplus | 16 | 712,621,692 | (24,868,501) | 687,753,191 |
| January 1, 2023 | | | | |
| *Change in resources –* | | | | |
| Other resources - net | 12 | 150,945,713 | (24,868,501) | 126,077,212 |
| *Change in capital funds –* | | | | |
| Surplus | 16 | 722,272,091 | (24,868,501) | 697,403,590 |

## 2.2 Adoption of New and Amended PFRS Accounting Standards

(a) *Effective in 2024 that are Relevant to the Bank*

The Bank adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments) : Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants

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

PFRS 16 (Amendments) : Leases – Lease Liability in a Sale and Leaseback

Discussed below are the relevant information about these pronouncements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current.* The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Bank's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants.* The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Bank's financial statements.

(iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements.* The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Bank's financial statements.

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback.* The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Bank's financial statements.

*(b) Effective Subsequent to 2024 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Bank's financial statements:

(i) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

(ii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

### *2.3 Financial Instruments*

*(a) Financial Assets*

*i. Classification and Measurement of Financial Assets*

The classification and measurement of financial assets is driven by the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. All the Bank's financial assets are measured at amortized cost.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized as Interest Income in the statement of comprehensive income.

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans Receivables, and Investment Securities at Amortized Cost, and Sales contract receivables, Accounts receivable, Security deposits and Petty cash fund under Other Resources account.

*ii. Impairment of Financial Assets*

The Bank recognizes allowances for expected credit loss expected credit loss (ECL) on a forward-looking basis associated with its financial assets at amortized cost. There is no impairment loss recognized on equity investments that are either measured at fair value through profit or loss (FVTPL) or designated at fair value through other comprehensive income (FVOCI).

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. The Bank recognizes lifetime ECL when there has been a significant increase in credit risk (SICR) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

The Bank's ECL model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets, definition of default for purposes of determining ECL, and credit risk assessment are further discussed in Note 4.1.

ECL is a function of the probability of default (PD), loss given default (LGD), and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are further discussed in Note 4.1.

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

*iii. Derecognition – Modification of Loans*

When the Bank derecognizes a financial asset through renegotiation or modification of contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that will affect the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and/or,
- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are as gain or loss on derecognition of financial assets in profit or loss. As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition; such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

*(b) Financial Liabilities*

Financial liabilities include deposit liabilities, bills payable, and accrued expenses and other liabilities (except for post-employment benefit obligation and tax-related liabilities) are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense under the caption Interest Expense in the statement of comprehensive income.

Deposit liabilities are recorded initially at fair value and subsequently measured at amortized cost.

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

Accrued expenses and other liabilities are recognized initially at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Bank.

### *2.4 Bank Premises, Furniture, Fixtures and Equipment*

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

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

| | |
|---|---|
| Building | 20 years |
| Furniture, fixtures and equipment | 3 to 5 years |
| Transportation equipment | 5 years |

Leasehold improvements are amortized over the term of the lease or useful lives of the improvements of ten years, whichever is shorter.

### *2.5 Investment Properties*

Investment properties represent land and buildings acquired by the Bank in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are neither held by the Bank for sale in the next 12 months nor used in the rendering of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses.

Investment properties, except land, are depreciated over a period of five to ten years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

### *2.6 Other Resources*

Other resources pertain to other assets controlled by the Bank as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably. 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.

Other resources also include goodwill from business combination, licenses, and software. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition.

Goodwill represents the excess of the cost of an acquisition over fair value of the Bank's share of the net identifiable assets of the acquired business at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is to be tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Acquired computer software licenses are amortized on a straight line basis over the expected useful lives of the software of three to ten years.

### 2.7 Assets Held for Sale

Assets held for sale include repossessed jewelry and motor vehicle that the Bank intends to sell within one year from the date of classification as held for sale and are included as part of Other Resources in the statement of financial position.

The Bank classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and there is sufficient evidence that the Bank remains committed to its plan to sell the asset. The carrying value of assets held for sale are written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.8).

If the Bank has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Bank shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale assets is recognized in profit or loss and included as part of Other Income in the statement of comprehensive income.

### 2.8 Impairment on Non-financial Assets

The Bank's premises, furniture, fixtures, and equipment, right-of-use assets, investment properties, and other resources (including intangible assets and assets held for sale) and other non-financial assets are subject to impairment testing.

Intangible assets with an indefinite useful life, such as goodwill, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### 2.9 Capital Funds

Capital stock represents the nominal value of shares that have been issued.

Other reserves include any premium received on the initial issuance of capital stock representing the difference between the net assets received and the amount of the shares issued arising from a business combination. Any transaction costs associated with the issuance of shares are deducted from the other reserves, net of any related income tax benefits. This also include appropriation for general loan loss provision (GLLP). Remeasurements of defined benefit plan comprise of net accumulated actuarial gains or losses arising from experience adjustments and other changes in actuarial assumptions, and actual return on plan assets (excluding amounts pertaining to net interest).

Surplus includes 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 amount of any dividends declared.

In pursuant to BSP Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, financial institutions are required to set up GLLP equivalent to 1.00% of all outstanding 'Stage 1' on-balance sheet loan accounts. GLLP pertains to the appropriation of the Surplus account, brought about by cases when the allowance for credit losses on 'Stage 1' loan accounts computed under the requirements of PFRS 9 is less than the 1.00% GLLP required by the BSP.

### *2.10 Other Income and Expenses*

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers*. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract.

The Bank assesses its revenue arrangements against specific criteria to determine if its acting as a principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements.

The Bank also earns service fees and commissions on various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15. For revenues arising from various banking services, which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

*(a)* *Service fees and charges* – Service charges, fees and commissions are generally recognized over the term of the loan. Service fees and charges include the following accounts:

*(i)* *Commission and fees* – these income arising from loans, deposits, and other banking transactions are recognized as income based on agreed terms and conditions with customers, which are generally when the services have been performed.

*(ii)* *Late payment fees* – these are billed on late payments of loans and are recognized as income upon occurrence of the late payment event.

*(b)* *Penalties* – these are charges from deposit accounts that fall under dormancy or maintaining balance. These fees are recognized at the time of dormancy.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies.

*(a)* *Gains on assets sold* – Gains on assets sold under Other Income account, arise from the disposals of bank premises, furniture, fixtures and equipment, investment properties and other non-financial assets. The Bank recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Bank does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Gains on sale and redemption of assets is presented under Other Operating Income account in the statement of comprehensive income.

(b) *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in the statement of comprehensive income under Other Operating Income account.

### *2.11 Leases – Bank as a Lessee*

Subsequent to initial recognition, the Bank depreciates the right-of-use asset 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 has elected to account for short-term leases 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.

The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.8).

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from bank premises, furniture, fixtures and equipment and accrued expenses and other liabilities, respectively.

### *2.12 Employee Benefits*

The Bank provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan and other employee benefits, which are recognized and measured as follows:

(a) *Post-Employment Defined Benefit Plan*

The Bank's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

(b) *Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g., Social Security System and PhilHealth). The Bank has no legal or constructive obligation to pay further contributions after payment of the fixed contributions.

(c) *Compensated Absences and Other Employee Benefits*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. In addition, the Bank recognizes a liability and an expense for other employee benefits based on a formula that is fixed, regardless of the Bank's income after certain adjustments, and does not take into consideration the profit attributable to the Bank's shareholders.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

### *3.1 Critical Management Judgments in Applying Accounting Policies*

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

*(a) Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The Bank did not include renewal options as part of the lease term as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

*(b) Application of ECL to Financial Assets at Amortized Cost*

The Bank uses historical loss rates approach to calculate ECL for loans receivables, while for investment securities at amortized cost, external benchmarking approach was used. The allowance for credit losses is based on the ECL associated with the PD of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.1).

*(c) Evaluation of Business Model Applied in Classifying Financial Instruments*

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank's business models reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those related to the Bank's investment, trading and lending strategies.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model. There is no disposal of investment securities at amortized cost in both 2024 and 2023.

*(d) Testing the Cash Flow Characteristics of Financial Assets*

In determining the classification of financial assets, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the SPPI test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(e) *Distinction Between Investment Properties and Owner-occupied Properties*

The Bank determines whether a property qualifies as an investment property, assets held-for-sale or owner-occupied properties. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in its banking operations. Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Bank accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in its banking operations or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(f) *Recognition of Provisions and Contingencies*

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

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 21.

### *3.2 Key Sources of Estimation of Uncertainty*

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

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on debt financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.1.

The carrying value of investments in debt securities at amortized cost and loans and other receivables, together with the analysis of the allowance for impairment on such financial assets, are shown in Notes 7 and 8, respectively.

*(c)* *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-Use Assets, Investment Properties and Intangible Assets*

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and intangible assets such as software and license based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amount of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and intangible assets (presented under Other Resources) are disclosed in Notes 10, 9.1, 11 and 12.4, respectively. Based on management's assessment as at December 31, 2024, and 2023, there is no change in the estimated useful lives of these assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

*(d)* *Estimation of Fair Value for Assets Held for Sale and Investment Properties*

The Bank's assets held for sale is carried and measured at lower of carrying amount or fair value less cost to sell. The estimated fair values of assets held for sale as disclosed in Note 5.3.2, are determined on the basis of the appraisals conducted by qualified internal and independent professional appraisers applying the relevant valuation methodologies as discussed therein.

In determining the fair value less cost to sell of assets held for sale, management takes into account the most reliable evidence available at the time the estimates are made. These estimates include prices at which the repossessed assets are expected to be sold and the necessary cost to be incurred in disposing the assets. The price and cost estimates, however, could change in the future. The above factor is considered key source of estimation uncertainty and may cause significant adjustments to the Bank's assets held for sale within the next reporting period. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

For assets held for sale with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. As of December 31, 2024 and 2023, there were no circumstances that management has determined possible adjustments in the fair value of the assets held for sale.

*(e)* *Impairment of Non-financial Assets*

Bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties, assets held for sale, intangible assets, and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Intangible assets with an indefinite useful life, such as goodwill, are tested for impairment at least annually.

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

*(f) Determination of Realizable Amount of Deferred Tax Assets*

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the carrying amount of deferred tax assets recognized in the statements of financial position as disclosed in Note 19 can be utilized in the coming years.

*(g) Valuation of Post-employment Defined Benefits*

The determination of the Bank's obligation and cost of post-employment defined benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase.

A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 18.2.

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank is exposed to a variety of financial risks in relation to its financial instruments. The Bank's financial assets and financial liabilities by category are summarized in Note 5. The main types of risks are credit risk, liquidity risk, market risk (foreign currency and interest rate risks), and operational risk and anti-money laundering controls.

The Bank's risk management, which is closely coordinated with the BOD, Management Committee and the Risk Management Committee (RMC) of the Bank, focuses on actively securing the Bank's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate reasonable returns.

The Bank does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Bank is exposed to are described as follows:

### *4.1 Credit Risk*

Credit risk is the risk that a customer or counterparty may fail to fulfill its contractual obligations to the Bank. This includes risk of non-payment by borrowers and issuers, failed settlement of transactions and default on outstanding contracts.

The Bank manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The following tools, among others, are used by the Bank in identifying, assessing and managing credit risk:

- Established credit policies, asset allocations and concentration limits, collateral acceptance criteria, target market and clearly defined approving authorities;
- Independence of credit control and monitoring functions from the credit risk-taking function;
- Periodic monitoring of individual account performance;
- Active loan portfolio management to determine the quality of the loan portfolio, including risks associated with particular industry sectors, loan size and maturity, monitoring portfolio growth, collection performance and delinquency trends, trend of non-performing loans, concentration risk, and other performance indicators; and,
- Close monitoring of remedial accounts.

The Finance Committee, Credit Risk Committee and Risk Oversight Committee undertake portfolio management by reviewing the Bank's loan portfolio, including the portfolio risks associated with particular industry sectors, loan size and maturity, and development of a strategy for the Bank to achieve its desired portfolio mix and risk profile. They also review the Bank's loan portfolio in line with the Bank's policy of not having significant unwarranted concentrations of exposure to individual counterparties, in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth.

For investment securities at amortized cost, credit risk is addressed by setting limits as to the maximum amount of investment that can be made on certain type of security with consideration of the credit quality of the counterparty.

#### *4.1.1 Credit Risk Assessment*

The Bank's credit risk measurement is performed on different segments of financial asset portfolio such as: (a) consumer, which include agricultural loans, agrarian loans, microfinance, small and medium entity (SME) loans, and other loans such as barangay and teacher's loans; and (b) investment in debt securities that are measured at amortized cost.

Loans receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such the credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL.

For the Bank's debt securities, credit ratings published by reputable external rating agency (such as Standard & Poor's) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

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

### *4.1.2 Expected Credit Loss Measurement Inputs*

Integral in the Bank's established policies in measuring and calculating ECL on financial instruments is the use of appropriate model for each segment of financial asset that applies relevant inputs and assumptions, including forward-looking information as appropriate.

*(a)* *Significant Increase in Credit Risk*

The Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition, through assessments of the change in risks of default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, as appropriate.

These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower, and other factors that are counterparty specific. Certain qualitative criteria are also being considered by the Bank in assessing SICR. These are but not limited to: actual or expected short-term delays in payments which is normally not later than 30 days, extension to the terms granted, previous arrears within the last 12 months and significant adverse changes in business, financial and/or economic conditions in which the borrowers operate (e.g., calamities requiring BSP relief program). As the Bank holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

A 'three-stage' impairment model has been adopted by the Bank based on changes in credit quality since initial recognition of the financial asset [see Note 2.3*(a)*]:

*(i)* Stage 1 – comprised of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition and includes financial assets that are identified to have low credit risk'. For these instruments, the loss allowance is determined based on a 12-month ECL.

*(ii)* Stage 2 – comprises of all financial instruments assessed to have SICR subsequent to the initial recognition of the financial assets, though not yet deemed credit-impaired. This also includes those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3' lifetime ECL is recognized for these financial instruments.

*(iii)* Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Bank as 'non-performing', which is assessed consistently with the Bank's definition of default for each loan portfolio. A lifetime ECL is recognized for all credit-impaired financial assets.

The Bank also considers the quantitative criteria based on the BSP Manual of Regulations for Banks (MORB) Section 143 (Appendix 15), as amended by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9*, in classifying the status of the loan.

*(b)* *Definition of Default*

*(i)* *Loans receivables*

The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the borrower is more than 30 days past due on its contractual payments.
- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

*(ii)* *Investments in Debt Securities*

Investments in debt securities are assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future event, shall also be considered in estimating the ECL.

In making assessment of whether an investment in debt is credit-impaired, the Bank considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness; or,
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

(c) *Key Inputs, Assumptions and Estimation Techniques Used in the Measurement of ECL*

The key elements used in the calculation of ECL are as follows:

*(i)* PD represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. In determining PD, the Bank performed segmentation of its credit exposures based on homogenous characteristics. PD of individually assessed credit exposures is determined based on the historical losses incurred over total exposure while PD of collectively assessed credit exposure is determined based on the net flow rate which is developed from historical movements between days past due bucket to the next.

*(ii)* LGD pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Bank estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset.

*(iii)* EAD represents the gross carrying amount of the exposure in the event of default which include the amortized cost of an instrument and any accrued interest receivable.

(d) *Overlay of Forward-looking Information*

The Bank incorporates forward-looking information (FLI) in its assessment of SICR and calculation of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers.

The MEVs and their associated impact on the PD, LGD and EAD vary by financial instrument. The impact of these MEVs on the PD, LGD, and EAD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority). Accordingly, the Bank has identified key drivers for credit risk for each portfolio. Using an analysis on historical data, the Bank has estimated relationships between MEVs and credit risk and credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes.

In 2024 and 2023, there were no significant changes in inputs, assumptions and variables used that would warrant recalibration of MEV. Whenever there are significant changes, recalibration of the existing ECL model will be made to incorporate on the most-recent default and recovery experience of the Bank and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the probability of default could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure that models are robust, predictive and reliable.

### *4.1.3 Credit Quality Analysis*

The following table sets out information about the credit quality of loans and receivables and investment in securities at amortized cost. As of December 31, 2024 and 2023, there are no purchased or originated credit-impaired financial assets in the Bank's financial statements.

| *(Amounts in PHP)* | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| December 31, 2024 | | | | |
| **Loans Receivables*:** | | | | |
| Performing: | | | | |
| Current | 10,954,097,487 | - | - | 10,954,097,487 |
| Past Due | - | 453,153,590 | - | 453,153,590 |
| Non-performing: | | | | |
| Past Due | - | - | 262,359,570 | 262,359,570 |
| Items in litigation | - | - | 112,243,741 | 112,243,741 |
| Gross carrying amount | 10,954,097,487 | 453,153,590 | 374,603,311 | 11,781,854,388 |
| Allowance for credit losses | (67,343,807) | (15,505,526) | (79,207,814) | (162,057,147) |
| | **10,886,753,680** | **437,648,064** | **295,395,497** | **11,619,797,241** |
| **Sales contract receivables:** | | | | |
| Gross carrying amount | 37,036,431 | - | 21,948,922 | 58,985,353 |
| Allowance for credit losses | (6,923,123) | - | | (6,923,123) |
| | **30,113,308** | **-** | **21,948,922** | **52,062,230** |
| **Other receivables:** | | | | |
| Gross carrying amount | 27,049,282 | - | - | 27,049,282 |
| Allowance for credit losses | (22,310,900) | - | - | (22,310,900) |
| | **4,738,382** | **-** | **-** | **4,738,382** |
| **Investment securities at amortized cost** | | | | |
| Grade BBB+ | **597,772,766** | **-** | **-** | **597,772,766** |

** Loans receivables amount is gross of unamortized charges and unearned interests and discounts, and inclusive of accrued interest receivable.*

| *(Amounts in PHP)* | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| December 31, 2023 | | | | |
| Loans Receivables*: | | | | |
| Performing: | | | | |
| Current | 9,989,482,243 | - | - | 9,989,482,243 |
| Past Due | - | 326,618,784 | - | 326,618,784 |
| Non-performing: | | | | |
| Past Due | - | - | 287,920,286 | 287,920,286 |
| Items in litigation | - | - | 155,498,786 | 155,498,786 |
| Gross carrying amount | 9,989,482,243 | 326,618,784 | 443,419,072 | 10,759,520,099 |
| Allowance for credit losses | (58,119,406) | (14,648,489) | (102,065,724) | (174,833,619) |
| | 9,931,362,837 | 311,970,295 | 341,353,348 | 10,584,686,480 |
| Sales contract receivables: | | | | |
| Gross carrying amount | 41,686,780 | - | 18,147,461 | 59,834,241 |
| Allowance for credit losses | (4,082,040) | - | (581,349) | (4,663,389) |
| | 37,604,740 | - | 17,566,112 | 55,170,852 |
| Other receivables: | | | | |
| Gross carrying amount | 23,570,633 | - | - | 23,570,633 |
| Allowance for credit losses | (18,981,356) | - | - | (18,981,356) |
| | 4,589,277 | - | - | 4,589,277 |
| Investment securities at amortized cost | | | | |
| Grade BBB+ | 101,325,196 | - | - | 101,325,196 |

** Loans receivables amount is gross of unamortized charges and unearned interests and discounts, and inclusive of accrued interest receivable.*

The Bank's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

*(a)* *Due from BSP and Other Banks*

The credit risk for Due from BSP and other banks is considered negligible, since the counterparties are reputable banks. Due from other banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P0.5 million, for every depositor per banking institution. This coverage will increase to P1.0 million effective March 15, 2025.

*(b)* *Loans Receivables*

In respect of loans receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Loans consist of a large number of customers in various geographical areas.

The carrying amount of loans receivables as of December 31, 2024 and 2023, are presented under Note 8.

*(c)* *Investment in Securities at Amortized Cost*

The Bank's investment securities are with the government and large corporations whose exposure to credit risk is not deemed significant.

*(d) Other Financial Assets*

The Bank is not exposed to significant credit risk on its other financial assets since the Bank expects these to be recovered in the normal course of business.

### *4.1.4 Concentrations of Credit Risk*

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below and in the succeeding page.

| *(Amounts in PHP)* | **Cash and cash equivalents*** | **Loans receivables** | **Investment in securities at amortized cost** | **Other resources**** | **Total** |
|---|---|---|---|---|---|
| **2024** | | | | | |
| Financial intermediaries | 1,985,657,448 | - | 597,772,766 | - | 2,583,430,214 |
| Agriculture, forestry and fishing | - | 1,576,571,565 | - | - | 1,576,571,565 |
| Mining and quarrying | - | 72,459,072 | - | - | 72,459,072 |
| Manufacturing | - | 212,686,103 | - | - | 212,686,103 |
| Water supply, sewerage, waste management and remediation activities | - | 1,770,642 | - | - | 1,770,642 |
| Construction | - | 411,139,351 | - | - | 411,139,351 |
| Wholesale and retail trade, repair of motor vehicles, motorcycles | - | 2,173,400,617 | - | - | 2,173,400,617 |
| Accommodation and food service activities | - | 727,850,188 | - | - | 727,850,188 |
| Transportation and storage | - | 52,395,658 | - | - | 52,395,658 |
| Information and communication | - | 24,279,618 | - | - | 24,279,618 |
| Financial and insurance activities | - | 1,520,431 | - | - | 1,520,431 |
| Real estate activities | - | 1,553,721,281 | - | - | 1,553,721,281 |
| Professional, scientific and technical activities | - | 132,663,642 | - | - | 132,663,642 |
| Administrative and support service activities | - | 377,187,547 | - | - | 377,187,547 |
| Education | - | 41,017,365 | - | - | 41,017,365 |
| Human health and social work activities | - | 43,758,049 | - | - | 43,758,049 |
| Arts, entertainment and recreation | - | 6,132,776 | - | - | 6,132,776 |
| Other service activities | - | 107,984,966 | - | - | 107,984,966 |
| Others | - | 4,132,462,857 | - | 86,034,635 | 4,218,497,492 |
| | **1,985,657,448** | **11,649,001,728** | **597,772,766** | **86,034,635** | **14,318,466,577** |

**Cash and cash equivalents include cash and other cash items, due from BSP and Due form other banks (see Note 2.3).*
***Other resources include sales contract receivables and accounts receivables.*

| (Amounts in PHP) | Cash and cash equivalents* | Loans receivables | Investment in securities at amortized cost | Other resources** | Total |
|---|---|---|---|---|---|
| 2023 | | | | | |
| Financial intermediaries | 1,772,437,356 | - | 101,325,196 | - | 1,873,762,552 |
| Agriculture, forestry and fishing | - | 1,257,925,548 | - | - | 1,257,925,548 |
| Mining and quarrying | - | 102,867,654 | - | - | 102,867,654 |
| Manufacturing | - | 120,805,093 | - | - | 120,805,093 |
| Electricity, gas, steam and air-conditioning supply | - | 134,409 | - | - | 134,409 |
| Water supply, sewerage, waste management and remediation activities | - | 2,539,475 | - | - | 2,539,475 |
| Construction | - | 415,437,276 | - | - | 415,437,276 |
| Wholesale and retail trade, repair of motor vehicles, motorcycles | - | 1,651,949,449 | - | - | 1,651,949,449 |
| Accommodation and food service activities | - | 533,927,002 | - | - | 533,927,002 |
| Transportation and storage | - | 64,466,215 | - | - | 64,466,215 |
| Information and communication | - | 18,870,852 | - | - | 18,870,852 |
| Financial and insurance activities | - | 80,000 | - | - | 80,000 |
| Real estate activities | - | 1,611,264,508 | - | - | 1,611,264,508 |
| Professional, scientific and technical activities | - | 126,737,591 | - | - | 126,737,591 |
| Administrative and support service activities | - | 315,065,999 | - | - | 315,065,999 |
| Education | - | 23,755,825 | - | - | 23,755,825 |
| Human health and social work activities | - | 27,102,090 | - | - | 27,102,090 |
| Arts, entertainment and recreation | - | 7,107,180 | - | - | 7,107,180 |
| Other service activities | - | 53,861,768 | - | - | 53,861,768 |
| Others | - | 4,302,329,422 | - | 83,404,874 | 4,385,734,296 |
| | 1,772,437,356 | 10,636,227,356 | 101,325,196 | 83,404,874 | 12,593,394,782 |

**Cash and cash equivalents include cash and other cash items, due from BSP and Due form other banks (see Note 2.3).*
***Other resources include sales contract receivables and accounts receivables.*

### *4.1.5 Allowance for Expected Credit Losses*

The following table shows the reconciliation of the loss allowance for ECL on loans receivables (including accrued interest receivables) at the beginning and end of 2024 and 2023.

| (Amounts in PHP) | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** |
|---|---|---|---|---|
| ECL as at January 1, 2024 | 58,119,406 | 14,648,489 | 102,065,724 | 174,833,619 |
| Transfers from: | | | | |
| Stage 1 to 2 | (16,860,983) | 16,860,983 | - | - |
| Stage 1 to 3 | (22,210,869) | - | 22,210,869 | - |
| Stage 2 to 1 | 178,689 | (178,689) | - | - |
| Stage 2 to 3 | - | (14,343,363) | 14,343,363 | - |
| Stage 3 to 1 | 9,567 | - | (9,567) | - |
| Stage 3 to 2 | - | 105,560 | (105,560) | - |
| Changes in PDs/LGDs/EADs | 48,107,997 | (1,587,454) | 62,047,067 | 108,567,610 |
| Write-offs | - | - | (121,344,082) | (121,344,082) |
| Total net financial position charge | 9,224,401 | 857,037 | (22,857,910) | (12,776,472) |
| ECL as at December 31, 2024 | **67,343,807** | **15,505,526** | **79,207,814** | **162,057,147** |

| *(Amounts in PHP)* | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| ECL as at January 1, 2023 | 34,900,487 | 5,035,609 | 123,153,398 | 163,089,494 |
| Transfers from: | | | | |
| Stage 1 to 2 | (4,403,050) | 4,403,050 | - | - |
| Stage 1 to 3 | (22,575,675) | - | 22,575,675 | - |
| Stage 2 to 1 | 400,676 | (400,676) | - | - |
| Stage 2 to 3 | - | (3,225,511) | 3,225,511 | - |
| Stage 3 to 1 | 92,855 | - | (92,855) | - |
| Stage 3 to 2 | - | 186,133 | (186,133) | - |
| Changes in PDs/LGDs/EADs | 49,704,113 | 8,649,884 | 89,390,280 | 147,744,277 |
| Write-off | - | - | (136,000,152) | (136,000,152) |
| Total net financial position charge | 23,218,919 | 9,612,880 | (21,087,674) | 11,744,125 |
| ECL as at December 31, 2023 | 58,119,406 | 14,648,489 | 102,065,724 | 174,833,619 |

### *4.1.6 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL*

The table below and in the succeeding page provides information how the significant changes in the gross carrying amount of loans receivables (including accrued interest receivables) in 2024 and 2023 contributed to the changes in the allowance for ECL.

| *(Amounts in PHP)* | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** |
|---|---|---|---|---|
| **Loans Receivables** | | | | |
| Gross amount as at January 1, 2024 | 9,989,482,243 | 326,618,784 | 443,419,072 | 10,759,520,099 |
| Transfers from: | | | | |
| Stage 1 to 2 | (1,147,644,993) | 1,147,644,993 | - | - |
| Stage 1 to 3 | (153,760,772) | - | 153,760,772 | - |
| Stage 2 to 1 | 36,292,350 | (36,292,350) | - | - |
| Stage 2 to 3 | - | (68,336,962) | 68,336,962 | - |
| Stage 3 to 1 | 2,631,650 | - | (2,631,650) | - |
| Stage 3 to 2 | - | 6,436,652 | (6,436,652) | - |
| Changes in PDs/LGDs/EADs | 2,227,097,009 | (922,917,527) | (281,845,193) | 1,022,334,289 |
| Total net financial position charge | 964,615,244 | 126,534,806 | (68,815,761) | 1,022,334,289 |
| Gross amount as at December 31, 2024 | **10,954,097,487** | **453,153,590** | **374,603,311** | **11,781,854,388** |
| **Sales Contract Receivables** | | | | |
| Gross amount as at January 1, 2024 | 41,686,780 | - | 18,147,461 | 59,834,241 |
| Transfers from: | | | | |
| Stage 1 to 3 | (5,700,634) | - | 5,700,634 | - |
| New financial assets originated | 16,284,726 | - | - | 16,284,726 |
| Derecognition of financial assets | (15,234,441) | - | (1,899,173) | (17,133,614) |
| Total net financial position charge | (4,650,349) | - | 3,801,461 | (848,888) |
| Gross amount as at December 31, 2024 | **37,036,431** | **-** | **21,948,922** | **58,985,353** |
| **Other Receivables** | | | | |
| Gross amount as at January 1, 2024 | 23,570,633 | - | - | 23,570,633 |
| New financial assets originated | 5,758,651 | - | - | 5,758,651 |
| Derecognition of financial assets | (2,280,002) | - | - | (2,280,002) |
| Total net financial position charge | 3,478,649 | - | - | 3,478,649 |
| Gross amount as at December 31, 2024 | **27,049,282** | **-** | **-** | **27,049,282** |

| (Amounts in PHP) | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| **Investment Securities** | | | | |
| **at amortized cost** | | | | |
| Balance at January 1 | 101,325,196 | - | - | 101,325,196 |
| New financial assets purchased | 1,668,484,853 | - | - | 1,668,484,853 |
| Maturities | (1,172,459,419) | - | - | (1,172,459,419) |
| Amortization of discount | 422,136 | - | - | 422,136 |
| Total net financial position charge | 496,447,570 | - | - | 496,447,570 |
| Gross amount as at | | | | |
| December 31, 2024 | **597,772,766** | **-** | **-** | **597,772,766** |
| Loans Receivables | | | | |
| Gross amount as at January 1, 2023 | 7,062,472,357 | 327,704,217 | 1,055,764,521 | 8,445,941,095 |
| Transfers from: | | | | |
| Stage 1 to 2 | (193,130,232) | 193,130,232 | - | - |
| Stage 1 to 3 | (377,585,439) | - | 377,585,439 | - |
| Stage 2 to 1 | 37,615,052 | (37,615,052) | - | - |
| Stage 2 to 3 | - | (22,254,164) | 22,254,164 | - |
| Stage 3 to 1 | 19,052,117 | - | (19,052,117) | - |
| Stage 3 to 2 | - | 3,176,594 | (3,176,594) | - |
| Changes in PDs/LGDs/EADs | 3,441,058,388 | (137,523,043) | (989,956,341) | 2,313,579,004 |
| Total net financial position charge | 2,927,009,886 | (1,085,433) | (612,345,449) | 2,313,579,004 |
| Gross amount as at | | | | |
| December 31, 2023 | 9,989,482,243 | 326,618,784 | 443,419,072 | 10,759,520,099 |
| Sales Contract Receivables | | | | |
| Gross amount as at January 1, 2023 | 44,622,657 | - | 10,300,956 | 54,923,613 |
| Transfers from: | | | | |
| Stage 1 to 3 | (7,745,535) | - | 7,745,535 | - |
| New financial assets originated | 18,349,293 | - | 1,909,442 | 20,258,735 |
| Derecognition of financial assets | (13,539,635) | - | (1,808,472) | (15,348,107) |
| Total net financial position charge | (2,935,877) | | 7,846,505 | 4,910,628 |
| Gross amount as at | | | | |
| December 31, 2023 | 41,686,780 | - | 18,147,461 | 59,834,241 |
| Other Receivables | | | | |
| Gross amount as at January 1, 2023 | 25,676,983 | - | - | 25,676,983 |
| New financial assets originated | 9,078,355 | - | - | 9,078,355 |
| Derecognition of financial assets | (11,184,705) | - | - | (11,184,705) |
| Total net financial position charge | (2,106,350) | - | - | (2,106,350) |
| Gross amount as at | | | | |
| December 31, 2023 | 23,570,633 | - | - | 23,570,633 |
| Investment Securities | | | | |
| at amortized cost | | | | |
| Balance at January 1 | 449,101,742 | - | - | 449,101,742 |
| New financial assets purchased | 1,007,027,580 | - | - | 1,007,027,580 |
| Maturities | (1,354,824,418) | - | - | (1,354,824,418) |
| Amortization of discount | 20,292 | - | - | 20,292 |
| Total net financial position charge | (347,776,546) | - | - | (347,776,546) |
| Gross amount as at | | | | |
| December 31, 2023 | 101,325,196 | - | - | 101,325,196 |

### *4.1.7 Collateral Held as Security and Other Credit Enhancements*

The Bank holds collateral against loans to borrower in the form of mortgage interests over properties, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2024 and 2023.

The Bank's manner of disposing the collateral for impaired loans receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Bank does not generally use the non-cash collateral for its own operations.

There were no changes in the Bank's collateral policies in 2024 and 2023.

### *4.1.8 Modifications of Financial Assets*

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to customer loans (see Note 8).

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification.

The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

### *4.1.9 Write-offs*

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write-off financial assets that are still subject to enforcement activity.
The total financial assets written-off in 2024 and 2023 amounted to P121.3 million and P136.0 million, respectively (see Note 8). The Bank still seeks to recover amounts legally owed in full, but which have been partially written-off due to lack of reasonable expectation of full recovery.

### *4.1.10 Sensitivity Analysis on ECL Movement*

Set out below are the changes in the Bank's ECL as of December 31, 2024 and 2023 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

| | Impact on ECL Allowance | | |
|---|---|---|---|
| *(Amounts in PHP)* | **Change in MEV Assumption +/-1%** | **Increase in Assumption** | **Decrease in Assumption** |
| 2024 | | | |
| Agri-agra | Employment rate | **(113,839)** | **113,839** |
| Microfinance | Consumer price index, Unemployment rate | **375,870** | **(375,870)** |
| SME | Employment rate | **(28,356)** | **28,356** |
| Corporation | Consumer price index, Employment rate | **(68,892)** | **68,892** |
| Individual | Consumer price index, Inflation, Interest rate, Core inflation rate | **511,842** | **(511,842)** |
| 2023 | | | |
| Agri-agra | Consumer price index, Unemployment rate, Import growth rate | 227,565 | (227,565) |
| Microfinance | Consumer price index, Unemployment rate | 76,747 | (76,747) |
| SME | Consumer price index, Unemployment rate, Import growth rate | 367,247 | (367,247) |
| Corporation | Import growth rate | 24,412 | (24,412) |
| Individual | Consumer price index | 504,951 | (504,951) |

### *4.1.11 Liquidity Risk*

The Bank's policy is to maintain adequate liquidity at all times. This policy aims to honor all cash requirements on an ongoing basis and to avoid raising funds above market rates or through the forced sale of assets.

Liquidity risk is the risk that sufficient funds may not be available to adequately meet the credit demands of the Bank's customers and repay deposits on maturity. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquid financial assets at all times to meet obligations when they fall due, under both normal and stressed conditions, without incurring unacceptable losses that would be detrimental to the Bank's operations.

The Bank manages liquidity risk by maintaining a portfolio of highly liquid financial assets of appropriate quality to ensure short-term funding requirements are met regularly and in the event of unforeseen interruption of cash flows. Specifically, the Bank's liquidity risk management is focused on the matching of the maturities of its liquid financial assets and short-term liabilities. In addition, the Bank also seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when this arises.

The settlement groupings of the Bank's financial assets and financial liabilities as of December 31, 2024 and 2023 are presented below.

| *(Amounts in PHP)* | Within One Year | Beyond One Year But Less Than Five Years | Beyond Five Years | Total |
|---|---|---|---|---|
| **2024:** | | | | |
| Resources: | | | | |
| Cash and other cash items | 413,579,823 | - | - | 413,579,823 |
| Due from BSP | 439,224,524 | - | - | 439,224,524 |
| Due from other banks | 1,132,853,101 | - | - | 1,132,853,101 |
| Investment securities at amortized cost | 496,025,435 | 91,956,739 | 9,790,592 | 597,772,766 |
| Loans receivables - gross | 3,219,396,503 | 6,354,619,998 | 2,207,837,887 | 11,781,854,388 |
| Other resources - gross | 29,157,664 | 64,322,016 | - | 93,479,680 |
| | 5,730,237,050 | 6,510,898,753 | 2,217,628,479 | 14,458,764,282 |
| Liabilities: | | | | |
| Deposit liabilities | 7,711,592,168 | 614,832,091 | 403,411,542 | 8,729,835,801 |
| Bills payable | 1,767,118,299 | 1,351,864,812 | - | 3,118,983,111 |
| Lease liabilities | 31,686,866 | 98,703,725 | 82,185,158 | 212,575,749 |
| Accrued expenses and other liabilities | 390,085,168 | - | - | 390,085,168 |
| | 9,900,482,501 | 2,065,400,628 | 485,596,700 | 12,451,479,829 |
| Net Periodic Gap | (4,170,245,451) | 4,445,498,125 | 1,732,031,779 | 2,007,284,453 |
| Cumulative Total Gap | (4,170,245,451) | 275,252,674 | 2,007,284,453 | - |
| 2023: | | | | |
| Resources: | | | | |
| Cash and other cash items | 292,029,198 | - | - | 292,029,198 |
| Due from BSP | 300,099,871 | - | - | 300,099,871 |
| Due from other banks | 1,180,308,287 | - | - | 1,180,308,287 |
| Investment securities at amortized cost | - | 91,555,703 | 9,769,493 | 101,325,196 |
| Loans receivables - gross | 4,408,019,112 | 5,108,115,733 | 1,243,385,254 | 10,759,520,099 |
| Other resources - gross | 26,315,570 | 64,003,602 | - | 90,319,172 |
| | 6,206,772,038 | 5,263,675,038 | 1,253,154,747 | 12,723,601,823 |
| Liabilities: | | | | |
| Deposit liabilities | 3,793,850,469 | 3,698,454,518 | - | 7,492,304,987 |
| Bills payable | 1,799,785,098 | 958,175,781 | - | 2,757,960,879 |
| Lease liabilities | 27,768,932 | 87,978,418 | 92,063,527 | 207,810,877 |
| Accrued expenses and other liabilities | 246,315,250 | - | - | 246,315,250 |
| | 5,867,719,749 | 4,744,608,717 | 92,063,527 | 10,704,391,993 |
| Net Periodic Gap | 339,052,289 | 519,066,321 | 1,161,091,220 | 2,019,209,830 |
| Cumulative Total Gap | 339,052,289 | 858,118,610 | 2,019,209,830 | - |

The Bank continually assesses business opportunities and strategies where it can effectively and sufficiently match its short-term funding requirements with adequate liquid assets through taking customers' deposits with longer maturities and discounting loans to other financial institutions with repayments terms enough to cover credit demands of customers.

### *4.2 Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank's cash flow interest rate risk relates primarily to the possible changes in the prevailing interest rates on amounts due from other banks, loans receivables, and deposit liabilities that are subject to variable interest rates (see Notes 6, 8 and 13). The volatility in the interest rates of these financial instruments will result to an increase or decrease of the Bank's interest spread, and consequently will affect its financial performance. All other financial assets and financial liabilities either have fixed rates or non-interest bearing; hence, were not considered in the cash flow interest rate risk sensitivity.

The table below illustrates the sensitivity of the Bank's profit before tax and equity to a reasonably possible change in interest rates as at December 31, 2024 and 2023. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

| | Observed Volatility Rates | | Impact of Increase | | Impact of Decrease | |
|---|---|---|---|---|---|---|
| *(Amounts in PHP)* | Increase | Decrease | Profit Before Tax | Equity | Profit Before Tax | Equity |
| **December 31, 2024** | | | | | | |
| Cash and cash equivalents | +0.41% | -0.41% | 5,942,477 | 4,753,981 | (5,942,477) | (4,753,981) |
| Loans receivables | +0.50% | -0.50% | 57,692,202 | 46,153,762 | (57,692,202) | (46,153,762) |
| Deposit liabilities | +0.42% | -0.42% | (38,572,024) | (30,857,619) | 38,572,024 | 30,857,619 |
| | | | **25,062,655** | **20,050,124** | **(25,062,655)** | **(20,050,124)** |
| December 31, 2023 | | | | | | |
| Cash and cash equivalents | +0.87% | -0.87% | 10,259,323 | 8,207,458 | (10,259,323) | (8,207,458) |
| Loans receivables | +0.47% | -0.47% | 49,916,077 | 39,932,862 | (49,916,077) | (39,932,862) |
| Deposit liabilities | +0.74% | -0.74% | (50,362,054) | (40,289,643) | 50,362,054 | 40,289,643 |
| | | | 9,813,346 | 7,850,677 | (9,813,346) | (7,850,677) |

To mitigate this risk, the Bank follows a prudent policy in managing assets and liabilities in order to ensure that exposure to interest rate risk are kept within acceptable levels.

### *4.3 Operational Risk*

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, or may lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage this risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the maintenance of internal audit.

### *4.4 Anti-Money Laundering Controls*

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.50 million within one banking day.

The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168.

In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 (the Circular) was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile.

The Compliance Unit of the Bank, headed by the Chief Compliance Officer (CCO), monitors the Bank's compliance on the implementation and management of MLPP. The Branch Operations Head is the compliance officer at the branch level, that oversees the daily activities of the branch. The CCO regularly reports to the Audit Committee and to the BOD the results of their monitoring of AMLA compliance.

In an effort to further prevent money laundering activities, the Bank strengthens its KYC policies and guidelines. New individual customers shall establish their true and full identity, and shall maintain an account only in the true and full name of the account owner. Likewise, the Bank is required to risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Politically Exposed Persons are automatically profiled as high risk and subject to enhanced due diligence. Any suspicious transaction is reported to the Bank's AML Committee, who investigates and deliberates whether the transaction has a valid ground to be reported as Suspicious Transaction Report.

### 4.5 *Maturity Profile of Resources and Liabilities*

The table below presents the resources and liabilities analyzed according to whether these are expected to be recovered or settled in less than 12 months and over 12 months from statement of financial position date:

| *(Amounts in PHP)* | 2024 Within 12 Months | 2024 Beyond 12 Months | 2024 Total | 2023 Within 12 Months | 2023 Beyond 12 Months | 2023 Total |
|---|---|---|---|---|---|---|
| **Resources** | | | | | | |
| Cash and other cash items | **413,579,823** | **-** | **413,579,823** | 292,029,198 | - | 292,029,198 |
| Due from BSP | **439,224,524** | **-** | **439,224,524** | 300,099,871 | - | 300,099,871 |
| Due from other banks | **1,132,853,101** | **-** | **1,132,853,101** | 1,180,308,287 | - | 1,180,308,287 |
| Investment securities at amortized cost - net | **496,025,435** | **101,747,331** | **597,772,766** | - | 101,325,196 | 101,325,196 |
| Loans receivables - net | **3,132,024,021** | **8,482,800,131** | **11,614,824,152** | 4,278,485,182 | 6,300,554,623 | 10,579,039,805 |
| Bank premises, furniture, fixtures, and equipment - net | **-** | **281,599,533** | **281,599,533** | - | 273,055,029 | 273,055,029 |
| Right-of-use assets | **-** | **173,101,432** | **173,101,432** | - | 173,266,543 | 173,266,543 |
| Investment properties | **-** | **405,601,165** | **405,601,165** | - | 385,847,947 | 385,847,947 |
| Deferred tax asset - net | **-** | **74,078,228** | **74,078,228** | - | 82,702,777 | 82,702,777 |
| Other resources - net | **28,746,664** | **104,756,737** | **133,503,401** | 25,907,570 | 104,917,357 | 130,824,927 |
| | **5,642,453,568** | **9,623,684,557** | **15,266,138,125** | 6,076,830,108 | 7,421,669,472 | 13,498,499,580 |
| **Liabilities** | | | | | | |
| Deposit liabilities | **7,711,592,168** | **1,018,243,633** | **8,729,835,801** | 3,793,850,469 | 3,698,454,518 | 7,492,304,987 |
| Bills payable | **1,767,118,299** | **1,351,864,812** | **3,118,983,111** | 1,799,785,098 | 958,175,781 | 2,757,960,879 |
| Lease liabilities | **31,686,866** | **180,888,883** | **212,575,749** | 27,768,932 | 180,041,945 | 207,810,877 |
| Accrued expenses and other liabilities | **476,607,488** | **-** | **476,607,488** | 360,161,161 | - | 360,161,161 |
| Income tax payable | **19,262,970** | **-** | **19,262,970** | 24,696,648 | - | 24,696,648 |
| | **10,006,267,791** | **2,550,997,328** | **12,557,265,119** | 6,006,262,308 | 4,836,672,244 | 10,842,934,552 |

## 5. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 5.1 *Carrying Amounts and Fair Values by Category*

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below and in the succeeding page.

| *(Amounts in PHP)* | 2024 Carrying Amounts | 2024 Fair Values | 2023 Carrying Amounts | 2023 Fair Values |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| At amortized cost: | | | | |
| Cash and other cash items | **413,579,823** | **413,579,823** | 292,029,198 | 292,029,198 |
| Due from BSP | **439,224,524** | **439,224,524** | 300,099,871 | 300,099,871 |
| Due from other banks | **1,132,853,101** | **1,132,853,101** | 1,180,308,287 | 1,180,308,287 |
| Investment securities at amortized cost | **597,772,766** | **618,127,401** | 101,325,196 | 127,262,428 |
| Loans receivables - net | **11,614,824,152** | **11,654,780,743** | 10,579,039,805 | 10,578,969,693 |
| Other resources - net | **93,479,680** | **93,479,680** | 90,319,172 | 90,319,172 |
| | **14,291,734,046** | **14,352,045,272** | 12,543,121,529 | 12,568,988,649 |

| *(Amounts in PHP)* | 2024 Carrying Amounts | 2024 Fair Values | 2023 Carrying Amounts | 2023 Fair Values |
|---|---|---|---|---|
| **Financial Liabilities** | | | | |
| At amortized cost: | | | | |
| Deposit liabilities | **8,729,835,801** | **8,523,685,520** | 7,492,304,987 | 7,290,280,097 |
| Bills payable | **3,118,983,111** | **3,214,578,160** | 2,757,960,879 | 2,779,050,899 |
| Lease liabilities | **212,575,749** | **220,170,005** | 207,810,877 | 211,221,780 |
| Accrued expenses and other liabilities | **390,085,168** | **390,085,168** | 246,315,250 | 246,315,250 |
| | **12,451,479,829** | **12,348,518,853** | 10,704,391,993 | 10,526,868,026 |

A description of the Bank's risk management objectives and policies for financial instruments is provided in Note 4.

### *5.2 Offsetting Financial Assets and Financial Liabilities*

The Bank's loans receivables secured through hold-out on deposits, and bills payable secured through loans are the only financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements. However, the Bank does not present such loans receivables net of the deposit liabilities or bills payable net of the loans receivables used as collateral in the statements of financial position.

The table below shows the gross amounts presented in the financial statements.

| *(Amounts in PHP)* | Gross amounts recognized in the statements of financial position | Related amounts not set off in the statements of financial position: Financial instruments | Related amounts not set off in the statements of financial position: Collateral received | Net amount |
|---|---|---|---|---|
| **2024:** | | | | |
| Financial assets – Loans receivables | **11,649,001,728** | **(3,180,599,377)** | **-** | **8,468,402,351** |
| Financial liabilities: | | | | |
| Deposits | **8,729,835,801** | **(61,616,266)** | **-** | **8,668,219,535** |
| Bills payable | **3,118,983,111** | **(3,118,983,111)** | **-** | **-** |
| 2023: | | | | |
| Financial assets – Loans receivables | 10,636,227,356 | (2,831,150,700) | - | 7,805,076,656 |
| Financial liabilities: | | | | |
| Deposits | 7,492,304,987 | (73,189,821) | - | 7,419,115,166 |
| Bills payable | 2,757,960,879 | (2,757,960,879) | - | - |

For financial assets subject to enforceable master netting arrangements or similar arrangements between the Bank and counterparties, it allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

For purposes of presenting the information in the preceding table, the related amounts not set-off in the statements of financial position pertains to: (a) deposit hold-out which serves as the Bank's collateral enhancement for certain loans receivables; and, (b) certain loans receivables assigned by the Bank as collateral for its bills payable. The financial instruments that can be set-off are only disclosed to the extent of the amounts of the Bank's counterparties.

### 5.3 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- 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 investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies 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.

#### 5.3.1 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

| *(Amounts in PHP)* | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **December 31, 2024** | | | | | |
| **Financial assets** | | | | | |
| At amortized cost: | | | | | |
| Cash and other cash items | 6.1 | 413,579,823 | - | - | 413,579,823 |
| Due from BSP | 6.2 | 439,224,524 | - | - | 439,224,524 |
| Due from other banks | 6.3 | 1,132,853,101 | - | - | 1,132,853,101 |
| Investment securities at amortized cost | 7 | 618,127,401 | - | - | 618,127,401 |
| Loans receivables | 8 | - | - | 11,654,780,743 | 11,654,780,743 |
| Other resources - net | 12 | 411,000 | - | 93,068,680 | 93,479,680 |
| | | **2,604,195,849** | **-** | **11,747,849,423** | **14,352,045,272** |

| *(Amounts in PHP)* | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| At amortized cost: | | | | | |
| Deposit liabilities | 13 | - | - | 8,523,685,520 | 8,523,685,520 |
| Bills payable | 14 | - | - | 3,214,578,160 | 3,214,578,160 |
| Lease liabilities | 9 | - | - | 220,170,005 | 220,170,005 |
| Accrued expenses and other liabilities | 15 | - | - | 390,085,168 | 390,085,168 |
| | | **-** | **-** | **12,348,518,853** | **12,348,518,853** |
| December 31, 2023 | | | | | |
| Financial assets | | | | | |
| At amortized cost: | | | | | |
| Cash and other cash items | 6.1 | 292,029,198 | - | - | 292,029,198 |
| Due from BSP | 6.2 | 300,099,871 | - | - | 300,099,871 |
| Due from other banks | 6.3 | 1,180,308,287 | - | - | 1,180,308,287 |
| Loans receivables | 8 | - | - | 10,578,969,693 | 10,578,969,693 |
| Investment securities at amortized cost | 7 | 127,262,428 | - | - | 127,262,428 |
| Other resources - net | 12 | 408,000 | - | 89,911,172 | 90,319,172 |
| | | 1,900,107,784 | - | 10,668,880,865 | 12,568,988,649 |
| Financial liabilities | | | | | |
| At amortized cost: | | | | | |
| Deposit liabilities | 13 | - | - | 7,290,280,097 | 7,290,280,097 |
| Bills payable | 14 | - | - | 2,779,050,899 | 2,779,050,899 |
| Lease liabilities | 9 | - | - | 211,221,780 | 211,221,780 |
| Accrued expenses and other liabilities | 15 | - | - | 246,315,250 | 246,315,250 |
| | | - | - | 10,526,868,026 | 10,526,868,026 |

The Bank has certain financial assets and financial liabilities measured at amortized cost as of the end of the reporting period whose related fair value are disclosed. For financial assets and financial liabilities whose fair values are included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

### *5.3.2 Fair Value Disclosures for Non-Financial Assets*

The total estimated fair values of the Bank's investment properties amounted to P965.5 million and P709.5 million as of December 31, 2024 and 2023, respectively (see Note 11) and its assets held for sale amounted to P2.1 million and P2.9 million as of December 31, 2024 and 2023, respectively (see Note 12.3). The fair values of these assets classified under Investment Properties and Other Resources accounts, respectively, are determined on the basis of the appraisals performed by the internal appraisers with appropriate qualifications and recent experience in the valuation of similar properties. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The fair values of these assets were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 3 fair value of land was derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

(b) *Fair Value Measurement for Buildings*

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The most significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

(c) *Fair Value Measurement for Motor Vehicles and Jewelries*

The Level 3 fair value of the motor vehicles and jewelries was determined based on the appraisal report of internal appraisers. Fair value was determined based on the replacement cost of an asset with an equally satisfactorily substitute asset which is normally derived from the current acquisition cost of a similar asset, new or used, or of an equivalent productive capacity or service potential.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2024 and 2023.

## 6. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

| *(Amounts in PHP)* | Notes | **2024** | 2023 |
|---|---|---|---|
| Cash and other cash items | 6.1 | **413,579,823** | 292,029,198 |
| Due from BSP | 6.2 | **439,224,524** | 300,099,871 |
| Due from other banks | 6.3 | **1,132,853,101** | 1,180,308,287 |
| | | **1,985,657,448** | 1,772,437,356 |

### *6.1 Cash and Other Cash Items*

These represent the total amount of cash in the Bank's vault in the form of Philippine currency and checks and other cash items received after the cut-off time until the close of the regular banking hours.

### *6.2 Due from BSP*

Due from BSP represents the deposit balance maintained with the BSP to meet reserve requirements. The BSP issued Circular No. 1201, *Reduction in Reserve Requirements*, decreasing the required reserves of demand, savings and time deposits from 2% to 1% in 2024 and 2023, respectively (see Note 13). The composition of the required reserves shall be demand deposits with the BSP. Deposits maintained by banks with the BSP in compliance with the reserve requirement are noninterest bearing.

### *6.3 Due from Other Banks*

Due from other banks maintained under savings, demand, and time accounts are as follows:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Commercial banks: | | |
| Savings | **268,834,182** | 274,094,741 |
| Demand | **144,734,738** | 161,786,100 |
| | **413,568,920** | 435,880,841 |
| Government banks: | | |
| Savings | **135,548,674** | 126,230,617 |
| Demand | **583,735,507** | 618,196,829 |
| | **719,284,181** | 744,427,446 |
| | **1,132,853,101** | 1,180,308,287 |

Interest rates on these deposits range from 0.05% to 0.63% per annum for both 2024 and 2023. Interest income earned from due from other banks amounting to P0.68 million and P0.57 million in 2024 and 2023, respectively and is shown as Interest Income on Due from Other Banks in the statements of comprehensive income.

## 7. INVESTMENT SECURITIES AT AMORTIZED COST

The account consists of peso-denominated treasury bonds and treasury bills, which bear fixed interest rates ranging from 3.63% to 5.90% per annum for both 2024 and 2023 and will mature within one to ten years.

Interest income earned from investment securities at amortized cost in 2024 and 2023 amounting to P16.2 million and P20.1 million, respectively, is shown as Interest Income on Investment Securities at Amortized Cost in the statements of comprehensive income.

The movements in this account are presented below:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **101,325,196** | 449,101,742 |
| Periodic maturities collected | **(1,172,459,419)** | (1,354,824,418) |
| Additions | **1,668,484,853** | 1,007,027,580 |
| Discount amortization | **422,136** | 20,292 |
| Balance at end of year | **597,772,766** | 101,325,196 |

The maturity profile of the investment securities at amortized cost are as follows:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Within one year | **496,025,435** | - |
| Beyond one year but less than five years | **91,956,739** | 91,555,703 |
| Beyond five years | **9,790,592** | 9,769,493 |
| | **597,772,766** | 101,325,196 |

Management assessed that no impairment loss on the Bank's investment securities at amortized cost is required to be recognized in 2024 and 2023.

Fair values of investment securities at amortized cost are disclosed in Note 5.3.1.

## 8. LOANS RECEIVABLES

This account is comprised of:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Loans receivables | **11,649,001,728** | 10,636,227,356 |
| Unearned interests and discounts | **(4,973,089)** | (5,646,675) |
| | **11,644,028,639** | 10,630,580,681 |
| Accrued interest receivable | **132,852,660** | 123,292,743 |
| Allowance for impairment | **(162,057,147)** | (174,833,619) |
| | **11,614,824,152** | 10,579,039,805 |

The balance of loans receivables include non-accruing loans amounting to P374.6 million and P443.4 million as of December 31, 2024 and 2023, respectively (see Note 4.1.3).

Interest rates on receivables from customers range from 5.10% to 42.00%, and from 5.00% to 42.00% per annum in 2024 and 2023, respectively. Interest income earned from loans receivables amounting to P1.7 billion and P1.2 billion in 2024 and 2023, respectively, is shown as Interest Income on Loans Receivables in the statements of comprehensive income.

Loans receivables amounting to P3.2 billion and P2.8 billion as of December 31, 2024 and 2023, respectively, were assigned to bills payable for rediscounting availments. Meanwhile, the Bank also has deposit hold-out amounting to P61.6 million and P73.2 million as of December 31, 2024 and 2023, respectively. The related liabilities are not set-off in the financial statements but are subject to offsetting arrangements (see Notes 5.2, 13 and 14).

The maturity profile of the total gross loans receivables follows:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Within one year | **3,219,396,503** | 4,408,019,112 |
| Beyond one year but less than five years | **6,354,619,998** | 5,108,115,733 |
| Beyond five years | **2,207,837,887** | 1,243,385,254 |
| | **11,781,854,388** | 10,759,520,099 |

All of the Bank's loans receivables have been subjected to credit risk assessment as disclosed in Note 4.1. A reconciliation of allowance for impairment at the beginning and end of the reporting period is shown below.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **174,833,619** | 163,089,494 |
| Impairment losses | **108,567,610** | 147,744,277 |
| Write-offs | **(121,344,082)** | (136,000,152) |
| Balance at end of year | **162,057,147** | 174,833,619 |

## 9. LEASES

The Bank has leases for certain office spaces. With the exception of short-term leases, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Bank to sublet the asset to another party, the right-of-use asset can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Bank is prohibited from selling or pledging the underlying leased assets as security and they must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must ensure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

In 2024, the Bank's leasing activities, totalling 63 on-going lease contracts, have remaining terms ranging from 1 to 20 years as of year-end. In 2023, the Bank's leasing activities, totalling 66 on-going lease contracts, have remaining terms ranging from 1 to 18 years as of year-end.

### *9.1 Right-of-use Assets*

The carrying amount of the Bank's right-of-use assets as at December 31, 2024 and 2023 and the movements during each year are shown below.

| *(Amounts in PHP)* | Note | **2024** | 2023 |
|---|---|---|---|
| Balance at beginning of year | | **173,266,543** | 183,003,362 |
| Additions | | **34,821,883** | 27,948,779 |
| Amortization | 17.2 | **(34,986,994)** | (37,685,598) |
| Balance at end of year | | **173,101,432** | 173,266,543 |

### *9.2 Lease Liabilities*

The carrying amount of the Bank's lease liabilities as at December 31, 2024 and 2023 and the movements during each year are shown below.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **207,810,877** | 208,661,382 |
| Additions | **35,507,191** | 30,067,525 |
| Interest expense | **14,383,434** | 15,497,181 |
| Payments | **(45,125,753)** | (46,415,211) |
| Balance at end of year | **212,575,749** | 207,810,877 |

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. As at December 31, 2024 and 2023, the terms of the lease contracts of the Bank are renewable upon mutual agreement of the parties. As of December 31, 2024 and 2023, the Bank had not committed to any lease which had not yet commenced.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as at December 31, 2024 and 2023 is as follows:

| *(Amounts in PHP)* | **Within 1 Year** | **1 to 2 Years** | **2 to 3 Years** | **3 to 4 Years** | **4 to 5 Years** | **5 to 10 Years** | **10 or More Years** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2024** | | | | | | | | |
| Lease payments | 44,702,912 | 39,871,251 | 34,889,404 | 32,007,055 | 25,325,422 | 68,030,694 | 43,554,836 | 288,381,574 |
| Finance charges | (13,016,046) | (10,992,272) | (9,099,807) | (7,402,238) | (5,895,090) | (17,174,277) | (12,226,095) | (75,805,825) |
| Net present value | **31,686,866** | **28,878,979** | **25,789,597** | **24,604,817** | **19,430,332** | **50,856,417** | **31,328,741** | **212,575,749** |
| December 31, 2023 | | | | | | | | |
| Lease payments | 40,672,191 | 38,452,901 | 33,408,937 | 27,541,528 | 23,556,512 | 76,730,356 | 49,426,090 | 289,788,515 |
| Finance charges | (12,903,259) | (11,186,657) | (9,417,627) | (7,826,973) | (6,550,203) | (19,787,421) | (14,305,498) | (81,977,638) |
| Net present value | 27,768,932 | 27,266,244 | 23,991,310 | 19,714,555 | 17,006,309 | 56,942,935 | 35,120,592 | 207,810,877 |

### *9.3 Lease Payments Not Recognized as Liabilities*

The Bank has elected not to recognize a lease liability for the short-term leases. Expenses relating to short-term leases amounting to P5.6 million and P6.1 million in 2024 and 2023, respectively, are presented as Rent under Operating Expenses in the statements of comprehensive income (see Note 17.2).

### *9.4 Additional Profit or Loss and Cash Flow Information*

The total cash outflow in respect of leases amounted to P45.1 million and P46.4 million in 2024 and 2023, respectively. Interest expense in relation to lease liabilities amounting to P14.4 million and P15.5 million are presented as part of Interest Expense on Others in the statements of comprehensive income.

## 10. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of the reporting periods are shown below.

| *(Amounts in PHP)* | Land | Building | Transportation Equipment | Furniture, Fixtures and Equipment | Leasehold Improvement | Total |
|---|---|---|---|---|---|---|
| **December 31, 2024** | | | | | | |
| Cost | 39,485,066 | 159,751,808 | 127,629,076 | 206,084,554 | 154,776,141 | 687,726,645 |
| Accumulated depreciation and amortization | - | (82,748,151) | (81,369,430) | (144,191,373) | (97,818,158) | (406,127,112) |
| Net carrying amount | **39,485,066** | **77,003,657** | **46,259,646** | **61,893,181** | **56,957,983** | **281,599,533** |
| December 31, 2023 | | | | | | |
| Cost | 33,485,066 | 149,994,422 | 122,860,472 | 183,301,179 | 159,012,876 | 648,654,015 |
| Accumulated depreciation and amortization | - | (76,384,125) | (73,529,761) | (134,567,729) | (91,117,371) | (375,598,986) |
| Net carrying amount | 33,485,066 | 73,610,297 | 49,330,711 | 48,733,450 | 67,895,505 | 273,055,029 |
| January 1, 2023 | | | | | | |
| Cost | 32,695,066 | 138,977,856 | 111,854,187 | 159,590,011 | 147,260,219 | 590,377,339 |
| Accumulated depreciation and amortization | - | (75,675,798) | (72,381,472) | (119,883,486) | (76,623,432) | (344,564,188) |
| Net carrying amount | 32,695,066 | 63,302,058 | 39,472,715 | 39,706,525 | 70,636,787 | 245,813,151 |

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of the reporting periods is shown below and in the succeeding page.

| *(Amounts in PHP)* | Land | Building | Transportation Equipment | Furniture, Fixtures and Equipment | Leasehold Improvement | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2024, net of accumulated depreciation and amortization | 33,485,066 | 73,610,297 | 49,330,711 | 48,733,450 | 67,895,505 | 273,055,029 |
| Additions | 6,000,000 | 16,209,852 | 18,947,720 | 36,709,833 | 28,199 | 77,895,604 |
| Disposals | - | - | (250,944) | (454,254) | - | (705,198) |
| Adjustments | - | (6,452,466) | 18,501 | (43,065) | 6,234,375 | (242,655) |
| Depreciation and amortization charges for the year | - | (6,364,026) | (21,786,342) | (23,052,783) | (17,200,096) | (68,403,247) |
| Balance at December 31, 2024, net of accumulated depreciation and amortization | **39,485,066** | **77,003,657** | **46,259,646** | **61,893,181** | **56,957,983** | **281,599,533** |

| *(Amounts in PHP)* | **Land** | **Building** | **Transportation Equipment** | **Furniture, Fixtures and Equipment** | **Leasehold Improvement** | **Total** |
|---|---|---|---|---|---|---|
| Balance at January 1, 2023, net of accumulated depreciation and amortization | 32,695,066 | 63,302,058 | 39,472,715 | 39,706,525 | 70,636,787 | 245,813,151 |
| Additions | 790,000 | 26,777,715 | 30,527,335 | 31,127,367 | 1,266,190 | 90,488,607 |
| Disposals | - | (2) | (2,154,515) | (264,539) | (82,001) | (2,501,057) |
| Adjustments | - | (11,036,960) | 88,178 | (127,893) | 10,963,069 | (113,606) |
| Depreciation and amortization charges for the year | - | (5,432,514) | (18,603,002) | (21,708,010) | (14,888,540) | (60,632,066) |
| Balance at December 31, 2023, net of accumulated depreciation and amortization | 33,485,066 | 73,610,297 | 49,330,711 | 48,733,450 | 67,895,505 | 273,055,029 |

The Bank disposed certain assets with carrying amount of P0.7 million for 2024 and P2.5 million for 2023. The Bank recognized a gain of P4.0 million and P3.8 million in 2024 and 2023, respectively, on the disposal of certain assets, which is presented as part of Other Income in the statements of comprehensive income (See Note 17.1). On the other hand, certain fully-depreciated assets with total costs of P216.8 million and P214.1 million as of December 31, 2024 and 2023, are still being used in operations.

Depreciation and amortization charges are presented as part of Depreciation under Other Expenses in the statements of comprehensive income (see Note 17.2).

The BSP requires that investments in fixed assets do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2024 and 2023, the Bank has satisfactorily complied with this BSP requirement.

## 11. INVESTMENT PROPERTIES

The Bank's investment properties include parcels of land and buildings acquired principally through foreclosures.

The gross carrying amounts and cumulative fair value adjustments of investment properties presented in the statements of financial position as at December 31, 2024 and 2023 are shown below and in the succeeding page.

| *(Amounts in PHP)* | **Land** | **Buildings And Other Properties** | **Total** |
|---|---|---|---|
| **December 31, 2024** | | | |
| Cost | 407,015,986 | 70,369,989 | 477,385,975 |
| Accumulated impairment | (49,077,576) | (5,050,921) | (54,128,497) |
| Accumulated depreciation | - | (17,656,313) | (17,656,313) |
| | **357,938,410** | **47,662,755** | **405,601,165** |
| December 31, 2023 | | | |
| Cost | 377,975,036 | 43,698,141 | 421,673,177 |
| Accumulated impairment | (18,767,992) | (4,388,234) | (23,156,226) |
| Accumulated depreciation | - | (12,669,004) | (12,669,004) |
| | 359,207,044 | 26,640,903 | 385,847,947 |

| (Amounts in PHP) | Land | Buildings And Other Properties | Total |
|---|---|---|---|
| January 1, 2023 | | | |
| Cost | 233,017,600 | 42,299,174 | 275,316,774 |
| Accumulated impairment | (7,165,679) | (3,832,143) | (10,997,822) |
| Accumulated depreciation | - | (9,782,986) | (9,782,986) |
| | 225,851,921 | 28,684,045 | 254,535,966 |

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2024 and 2023 is shown below.

| (Amounts in PHP) | **Land** | **Buildings And Other Properties** | **Total** |
|---|---|---|---|
| Balance at January 1, 2024 | 359,207,044 | 26,640,903 | 385,847,947 |
| Additions | 106,411,243 | 23,694,752 | 130,105,995 |
| Disposals | (34,221,432) | (12,571,247) | (46,792,679) |
| Adjustments | (21,352,349) | 21,346,280 | (6,069) |
| Depreciation | - | (8,907,807) | (8,907,807) |
| Impairment losses | (52,106,096) | (2,540,126) | (54,646,222) |
| Balance at December 31, 2024 | **357,938,410** | **47,662,755** | **405,601,165** |
| Balance at January 1, 2023 | 225,851,921 | 28,684,045 | 254,535,966 |
| Additions | 197,387,629 | 17,521,862 | 214,909,491 |
| Disposals | (52,292,994) | (10,089,803) | (62,382,797) |
| Adjustments | 369,931 | (648,390) | (278,459) |
| Depreciation | - | (6,787,403) | (6,787,403) |
| Impairment losses | (12,109,443) | (2,039,408) | (14,148,851) |
| Balance at December 31, 2023 | 359,207,044 | 26,640,903 | 385,847,947 |

The Bank sold certain investment properties with total gross carrying amount of P46.8 million for P81.7 million and P62.4 million for P92.6 million in 2024 and 2023, respectively. As a result, the Bank recognized a gain on sale amounting to P34.9 million and P30.2 million in 2024 and 2023, respectively, which is presented as part of Gain on sale of non-financial assets under Other Income account in the statements of comprehensive income (see Note 17.1).

Fair market value of investment properties amounted to P965.5 million and P709.5 million as at December 31, 2024 and 2023, respectively (see Note 5.3.2).

In 2024, the Bank had written off certain investment properties with nil carrying values, and with gross carrying amount of P17.1 million. There was no similar transaction in 2023.

## 12. OTHER RESOURCES

This account consists of:

| *(Amounts in PHP)* | Notes | 2024 | 2023 [As Restated – see Note 2.1(d)] |
|---|---|---|---|
| Sales contract receivable - gross | 12.2 | **58,985,353** | 59,834,241 |
| Accounts receivable - gross | 12.1 | **27,049,282** | 23,570,633 |
| | | **86,034,635** | 83,404,874 |
| Allowance for impairment | | **(29,234,023)** | (23,644,745) |
| | | **56,800,612** | 59,760,129 |
| Intangible assets - net | 12.4 | **26,931,442** | 11,923,522 |
| Supplies | | **19,719,845** | 15,929,384 |
| Goodwill | 12.5 | **12,376,524** | 12,376,524 |
| Security deposits | | **7,034,045** | 6,506,298 |
| Prepaid expenses | | **3,766,589** | 6,933,097 |
| Assets held for sale | 12.3 | **2,105,253** | 2,873,177 |
| Petty cash fund | | **411,000** | 408,000 |
| Others | 12.6 | **4,358,091** | 14,114,796 |
| | | **133,503,401** | 130,824,927 |

All of the Bank's other resources have been reviewed for indications of impairment. Certain financial assets were found to be impaired and provisions have been recorded accordingly.

Supplies are stated at cost and no inventory write-down was recognized for both December 31, 2024 and 2023.

A reconciliation of allowance for impairment at the beginning and end of the reporting period is shown below.

| *(Amounts in PHP)* | 2024 | 2023 |
|---|---|---|
| Balance at beginning of year | **23,644,745** | 20,199,538 |
| Impairment loss during the year | **6,585,034** | 3,445,427 |
| Write-off | **(995,756)** | (220) |
| Balance at end of year | **29,234,023** | 23,644,745 |

Impairment losses recognized in 2024 and 2023 are presented as part of Impairment Losses in the statements of comprehensive income.

### *12.1 Accounts Receivable*

The Accounts receivable is mainly composed of receivables from remittance companies arising from money remittance operations of the Bank. Allowance for impairment losses as at December 31, 2024 and 2023 amounted to P22.3 million and P19.0 million, respectively.

### *12.2 Sales Contract Receivable*

Sales contract receivable represent the balance of the selling price of assets owned or acquired under an agreement, which were subsequently sold to buyers, wherein the title to the said assets shall only be transferred to the buyer upon full payment. Allowance for impairment losses as at December 31, 2024 and 2023 amounted to P6.9 million and P4.6 million, respectively.

### *12.3 Assets Held for Sale*

The Bank's assets held for sale is composed of the following:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Jewelry | **1,488,509** | 2,164,158 |
| Motor vehicle | **616,744** | 709,019 |
| Balance at end of year | **2,105,253** | 2,873,177 |

The changes in the carrying amount of the assets held for sale are summarized as follows:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **2,873,177** | 4,499,453 |
| Additions | **8,291,876** | 4,258,298 |
| Sale and redemption | **(8,369,990)** | (5,884,574) |
| Write-off | **(689,810)** | - |
| | **2,105,253** | 2,873,177 |

The fair values of the Bank's assets held for sale were based on the latest appraised values, as determined by internal professional appraisers (see Note 5.3.2).

### *12.4 Intangible Assets*

The Bank's intangible assets consist of the following:

*(a)* *Software*

Software mainly consists of payments to Byte for the new firewall used by the Bank. The movements in the carrying value of this account are shown below.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **8,518,349** | 12,906,677 |
| Additions | **11,466,804** | 3,145,000 |
| Amortization during the year | **(7,622,191)** | (7,533,328) |
| | **12,362,962** | 8,518,349 |

The amortization on software is presented as part of Depreciation and amortization under Other Expenses account in the statements of comprehensive income (see Note 17.2).

*(b) License*

In March 2020, the Bank acquired computer software licenses, presented as Intangible Assets in the statement of financial position, are capitalized on the basis of the costs incurred to acquire and install the specific software. The fee paid by the Bank amounted to P14.6 million and was amortized over five years beginning March 2020.

In 2024, the Bank acquired certain licenses amounting to P16.8 million and will be amortized over three years. There was no similar transaction in 2023.

The movements in the carrying value of this account are shown below.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **3,405,173** | 6,323,893 |
| Additions | **16,837,053** | - |
| Amortization during the year | **(5,673,746)** | (2,918,720) |
| Balance at end of year | **14,568,480** | 3,405,173 |

The Bank's amortization is presented as part of Depreciation and amortization under Other Expenses account in the statements of comprehensive income (see Note 17.2).

### *12.5 Goodwill*

The Bank recognized goodwill due to the business synergy achieved through the merger (see Note 1.1). Aside from the increase in branch networks, the Bank also has the right to the existing clientele of the absorbed banks.

Based on management's evaluation, there is no impairment required in 2024 and 2023.

### *12.6 Other Assets*

This account includes advance payment for telephone and transformer installation, advances to employees and revolving fund.

## 13. DEPOSIT LIABILITIES

The breakdown of deposit liabilities are shown below.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Demand | **1,002,769,600** | 829,838,769 |
| Savings | **3,032,310,264** | 2,947,621,888 |
| Time | **4,694,755,937** | 3,714,844,330 |
| | **8,729,835,801** | 7,492,304,987 |

Deposit liabilities are in the form of savings, demand and time deposits with annual interest rates ranging from 0.10% to 8.00% and 0.10% to 6.00% per annum in 2024 and 2023, respectively. Interest expense on deposit liabilities in 2024 and 2023 amounting to P254.6 million and P181.1 million, respectively, is shown as Interest Expense on Deposit Liabilities in the statements of comprehensive income.

The Bank has reserves from its balance in Due from BSP account amounting to P439.22 million and P300.10 million as of December 31, 2024 and 2023, respectively (see Note 6.2). The Bank is in compliance with these BSP regulations as of the end of reporting periods.

The Bank has deposit hold-out amounting to P61.6 million and P73.2 million as of December 31, 2024 and 2023, respectively which serves as the Bank's collateral enhancement for certain loans receivables (see Notes 5.2 and 8).

## 14. BILLS PAYABLE

This account consists of borrowings from:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Land Bank of the Philippines | **2,901,891,336** | 2,312,531,379 |
| Development Bank of the Philippines | **36,916,275** | 246,610,000 |
| Small Business Corporation | **180,175,500** | 198,819,500 |
| | **3,118,983,111** | 2,757,960,879 |

Bills payable are subject to annual fixed interest rates ranging from 2.00% to 8.46% and from 2.00% to 7.90% in 2024 and 2023, respectively, and have maturities ranging from one to four years. Interest expense on bills payable in 2024 and 2023 amounting to P321.0 million and P119.2 million, respectively, is shown as Interest Expense on Bills Payable in the statements of comprehensive income.

Bills payable are collateralized by the assignment of certain loans amounting to P3.1 billion and P2.8 billion as of December 31, 2024 and 2023, respectively (see Notes 5.2 and 8).

The movements in this account are presented below:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **2,757,960,879** | 1,147,745,385 |
| Additions | **2,674,823,876** | 2,314,973,345 |
| Settlements | **(2,313,801,644)** | (704,757,851) |
| Balance at end of year | **3,118,983,111** | 2,757,960,879 |

## 15. ACCRUED EXPENSES AND OTHER LIABILITIES

The composition of this account follows:

| *(Amounts in PHP)* | Note | **2024** | 2023 |
|---|---|---|---|
| Accrued interest | | **283,073,151** | 146,736,386 |
| Accounts payable | | **81,129,519** | 54,172,105 |
| Accrued expenses | | **80,628,273** | 96,941,527 |
| Post-employment benefit obligation | 18.2 | **31,776,545** | 62,311,143 |
| | | **476,607,488** | 360,161,161 |

Accounts payable consists mainly of deposits from borrowers for the payment of registration of mortgage documents and redemption of property or assets acquired, and of loan payments made by borrowers prior to due date. Accrued expenses consist of leave credits of employees, salary differentials, utilities expense and rent.

## 16. CAPITAL FUNDS AND CAPITAL MANAGEMENT

### *16.1 Capital Stock*

As of December 31, 2024, and 2023, the Bank has 160,000,000 authorized common shares, 2,000,000 preferred shares A and 38,000,000 preferred shares B. All of these types of shares are with par value of P10 per share. There were 152,522,600 common shares issued and outstanding amounting to P1.5 billion as of December 31, 2024 and 2023. There are no outstanding preferred shares as of December 31, 2024 and 2023.

As of December 31, 2024 and 2023, the Bank has 88 stockholders owning 100 or more common shares each of the Bank's capital stock.

### *16.2 Cash Dividends Declared*

On February 22, 2024 and February 23, 2023, the Bank's BOD approved the declaration of cash dividends amounting to P200.0 million on both years, in favor of all stockholders on record as of February 28, 2024 and February 28, 2023, respectively.

### *16.3 Capital Management and Regulatory Capital*

*(a) Regulatory Capital*

The Bank's lead regulator, BSP, sets and monitors capital requirements of the Bank.

In implementing current capital requirements, BSP requires the Bank to maintain a prescribed ratio of 10% of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk. The Bank, being a stand-alone thrift bank, is required under BSP regulations to comply with Basel 1.5.

Under the relevant provisions of the current BSP regulations, the regulatory capital is analyzed into two tiers.

Tier 1 Capital and Tier 2 Capital are defined as follows:

(i) Tier 1 Capital includes the following:
   a. paid-up common stock;
   b. surplus and surplus reserves; and,
   c. undivided profits (for domestic banks only),

   Subject to deductions for:
   a. treasury shares (if any);
   b. unrealized losses on underwritten listed equity securities purchased;
   c. unbooked valuation reserves, and other capital adjustments based on the latest BSP report of examination;
   d. outstanding unsecured credit accommodations, both direct and indirect, to Directors, Officers, Stockholders and Related Interests (DOSRI);
   e. goodwill; and,
   f. deferred tax asset.

(ii) Tier 2 Capital includes:
   a. dividends distributable (if any);
   b. appraisal increment reserve - bank premises if any, as authorized by the Monetary Board of the BSP;
   c. deposit for stock subscription on common stock; and,
   d. general loan loss provision, limited to a maximum of 1.0% of credit risk-weighted assets.

The Bank's regulatory capital position as of December 31, 2024 and 2023 (as reported to the BSP) are presented below and in the succeeding page.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Tier 1 Capital | **2,579,921,282** | 2,575,393,218 |
| Tier 2 Capital | **50,449,025** | 50,030,059 |
| Total regulatory qualifying capital | **2,630,370,307** | 2,625,423,277 |
| Common Equity Tier 1 Capital | **2,579,921,282** | 2,575,393,218 |
| Risk weighted assets: | | |
| Credit Risk Weighted Assets | **12,963,136,929** | 12,179,210,982 |
| Operational Risk Weighted Assets | **1,782,952,923** | 1,852,721,547 |
| Total Risk – Weighted Assets | **14,746,089,852** | 14,031,932,529 |

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Capital ratios: | | |
| Total regulatory capital expressed as percentage of total risk-weighted assets | **17.84%** | 18.71% |
| Common Equity Tier 1 capital expressed as percentage of total risk-weighted assets | **17.50%** | 18.35% |
| Capital Conservation Buffer expressed as Common Equity Tier 1 capital minus 6 | **11.50%** | 12.35% |
| Total Tier 1 expressed as percentage of total risk-weighted assets | **17.50%** | 18.35% |

As at December 31, 2024 and 2023, the Bank's capital adequacy ratios are 17.84% and 18.71%, respectively, which are higher than the BSP minimum requirement of 10.00% on the ratio of capital accounts against the risk weighted assets.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

*(b)* *Capital Allocation*

The allocation of capital between specific operations and activities is, to a large extent driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degrees of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocation of capital to specific operations and activities is undertaken independently of those responsible for the operation, and is subject to review by the Bank's RMC.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account profitability is also taken, and synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the BOD.

*(c)* *Minimum Capital Requirement*

In 2014, the BSP issued Circular No. 854 increasing the minimum capitalization of banks. For thrift banks with head office outside national capital region with 11 to 50 branches, the minimum capitalization is P400.0 million, while for thrift banks with more than 50 branches, the minimum capitalization is P800.0 million.

The Bank has complied with the above minimum capital requirement as of December 31, 2024 and 2023.

*(d) Minimum Liquidity Ratio*

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The minimum liquidity ratio (MLR) of 20% shall be complied with on an ongoing basis absent a period of financial stress effective January 1, 2019.

The Bank's MLR as of December 31, 2024 and 2023 are analyzed below.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Eligible stock of liquid assets | **2,583,430,223** | 1,873,770,827 |
| Total qualifying liabilities | **8,704,316,805** | 7,310,169,327 |
| MLR | **29.68%** | 25.63% |

## 17. OTHER INCOME AND OPERATING EXPENSES

### *17.1 Other Income*

Presented below are the details of this account:

| *(Amounts in PHP)* | Notes | **2024** | 2023 |
|---|---|---|---|
| Service fees and charges | | **274,904,429** | 281,322,440 |
| Recovery on charged-off assets | | **41,370,441** | 36,600,765 |
| Gain on sale of non-financial assets | 10, 11 | **38,941,500** | 33,963,177 |
| Miscellaneous | | **34,188,146** | 48,289,864 |
| | | **389,404,516** | 400,176,246 |

Miscellaneous income includes penalties charged to borrowers for late payments and minimal income by the Bank in the normal course of business.

### *17.2 Other Expenses*

Presented in the below are the details of these accounts.

| *(Amounts in PHP)* | Notes | **2024** | 2023 |
|---|---|---|---|
| Salaries and employee benefits | 18.1, 20.2 | **327,134,450** | 284,743,334 |
| Taxes and licenses | | **200,755,897** | 134,963,481 |
| Depreciation and amortization | 9, 10, 11, 12 | **125,593,985** | 115,557,114 |
| Security, clerical, messengerial and janitorial services | | **70,195,499** | 62,173,856 |
| Insurance expense | | **44,107,764** | 44,107,325 |
| Postage, telephone, cables and telegrams | | **30,226,911** | 25,472,445 |
| Litigation expenses | | **29,078,463** | 27,845,190 |
| Power, light and water | | **23,317,167** | 25,729,328 |
| Fuel and lubricants | | **22,850,561** | 22,231,418 |
| Management and professional fees | 20.1*(b)* | **22,265,429** | 13,873,870 |
| Repairs and maintenance | | **19,118,483** | 16,439,599 |
| Transportation and travel | | **14,224,244** | 12,929,128 |
| Supplies | | **12,993,058** | 8,927,950 |
| Information technology services | | **10,963,797** | 9,222,307 |
| Rent | 9.3 | **5,644,601** | 6,124,832 |
| Advertising and publicity | | **4,984,610** | 2,639,048 |
| Banking fees | | **3,840,000** | 3,580,000 |
| Director's fees | | **3,375,817** | 4,588,889 |
| Incentive fees | | **1,585,088** | 3,160,420 |
| Miscellaneous | | **46,224,587** | 52,869,584 |
| | | **1,018,480,411** | 877,179,118 |

## 18. EMPLOYEE BENEFITS

### *18.1 Salaries and Employee Benefits Expense*

Expenses recognized for employee benefits are analyzed below.

| *(Amounts in PHP)* | Notes | **2024** | 2023 |
|---|---|---|---|
| Short-term employee benefits | | **316,170,191** | 275,704,377 |
| Post-employment benefits | 18.2 | **10,964,259** | 9,038,957 |
| | 17.2 | **327,134,450** | 284,743,334 |

### 18.2 Post-employment Benefits

*(a) Characteristics of the Defined Benefit Plan*

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

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Bank's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

*(b) Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amount of post-employment benefit obligation recognized in the financial statements is determined as follows (see Note 15):

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Present value of obligation | **106,388,106** | 108,543,388 |
| Fair value of plan assets | **(74,611,561)** | (46,232,245) |
| | **31,776,545** | 62,311,143 |

The movements in present value of the retirement benefit obligation recognized in the books are as follows:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **108,543,388** | 89,710,350 |
| Current service cost | **10,964,259** | 9,038,957 |
| Interest expense | **6,642,855** | 6,638,566 |
| Actuarial losses (gains) arising from: | | |
| Demographic adjustment | **(17,698,861)** | - |
| Experience adjustment | **2,803,447** | 830,308 |
| Changes in financial assumptions | **297,733** | 7,186,667 |
| Benefits paid directly from book reserves | **(5,164,715)** | (4,861,460) |
| Balance at end of year | **106,388,106** | 108,543,388 |

The movements in the fair value of plan assets are presented below.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Balance at beginning of year | **46,232,245** | 43,103,912 |
| Contributions paid to the plan | **25,000,000** | - |
| Interest income | **3,594,413** | 3,189,689 |
| Loss on plan assets (excluding amounts included in net interest) | **(215,097)** | (61,356) |
| Balance at end of year | **74,611,561** | 46,232,245 |

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Government and corporate bonds | **35,537,025** | 31,136,102 |
| Unit investment trust fund | **25,006,700** | - |
| Cash and cash equivalents | **14,165,834** | 15,186,826 |
| Other payables | **(95,910)** | (88,595) |
| Withholding tax payable | **(2,088)** | (2,088) |
| | **74,611,561** | 46,232,245 |

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

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for investment properties which are at Level 2, loans and other receivables and other properties, which are at Level 3.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit obligation are presented below and in the succeeding page.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| *Recognized in profit or loss:* | | |
| Current service cost | **10,964,259** | 9,038,957 |
| Net interest expense | **3,048,442** | 3,448,877 |
| | **14,012,701** | 12,487,834 |

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| *Recognized in other comprehensive loss (income):* | | |
| Actuarial gains (losses) arising from changes in: | | |
| Demographic assumptions | **17,698,861** | - |
| Experience adjustments | **(2,803,447)** | (830,308) |
| Financial assumptions | **(297,733)** | (7,186,667) |
| Loss on plan assets (excluding amounts included in net interest expense) | **(215,097)** | (61,356) |
| | **14,382,584** | (8,078,331) |

Current service cost is presented as part of Salaries and employee benefits under the Other Expenses account (see Note 17.2) while net interest expense and net interest income is included as part of the Interest Expense on Others in the statements of comprehensive income.

Amounts recognized in other comprehensive income were included within the item that will not be reclassified subsequently to profit or loss.

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

| | **2024** | 2023 |
|---|---|---|
| Discount rates | **6.09%** | 6.12% |
| Expected rate of salary increases | **5.00%** | 5.00% |

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms of maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has cash and cash equivalents, and government and corporate debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt securities is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

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

(d) *Other Information*

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

(i) *Sensitivity Analysis*

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the actuarial valuation report date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement, based on changes in the relevant assumption that were reasonably possible at the valuation date, while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the defined benefit obligation.

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

| *(Amounts in PHP)* | Impact on Post-Employment Benefit Obligation<br>Change in Assumption | <br>Increase in Assumption | <br>Decrease in Assumption |
|---|---|---|---|
| **2024** | | | |
| Discount rate | **+10.0% / - 8.70%** | **10,711,291** | **(9,270,717)** |
| Salary growth rate | **+10.1% / - 8.90%** | **(10,721,077)** | **9,444,005** |
| 2023 | | | |
| Discount rate | +5.90% / - 5.20% | 6,362,036 | (5,698,211) |
| Salary growth rate | +5.90% / - 5.40% | (6,369,643) | 5,808,080 |

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at end of the reporting period) has been applied as when calculating the pension liability recognized within the statements of financial position.

*(ii) Funding Arrangements and Expected Contributions*

The schedule of expected future benefit payments as of December 31 for the next ten years is as follows:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Within one year | **8,108,560** | 47,242,727 |
| Beyond one year but less than five years | **37,235,709** | 30,978,255 |
| Beyond five years | **80,434,629** | 55,173,782 |
| | **125,778,898** | 133,394,764 |

The weighted average duration of the defined benefit obligation at the end of the reporting period is 9.4 years. In 2024, the Bank expects to contribute P20.0 million to the fund in the next financial year.

## 19. TAXES

The components of tax expense as reported in the statements of comprehensive income for the years ended December 31 are as follows:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| *Recognized in profit or loss* | | |
| Current tax expense: | | |
| Regular corporate income tax (RCIT) at 25% | **93,158,952** | 67,999,661 |
| Final tax at 20% | **3,370,278** | 4,128,489 |
| | **96,529,230** | 72,128,150 |
| Deferred tax expense (income) relating to origination and reversal of temporary differences | **5,028,903** | (8,537,970) |
| | **101,558,133** | 63,590,180 |
| *Recognized in other comprehensive income:* | | |
| Deferred tax expense (income) relating to origination of temporary differences | **3,595,646** | (2,019,583) |

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense related in profit or loss section as follows.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Tax on pretax profit at 25% | **86,019,793** | 63,484,945 |
| Adjustment for income subjected to lower income tax rates | **(842,570)** | (1,032,122) |
| Tax effects of non-deductible expenses | **1,817,866** | 1,137,357 |
| Adjustment for income tax due to derecognition of deferred tax assets | **14,563,043** | - |
| | **101,558,132** | 63,590,180 |

The deferred tax assets as of December 31, 2024 and 2023 relate to the following:

| | | | Statements of Comprehensive Income | | | |
|---|---|---|---|---|---|---|
| | Statement of Financial Position | | Profit or Loss | | Other Comprehensive Income | |
| *(Amounts in PHP)* | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| Deferred tax assets: | | | | | | |
| Allowance for impairment: | | | | | | |
| Loans receivables | **33,129,830** | 43,539,208 | **(10,409,378)** | 2,766,832 | **-** | - |
| Investment properties | **14,726,764** | 1,065,208 | **13,661,556** | 203,312 | **-** | - |
| Other resources | **7,807,190** | 6,160,931 | **1,646,259** | 861,357 | **-** | - |
| Accumulated depreciation – investment property | **4,414,078** | 6,407,624 | **(1,993,546)** | 1,435,137 | **-** | - |
| Post-employment benefit obligation | **7,944,136** | 15,556,414 | **(4,016,632)** | 1,906,593 | **(3,595,646)** | 2,019,583 |
| Lease liabilities | **53,143,937** | 37,571,754 | **15,572,183** | (7,729,507) | **-** | - |
| Deferred tax liability – | | | | | | |
| Right-of-use assets | **(43,275,358)** | (28,579,822) | **(14,695,536)** | 9,421,399 | **-** | - |
| Unamortized past service cost | **(3,812,349)** | 981,460 | **(4,793,809)** | (327,153) | **-** | - |
| Deferred tax assets - net | **74,078,228** | 82,702,777 | | | | |
| Deferred tax income (expense) - net | | | **(5,028,903)** | 8,537,970 | **(3,595,646)** | 2,019,583 |

In 2024 and 2023, the Bank is subject to MCIT, which is computed at 2% and 1.5%, respectively, of gross income net of allowable deduction, as defined under the tax regulations, or RCIT, whichever is higher. No MCIT was reported in 2024 and 2023 as the RCIT was higher than MCIT in those years.

In 2024 and 2023, the Bank claimed itemized deductions in computing of its income tax due.

## 20. RELATED PARTY TRANSACTIONS

The Bank's related parties include its DOSRI, related parties under common ownership, the Bank's key management personnel and others as described below and in the succeeding page.

The summary of the Bank's significant transactions and outstanding balance with its related parties as of and for the years ended December 31, 2024 and 2023 are presented below.

| *(Amounts in PHP)* | | **2024** | | 2023 | |
|---|---|---|---|---|---|
| **Related Party Category** | Note | **Amount of Transaction** | **Outstanding Balance** | Amount of Transaction | Outstanding Balance |
| **DOSRI** | | | | | |
| Deposits | 20.1(a) | **1,830,934,199** | (598,943,458) | 2,432,587,752 | (560,430,667) |
| Interest expense on deposits | | **10,502,995** | - | 7,066,471 | - |
| Purchase of goods and services | 20.1(c) | **117,422,112** | - | 105,136,775 | - |
| Loan receivables | 20.1(a) | **100,300,000** | 95,301,802 | 67,200,000 | 65,274,823 |
| Accrued interest receivable | | **961,184** | 1,616,488 | 655,304 | 897,970 |
| Interest income on loans | | **8,331,258** | - | 18,011,272 | - |
| Management fees | 20.1(b) | **5,535,000** | - | 100,000 | - |
| **Key management personnel –** Compensation | 20.2 | **26,319,400** | - | 30,080,003 | - |

### *20.1 DOSRI*

(a) *Loans and Deposits*

Current banking regulations limit the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15.00% of the total loan portfolio of the Bank, whichever is lower.

(b) *Management Services*

In 2014, the Bank entered into a management service contract with the regional operating headquarters (ROHQ) of Bridge, where Bridge is a stockholder of the Bank. The service contract to be rendered by Bridge ROHQ covers the following projects:

- Implementation of action plan from corporate governance review;
- Design of incentive system based linking reward to performance;
- Dissemination of current best practice sales approaches techniques;
- Identification of behavioral indicators of future loan repayment and re-design renewal credit assessment;
- Reduction of collection frequency and elimination of unproductive account officer activities;
- Design and automation of collection process; and,

- Review of market, segment, client needs, competition, and alternative additional products.

The Bank recognized management fees expense amounting to P5.5 million and P0.1 million in 2024 and 2023, respectively, for the services billed by Bridge ROHQ reported as part of Management and professional fees under Other Expenses account in the statements of comprehensive income (see Note 17.2). There is no outstanding liability arising from this transaction as of December 31, 2024.

*(c) Purchase of Goods and Services*

The Bank reported purchases of goods and services transactions from their related parties at arm's length prices amounting to P117.4 million and P105.1 million as of December 31, 2024 and 2023, respectively. These transactions include, among others, rentals, security services, and professional fees (see Note 17).

### *20.2 Key Management Compensation*

The Bank provided short-term benefits to its key management personnel amounting to P26.3 million and P30.1 million as of December 31, 2024 and 2023, respectively, which is presented as part of Salaries and employee benefits under Other Operating Expenses in the statements of comprehensive income (see Note 17.2).

## 21. COMMITMENTS AND CONTINGENCIES

The Bank is a plaintiff in various cases pending in courts for alleged claims against the Bank, the outcome of which are not fully determinable as of date. Also, in the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities, which are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2024 and 2023, no additional material losses or liabilities are required to be recognized in the financial statements as a result of these commitments and transactions.

## 22. EVENTS AFTER THE END OF THE REPORTING PERIOD

On February 25, 2025, the Bank's BOD approved the declaration of cash dividends amounting to P150.0 million, payable on March 15, 2025. Accordingly, the impact of the declaration was not reflected in the Bank's financial statements as of and for the year ended December 31, 2024.

## 23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BANGKO SENTRAL NG PILIPINAS

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

*(a) Selected Financial Performance Indicators*

The following are some indicators of the Bank's financial performance.

| | **2024** | 2023 |
|---|---|---|
| Return on average capital | | |
| $\frac{\text{Net profit}}{\text{Average total capital accounts}}$ | **9.00%** | 7.54% |
| Return on average resources | | |
| $\frac{\text{Net profit}}{\text{Average total resources}}$ | **1.68%** | 1.66% |
| Net interest margin | | |
| $\frac{\text{Net interest income}}{\text{Average interest earning resources}}$ | **9.03%** | 8.82% |

*(b) Capital Instruments Issued*

The Bank is authorized to issue common and preference shares, but the capital instrument issued by the Bank comprise only of common shares classified under Common Equity Tier 1 (CET 1). As of December 31, 2024, and 2023, there are 152,522,600 common shares which were issued and outstanding.

(c) *Significant Credit Exposures for Loans*

An analysis of concentration by industry or economic sector of loans and receivables (grossed up for any allowance for impairment losses) of the Bank, as of December 31, 2024 and 2023 are shown below.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| *(Amounts in PHP)* | **Amount** | **Percentage** | Amount | Percentage |
| Wholesale and retail trade, repair of motor vehicles, motorcycles | **2,173,400,617** | **18.66%** | 1,651,949,449 | 15.53% |
| Agriculture, forestry and fishing | **1,576,571,565** | **13.53%** | 1,257,925,548 | 11.83% |
| Real estate activities | **1,553,721,281** | **13.34%** | 1,611,264,508 | 15.15% |
| Accommodation and food service activities | **727,850,188** | **6.25%** | 533,927,002 | 5.02% |
| Construction | **411,139,351** | **3.53%** | 415,437,276 | 3.91% |
| Administrative and support service activities | **377,187,547** | **3.24%** | 315,065,999 | 2.96% |
| Manufacturing | **212,686,103** | **1.83%** | 120,805,093 | 1.14% |
| Professional, scientific and technical activities | **132,663,642** | **1.14%** | 126,737,591 | 1.19% |
| Other service activities | **107,984,966** | **0.93%** | 53,861,768 | 0.51% |
| Mining and quarrying | **72,459,072** | **0.62%** | 102,867,654 | 0.97% |
| Transportation and storage | **52,395,658** | **0.45%** | 64,466,215 | 0.61% |
| Human health and social work activities | **43,758,049** | **0.38%** | 27,102,090 | 0.25% |
| Education | **41,017,365** | **0.35%** | 23,755,825 | 0.22% |
| Information and communication | **24,279,618** | **0.21%** | 18,870,852 | 0.18% |
| Arts, entertainment and recreation | **6,132,776** | **0.05%** | 7,107,180 | 0.07% |
| Water supply, sewerage, waste management and remediation activities | **1,770,642** | **0.02%** | 2,539,475 | 0.02% |
| Financial and insurance activities | **1,520,431** | **0.01%** | 80,000 | 0.00% |
| Electricity, gas, steam and air-conditioning supply | **-** | **0.00%** | 134,409 | 0.00% |
| Others | **4,132,462,857** | **35.46%** | 4,302,329,422 | 40.44% |
| | **11,649,001,728** | **100.00%** | 10,636,227,356 | 100.00% |

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

As of December 31, 2024 and 2023, 10% of Tier 1 capital amounted to P225.6 million and P331.2 million, respectively, and the table shows the industry exceeding this level.

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Wholesale and retail trade, repair of motor vehicles, motorcycles | **2,173,400,617** | 1,651,949,449 |
| Agriculture, forestry and fishing | **1,576,571,565** | 1,257,925,548 |
| Real estate activities | **1,553,721,281** | 1,611,264,508 |
| Accommodation and food service activities | **727,850,188** | 533,927,002 |
| Construction | **411,139,351** | 415,437,276 |
| Administrative and support service activities | **377,187,547** | 315,065,999 |

Management believes that the Bank's credit concentration on the above industries or economic sectors are justifiable considering that it is consistent with the nature of its operation as a thrift bank, and that the main loan product of the Bank is salary and personal loans with individuals as target clientele.

(d) *Credit Status of Loans*

The breakdown of loans receivables as to status is shown below.

| *(Amounts in PHP)* | **Performing** | **Non-performing** | **Total Loan Portfolio** |
|---|---|---|---|
| **December 31, 2024** | | | |
| Gross carrying amount: | 11,407,251,076 | 374,603,312 | 11,781,854,388 |
| Allowance for ECL | (82,849,333) | (79,207,814) | (162,057,147) |
| **Net carrying amount** | **11,324,401,743** | **295,395,498** | **11,619,797,241** |
| December 31, 2023 | | | |
| Gross carrying amount: | 10,316,101,027 | 443,419,072 | 10,759,520,099 |
| Allowance for ECL | (72,767,895) | (102,065,724) | (174,833,619) |
| Net carrying amount | 10,243,333,132 | 341,353,348 | 10,584,686,480 |

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

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Gross NPLs | **374,603,312** | 443,419,072 |
| NPLs fully covered by allowance for impairment | **(11,478,213)** | (11,615,445) |
| | **363,125,099** | 431,803,627 |

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

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written off.

Restructured loans amount to P126.7 million and P139.4 million as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P5.3 million and P4.5 million as of December 31, 2024 and 2023, respectively.

*(e) Information on Related Party Loans*

In the ordinary course of business, the outstanding loans, deposits, and other transactions with DOSRIs are shown in Note 20.1. Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

| | **DOSRI Loans** | | **Related Party Loans (inclusive of DOSRI)** | |
|---|---|---|---|---|
| *(Amounts in PHP)* | **2024** | 2023 | **2024** | 2023 |
| Total outstanding loans | **95,301,802** | 65,274,823 | **95,301,802** | 65,274,823 |
| % of loans to total loan portfolio | **0.82%** | 0.61% | **0.82%** | 0.61% |
| % of unsecured loans to total DOSRI/related party loans | **0.00%** | 0.00% | **0.00%** | 0.00% |
| % of past due loans to total DOSRI/related party loans | **0.00%** | 0.00% | **0.00%** | 0.00% |
| % of non-performing loans to total DOSRI/related party loans | **0.00%** | 0.00% | **0.00%** | 0.00% |

As of December 31, 2024, and 2023, the Bank does not have loans, other credit accommodations and guarantees granted to DOSRI in accordance with BSP reporting guidelines.

(f) *Analysis of Loan Portfolio as to Type of Security*

The breakdown of total gross loans receivables excluding accrued interest receivables, as to security with corresponding collateral types, and unsecured loans are shown below.

| *(Amounts in PHP)* | Note | **2024** | 2023 |
|---|---|---|---|
| Secured: | | | |
| Real estate mortgage | | **6,742,135,675** | 5,691,748,601 |
| Deposits hold-out | 5.2 | **61,616,266** | 73,189,821 |
| Chattel mortgage | | **615,364,202** | 538,922,681 |
| | | **7,419,116,143** | 6,303,861,103 |
| Unsecured | | **4,229,885,585** | 4,332,366,253 |
| | | **11,649,001,728** | 10,636,227,356 |

(g) *Secured Liabilities and Assets Pledged as Security*

As of December 31, 2024 and 2023, certain loans receivables amounting to P3,180.6 million and P2,831.2 million, were used to secure deposit liabilities and bills payable amounting to P61.6 million and P3,119.0 million, and P73.2 million and P2,758.0 million, respectively.

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

The summary of the Bank's commitments and contingent accounts arising from transactions not given recognition in the statements of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2024 and 2023 are as follows:

| *(Amounts in PHP)* | **2024** | 2023 |
|---|---|---|
| Late loan check payments | **-** | 145,800 |
| Late check deposits | **-** | 81,260 |
| Other committed credit lines | **119,700,000** | 231,750,000 |

## 24. SUPPLEMENTAL INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year expressed in absolute amounts, which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation No. 15-2010, to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

*(a) Gross Receipts Tax*

In lieu of the value-added tax, the Bank is subject to gross receipt tax (GRT) imposed on all banks and non-bank financial intermediaries pursuant to Section 121 of the National Internal Revenue Code.

In 2024, the Bank reported total GRT amounting to P114,662,997 which is shown as part of Taxes and licenses under Other Expenses account in the 2024 statement of comprehensive income.

*(b) Documentary Stamp Tax (DST)*

In general, the Bank's DST transactions arise from the execution of debt instruments, security documents, certificates of deposits and bills of exchange.

For the year ended December 31, 2024, DST affixed amounted to P71,756,792 representing documentary stamps imposed mainly on debt instruments documents issued during the year.

*(c) Taxes on Importations*

The Bank has not paid or accrued any taxes on importations as it has no importations for the year ended December 31, 2024.

*(d) Excise Tax*

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

*(e) Taxes and Licenses*

The details of taxes and licenses in 2024 of the Bank are as follows:

| *(Amounts in PHP)* | |
|---|---|
| GRT | 114,662,997 |
| DST | 71,756,792 |
| Business permits and registration | 11,128,480 |
| Others | 3,207,628 |
| | **200,755,897** |

Taxes and licenses are presented under Other Expenses in the 2024 statement of comprehensive income.

(f) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2024 are shown below.

| *(Amounts in PHP)* | |
|---|---|
| Final | 61,595,264 |
| Expanded | 9,088,761 |
| Compensation and employee benefits | 6,893,284 |
| | **77,577,309** |

(g) *Deficiency Tax Assessments and Tax Cases*

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

# Consumers

# Sales Rally 2024

## 2024 ANNUAL REPORT TEAM

WRITTEN BY JEN VALENCIA, NORMAN FLORIDA
LAYOUT BY KRIS VALDEZ

(088) 858-4153  consumercare@1stvalleybank.com

1st Valley Bank
A Development Bank
*Your Lifetime Friend*

**HEAD OFFICE**
Vamenta Blvd. cor Lirio St., Carmen, CDO City
Tel. No.: (088) 858-4153
Fax No.: (088) 858-5632

www.1stvalleybank.com.ph
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